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## **CITY OF CLEVELAND, OHIO**

Single Audit Reports

Year Ended December 31, 2011

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**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended December 31, 2011**

Federal Grant/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Federal Expenditures
Department of Agriculture			
Summer Food Service Program for Children 2010		10.559	\$ 6,989
Summer Food Service Program for Children 2011		10.559	\$ 256,940
<b>Total Department of Agriculture</b>			<u>263,929</u>
Department of Energy			
Weatherization Assistance for Low-Income Persons 2009		81.042	1,773
ARRA-Weatherization Assistance for Low-Income Persons 2009		81.042	9,212,590
			<u>9,214,363</u>
ARRA-Energy Efficiency And Conservation Block Grant Program (EECBG)		81.128	1,763,062
			<u>1,763,062</u>
<b>Total Department of Energy</b>			<u>10,977,425</u>
Department of Health and Human Service			
Healthy Start Initiative Yr 10		93.926	1,057,503
Healthy Start Initiative Yr 11		93.926	859,964
<b>Subtotal</b>			<u>1,917,467</u>
Family Planning Services Title X FY 2011		93.217	222,128
Family Planning Services Title X FY 2012		93.217	59,401
<b>Subtotal</b>			<u>281,529</u>
Pass Through Programs:			
Ohio Department of Health: Centers for Disease Control and Prevention - Investigations and Technical Assistance:			
Substance Abuse and Mental Health Services Administration	5H79TI019946-03	93.243	179,440
<b>Subtotal</b>			<u>179,440</u>
Ohio Department of Health: Immunization Grants 2008			
Immunization Grants 2008	18-100-1-2-IM-0108	93.268	553
Immunization Grants 2009	18-100-1-2-IM-0109	93.268	3,235
Immunization Grants 2010	18-100-1-2-IM-0110	93.268	88,303
<b>Subtotal</b>			<u>92,091</u>
Ohio Department of Health: Childhood Lead Poisoning Prevention 2010/2011			
Childhood Lead Poisoning Prevention 2010/2011	18-2-001-1-BD-09/10	93.197	141,943
Childhood Lead Poisoning Prevention 2011/2012	18-2-001-1-BD-11	93.197	43,666
<b>Subtotal</b>			<u>185,609</u>
Ohio Department of Health: Centers for Disease Control and Prevention - Investigations and Technical Assistance:			
City Readiness Initiative 2010	18-200-1-2-PI-0210	93.069	14,941
City Readiness Initiative 2011	18-200-1-2-PI-0211	93.069	559,086
City Readiness Initiative 2012	18-200-1-2-PI-0212	93.069	85,999
Public Health Collaborative 2011	18-1-001-2-BI-11	93.069	150,314
Public Health Collaborative 2012	18-1-001-2-BI-12	93.069	55,865
PHER Area 1 2010		93.069	9,228
PHER Area 2 2010		93.069	18,314
PHER Area 1 2011		93.069	73,475
PHER Area 2 2011		93.069	12,727
PHER Area 3 2011		93.069	316,095
<b>Subtotal</b>			<u>1,296,044</u>

(Continued)

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended December 31, 2011**

Federal Grant/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Federal Expenditures
Department of Health and Human Service (continued):			
WRAAA OAA/ADRC Project		93.044	91,139
WRAAA Supportive Services		93.044	122,446
<b>Subtotal</b>			<u>213,585</u>
Ohio Department of Health:			
Preventive Health Services-Sexually Transmitted Diseases:			
Sexually Transmitted Diseases Diagnosis & Treatment 2010	18-2-001-2-BX-10	93.977	22,980
Sexually Transmitted Diseases Diagnosis & Treatment 2011	18-2-001-2-BX-11	93.977	98,490
<b>Subtotal</b>			<u>121,470</u>
Ohio Department of Health:			
HIV Prevention 2009	18-2-001-2-AS-09	93.940	921
HIV Prevention 2010	18-2-001-2-AS-10	93.940	195,390
HIV Prevention 2011	18-2-001-2-AS-11	93.940	549,213
<b>Subtotal</b>			<u>745,524</u>
Cuyahoga County Board of Health:			
Block Grants for Prevention and Treatment of Substance Abuse:			
Centerpoint 2011		93.959	134,171
Centerpoint 2011		93.959	41,183
Student Assistance 2012		93.959	106,367
Student Assistance 2012		93.959	8,533
<b>Subtotal</b>			<u>290,254</u>
Ohio Department of Development:			
Low-Income Home Energy Assistance-HHS 2009	09-111	93.568	738
ARRA-Low-Income Home Energy Assistance-HHS 2009	ARRA-10-111	93.568	1,509,463
<b>Subtotal</b>			<u>1,510,201</u>
<b>Total Department of Health and Human Services</b>			<u><u>6,833,214</u></u>
Department of Housing & Urban Development			
Ohio Department of Health:			
Lead Hazard Reduction Demonstration Grant Program 2009	OHLHD0144-06	14.905	205
Lead Hazard Reduction Demonstration Grant Program 2010	OHLHD0188-08	14.905	1,479,964
<b>Subtotal</b>			<u>1,480,169</u>
CDBG Yr 30		14.218	1,849,692
CDBG Yr 31		14.218	481,920
CDBG Yr 32		14.218	926,986
CDBG Yr 33		14.218	611,069
CDBG Yr 34		14.218	731,593
CDBG Yr 35		14.218	1,549,904
CDBG Yr 36		14.218	11,760,037
CDBG Yr 37		14.218	9,577,656
CDBG Neighborhood Stabilization Program		14.218	1,863,145
NSP 3		14.218	1,580,728
SHAP/CHORE 2007-2008		14.218	258,097
ARRA-CDBG Entitlement Grants (CDBG-R) (Recovery Act Funded)		14.253	2,834,761
<b>Subtotal</b>			<u>34,025,588</u>
Lead Technical Studies Grants 2010	OHLHD0188-08	14.900	1,145,147

(Continued)

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended December 31, 2011**

<b>Federal Grant/ Pass Through Grantor/ Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
Department of Housing & Urban Development (continued):			
HOME Investment Partnerships Program 1992		14.239	2,286
HOME Investment Partnerships Program 2001		14.239	139,584
HOME Investment Partnerships Program 2004		14.239	6,492
HOME Investment Partnerships Program 2006		14.239	20,000
HOME Investment Partnerships Program 2007		14.239	522,013
HOME Investment Partnerships Program 2008		14.239	532,500
HOME Investment Partnerships Program 2009		14.239	2,234,250
HOME Investment Partnerships Program 2009		14.239	3,316,986
<b>Subtotal</b>			<u>6,774,111</u>
Emergency Shelter Grants Program 2009		14.231	131,100
Emergency Shelter Grants Program 2010		14.231	966,410
<b>Subtotal</b>			<u>1,097,510</u>
Housing Opportunities for Persons With Aids 2009		14.241	627,865
Housing Opportunities for Persons With Aids 2010		14.241	23,849
<b>Subtotal</b>			<u>651,714</u>
Empowerment Zones Program		14.244	1,576,916
<b>Subtotal</b>			<u>1,576,916</u>
Evergreen BEDI Grant	OH B-09-BD-39-8016	14.246	2,000,000
Evergreen HUD 108		14.248	8,000,000
Pass Through Programs:			
Ohio Department of Development:			
CDBG - Neighborhood Stabilization Program	A-Z-08-264-1	14.228	398,723
Ohio Department of Development:			
ARRA Homeless Prevention	S-09-MY-39-0004	14.257	3,580,323
ARRA-Neighborhood Stabilization Program NSP HUD		14.256	12,117,409
<b>Total Department of Housing &amp; Urban Development</b>			<u>72,847,610</u>
Department of Justice			
Public Safety Partnership and Community Policing Grants:			
Cleveland Universal Hiring II		16.710	25,523
ARRA Cleveland Universal Hiring II		16.710	3,274,078
Federal DOJ-COPS Technology GR		16.710	122,652
Federal DOJ Cops Technology		16.710	1,750,168
<b>Subtotal</b>			<u>5,172,421</u>
2010-Edward Byrne Memorial-JAG	2010-DJ-BX-0251	16.738	651,465
ARRA-Recovery Act - Edward Byrne Memorial Justice Assistance Grants to Units of Local Government	2009-SB-B9-0367	16.804	714,156
Pass Through Programs:			
Ohio Department of Public Safety:			
2009-Edward Byrne Memorial-NOLETF	2009-JG-A01-6444	16.738	47,183
2010-Edward Byrne Memorial-NOLETF	2010-JG-A01-6444	16.738	165,277
ARRA-Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Local Program Grants to Units of Local Government	2009-RA-B01-2012	16.803	30,967
ARRA-Edward Byrne Memorial Justice Assistance Grant Local Program	2009-SB-B9-0367	16.804	70,675

(Continued)

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended December 31, 2011**

Federal Grant/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Federal Expenditures
Department of Justice (continued):			
Cuyahoga County - Department of Justice Affairs:			
Edward Byrne Memorial Justice Assistance Grant Programs (JAG):			
2008-Edward Byrne Memorial-JAG	08-JAG-MUN-01	16.738	1,488
2009-Edward Byrne Memorial-JAG	2009-DJ-BX-0796	16.738	538,783
<b>Subtotal</b>			<u>2,219,994</u>
State of Ohio - Office of Criminal Justice Services:			
Law Enforcement Trust Federal		16.000	343,686
<b>Subtotal</b>			<u>343,686</u>
State of Ohio - Office of Criminal Justice Services:			
Violence Against Women Formula Grants :			
VAWA Team Approach 2010 Law	2010-VP-VA2-V041	16.588	80,947
<b>Subtotal</b>			<u>80,947</u>
State of Ohio - Office of Criminal Justice Services:			
VAWA Team Approach 2010 Safety	2010-VP-VA2-V042	16.590	114,217
<b>Subtotal</b>			<u>114,217</u>
State of Ohio - Office of Criminal Justice Services:			
Juvenile Accountability Incentive Block Grants 2010	2009-JB-MUN-1001	16.523	35,421
Juvenile Accountability Incentive Block Grants 2010	2010-JB-MUN-1001	16.523	78,349
<b>Subtotal</b>			<u>113,770</u>
Ohio Department of Public Safety:			
Anti-Gang Initiative 2006	2006-PS-CAG-372	16.744	43,547
<b>Subtotal</b>			<u>43,547</u>
Gang Resistance Education and Training 2009		16.737	18,969
<b>Subtotal</b>			<u>18,969</u>
<b>Total Department of Justice</b>			<u><u>8,107,551</u></u>
Department of Commerce			
Ohio Department of Jobs and Family Services:			
U S Department of Commerce, Economic Development Administration:			
Revolving Loan Fund Grant - Economic Adjustment Assistance	See Footnote 1	11.307	3,045,812
<b>Total Department of Commerce</b>			<u><u>3,045,812</u></u>
Department of Labor			
Ohio Department of Jobs and Family Services:			
WIA Adult Program	G-1011-15-0258	17.258	1,297,308
WIA Youth Program	G-1011-15-0258	17.259	83,199
WIA Dislocated Worker Program	G-1011-15-0258	17.260	487,782
<b>Total Department of Labor</b>			<u><u>1,868,289</u></u>
Department of Transportation			
Airport Improvement Program		20.106	36,045,083
ARRA-Airport Improvement Program		20.106	314,463
<b>Subtotal</b>			<u><u>36,359,546</u></u>
Pass Thru:			
ARRA-SRTS FY 2009		20.205	2,848
Highway Planning and Construction:			
MLK		20.205	50,980
SRTS FY 2009 Signals		20.205	9,391
Highway Planning and Construction:			
ARRA- East 14th Street		20.205	178,076
ARRA- Avenue District Ph IV		20.205	13,995
ARRA- KAMM'S CORNER		20.205	278,560

(Continued)

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended December 31, 2011**

Federal Grant/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Federal Expenditures
Department of Transportation (continued):			
Highway Planning and Construction:			
Federal NOACA Bessemer		20.205	280,000
Federal NOACA Gateway Playhouse		20.205	38,271
Federal NOACA Kamm's Corner		20.205	35,956
Federal NOACA East 22 Trans Plan		20.205	25,617
Federal NOACA League Park Plan		20.205	10,743
Federal NOACA Westside Market Revival		20.205	40,800
Federal NOACA Variety Village Study		20.205	638
			<u>965,875</u>
<b>Total Department of Transportation</b>			<u><u>37,325,421</u></u>
Department of Environmental Protection Agency			
Direct Programs:			
Air Pollution Control Program Support 2010		66.001	213,173
Air Pollution Control Program Support 2011		66.001	2,110,683
Air Pollution Control Program Support 2012		66.001	402,782
<b>Subtotal</b>			<u>2,726,638</u>
OWDA Water		66.468	1,927,746
<b>Subtotal</b>			<u>1,927,746</u>
Brownfields Assessment and Cleanup Cooperative Agreements:			
Warner Swasey Brownfield ASBES		66.818	23,120
Lower Woolen Mills		66.818	163,444
Morgana Run		66.818	2
<b>Subtotal</b>			<u>186,566</u>
Brownfield Assessment Grant		66.814	8,732
Chemical Emergency Preparedness and Prevention:			
Bio-Watch Program 2011		66.810	246,744
Bio-Watch Program 2012		66.810	110,343
<b>Subtotal</b>			<u>357,087</u>
<b>Total Environmental Protection Agency</b>			<u><u>5,206,769</u></u>
Department of Homeland Security			
Metropolitan Medical Response System 2008		97.071	141,665
Metropolitan Medical Response System 2009		97.071	79,377
Metropolitan Medical Response System 2010		97.071	146,270
<b>Subtotal</b>			<u>367,312</u>
National Explosives Detection Canine Team Program		97.072	150,500
<b>Subtotal</b>			<u>150,500</u>
2009 Safer Grant		97.083	304,943
2010 Safer Grant		97.083	618,749
<b>Subtotal</b>			<u>923,692</u>
2007 (LETPP) Law Enforcement Terrorism Prevention Program		97.074	40,615
2008 (LETPP) Law Enforcement Terrorism Prevention Program		97.074	457,040
<b>Subtotal</b>			<u>497,655</u>
Law Enforcement Officer Reimbursement Agreement Program		97.090	556,294
<b>Subtotal</b>			<u>556,294</u>

(Continued)

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended December 31, 2011**

<b>Federal Grant/ Pass Through Grantor/ Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
Department of Homeland Security (continued):			
Cuyahoga County Department of Justice Affairs			
Urban Area Security Initiative 2007	2007-GE-T7-0030	97.008	76,488
Urban Area Security Initiative 2008	2008-GE-T8-0025	97.008	315,339
Urban Area Security Initiative 2009	2009-SS-T9-0089	97.008	1,747,379
Urban Area Security Initiative 2010	2010-SS-T0-0012	97.008	164,738
<b>Subtotal</b>			<u>2,303,944</u>
Public Safety Fire Grants:			
Buffer Zone Protection FY 07	2007-BZ-T7-0048	97.078	83
Buffer Zone Protection FY 09	2009-BF-T9-0046	97.078	193,852
Federal BAPP-FY07-Crown		97.078	10,100
Federal-BZPP-FY08-Garrett Morgan		97.078	170,261
Federal-BZPP-FY08-Nottingham		97.078	64,532
<b>Subtotal</b>			<u>438,828</u>
<b>Total Department of Homeland Security</b>			<u>5,238,225</u>
<b>Grand Total</b>			<u>\$ 151,714,245</u>

(Concluded)



**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
NOTES TO THE "SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS"  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**Basis of Presentation**

The accompanying "Schedule of Expenditures of Federal Awards" includes the federal grant activity of the City of Cleveland (the "City") and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Longwood Apartments Grant**

The United States Department of Housing and Urban Development (HUD) made available an UpFront grant, CFDA 14.199, to the City in connection with the demolition, rebuilding and redevelopment of the Longwood apartments.

The funding for the plan is to come from a variety of public and private sources, including, tax-exempt bonds issued under Section 103 of the Internal Revenue Code of 1986, private sector equity derived from benefits associated with the low income housing tax credits, HUD Section 221 (d)(4) mortgage insurance, HUD UpFront Grant Program Funds, and City general obligation bond, public utility, Housing Trust Fund, and NDA funds.

The UpFront Grant will be allocated and loaned to the developer throughout the various phases of the project in accordance with a Promissory Note, Interest on this Note began to accrue on April 1, 2006 at a fixed annual rate of 0.25% with this Note maturing on April 1, 2046.

**Park Village Apartment Grant**

The United States Department of HUD made available an UpFront Grant in the amount of \$981,836 for the rehabilitation of the Park Village Apartments, CFDA 14.199.

In addition to the Upfront Grant, funding for the plan includes a private lender first mortgage, a Community Development Block Grant Float Loan and private sector equity derived from benefits associated with low income housing tax credits.

The UpFront Grant funds are being loaned to the developer in accordance with the Promissory Note. Interest on this Note began to accrue on March 19, 2003 at a fixed annual rate of 5.23% per annum with this Note maturing on March 19, 2033.

**Footnote 1: Revolving Loan Fund**

Activity in the Economic Adjustment Assistance, CFDA 11.307 revolving loan fund during 2011:

Beginning loans receivable balance as of January 1, 2011	\$2,248,824
Loans made during 2011	295,997
Loan principal repaid on loans issued prior to 2011	(637,090)
Loan principal write off during 2011	(194,132)
Ending loans receivable balance as of December 31, 2011	<u>1,713,599</u>
Cash balance on hand in the revolving loan fund as of December 31, 2011	
Cash balance, unobligated	745,270
Revolving loan committed but not disbursed	925,366
Total unobligated cash and committed but not disbursed cash	<u>1,670,636</u>
Total value of revolving loan portion of the EDA 11.307 program	3,384,235
Less: City's matching share	(338,423)
Total federal value of revolving loan portion as of December 31, 2011	<u><u>\$3,045,812</u></u>

**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
NOTES TO THE "SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS"  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**Revolving Loan Fund (Continued)**

4500 LTD	\$41,969
Accurate Instrument Service Co., Inc.	333
Aeroscena LLC	28,637
Braden Sutphin Ink Co.	63,833
Bula Forge & Machine Inc.	104,112
Cardioninsight Tech, Inc	174,355
CEAM Investment Co.	147,327
DRD, Inc., DBA AS Power Direct	88,820
Dunecraft Inc.	74,193
Evergreen Cooperative	84,310
Jane and Arthur Ellison LTD	114,893
Nisman Rozgonyi Enterprise	148,997
Northern Ohio Lumber & Timber Co.	22,098
Otto Klonigslow Manufacturing Co.	27,559
Proxy Biomedical	141,817
Replica Engineering Inc.	19,952
Sparkbase LLC	88,975
Unger Company	124,263
Universal Heat Treating Inc.	18,794
Zen Industries Inc.	91,671
Northeast Ohio Neighborhood Real Estate	65,648
Northeast Ohio Neighborhood Real M & E	41,043
	<u>\$1,713,599</u>

**Footnote 2: Ohio Department of Transportation**

The Ohio Department of Transportation (ODOT) CFDA 20.205 is the organization of state government responsible for developing and maintaining all state and federal roadways in the State of Ohio (State) with exception of the Ohio Turnpike. In addition to highways, the department also helps develop public transportation and public aviation programs. The "Schedule of Expenditures of Federal Awards" details expenditures incurred by the City in the year they were paid. Due to the timing of work executed and timing of the reimbursement from ODOT, the expenditures reported on the "Schedule of Expenditures of Federal Awards" may not coincide with expenditures reported by ODOT.

Amounts reimbursed to the City by ODOT during 2011	\$459,912
Expensed and reported by the City in Fiscal Year 2011	(\$424,802)
Federal Expenditures reported in 2010 reimbursed 2011	(\$35,110)
Federal Expenditures expensed in 2011 not yet reimbursed	\$2,848
Federal Expenditures expensed in 2011 not yet reimbursed	\$94,027
Federal Expenditures expensed in 2011 not yet reimbursed	\$12,173
Amount expensed by the City in Fiscal Year 2011 not yet reimbursed	<u>\$109,048</u>

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee  
City of Cleveland, Ohio:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Ohio ("City") as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 25, 2012, wherein we noted the City implemented Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control over Financial Reporting**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

one east fourth street, ste. 1200  
cincinnati, oh 45202

www.cshco.com  
p. 513.241.3111  
f. 513.241.1212

### **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated June 25, 2012.

This report is intended solely for the information and use of the Mayor, Members of City Council, the Audit Committee, the City's management, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
June 25, 2012

## **REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Frank G. Jackson, Mayor, Members of Council and the Audit Committee  
City of Cleveland, Ohio:

### **Compliance**

We have audited the City of Cleveland, Ohio's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-1.

### **Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

one east fourth street, ste. 1200  
cincinnati, oh 45202

www.cshco.com  
p. 513.241.3111  
f. 513.241.1212

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-1. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2011, and have issued our report thereon dated June 25, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Mayor, Members of City Council, the Audit Committee, the City's management, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
June 30, 2012

**CITY OF CLEVELAND, OHIO**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2011**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None
• Significant deficiency(ies) identified not considered to be material weaknesses?	None
Noncompliance material to the financial statements noted?	None

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	None
• Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	Yes
Identification of major programs:	
• CFDA 11.307 – Economic Adjustment Assistance	
• CFDA 14.239 – Home Investment Partnerships Program	
• CFDA 14.256 – ARRA-Neighborhood Stabilization Program	
• CFDA 14.257 – ARRA-Homelessness Prevention and Rapid Re-Housing Program	
• Justice Assistance Grants (JAG) Cluster:	
CFDA 16.738 – Edward Byrne Memorial JAG Program	
CFDA 16.803 – ARRA-Edward Byrne Memorial JAG – Grants to States and Territories	
CFDA 16.804 – ARRA-Edward Byrne Memorial JAG – Grant to Units of Local Government	
• CFDA 20.205 – ARRA-Highway Planning and Construction	
• CFDA 16.710 – ARRA-Public Safety Partnership and Community Policing Grants	
• CFDA 81.042 – ARRA-Weatherization Assistance for Low-Income Persons	
Dollar threshold to distinguish between Type A and Type B Programs:	\$3,000,000
Auditee qualified as low-risk auditee?	Yes

**CITY OF CLEVELAND, OHIO**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2011**  
**(Continued)**

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

**DEPARTMENT OF TRANSPORTATION**

**Finding 2011-1 – Highway Planning and Construction – CFDA 20.205**

*Condition:* We performed tests to determine if the City was in compliance with matching requirements of this grant agreement. The Westside Market Revival project required a local match of \$10,000. The City met this matching requirement with the use of funds from another Federal grant program.

*Criteria:* 49 CFR 18.24 prohibits using costs borne by other Federal grant agreements to meet a cost sharing or matching requirement.

*Context:* This was the only project under this program the City used Federal funds to satisfy its local matching requirements.

*Cause:* There was a miscommunication between the Economic Development and Community Development departments when the matching funds were requested.

*Effect:* Costs of \$10,000 are questioned as a result of using Federal funds to satisfy the City's local match requirement.

*Recommendation:* The City should implement procedures to ensure it has fully reviewed and communicated the specific details and requirements of a grant project to avoid any potential future instances of noncompliance.

*Views of Responsible Officials:* The Department of Community Development funded a separate contract with a sub-grantee for a program related to the Market District Centennial. When we were made aware of the "match" requirement, a journal entry was made transferring expenses (\$10,000) from the federal grant (CDBG) to a non-federal source.

*The Department of Community Development now has a proposal review process that reviews all contractual and regulatory issues. This process should identify circumstances such as this.*