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## **CITY OF CLEVELAND, OHIO**

Single Audit Reports

Year Ended December 31, 2012

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

**For The Year Ended December 31, 2012**

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 2012		10.559	\$ 294,258
<b>Total Department of Agriculture</b>			<u>294,258</u>
Department of Energy			
Weatherization Assistance for Low-Income Persons 2011		81.042	3,506,926
Weatherization Assistance for Low-Income Persons 2012		81.042	700,804
ARRA-Weatherization Assistance for Low-Income Persons 2009		81.042	715,655
			<u>4,923,385</u>
ARRA-Energy Efficiency Appliance Rebate Program Grant		81.127	91,337
ARRA-Energy Efficiency And Conservation Block Grant Program (EECBG)		81.128	1,685,483
<b>Total Department of Energy</b>			<u>6,700,205</u>
Department of Health and Human Service			
Healthy Start Initiative Yr 11		93.926	1,140,029
Healthy Start Initiative Yr 12		93.926	920,682
<b>Subtotal</b>			<u>2,060,711</u>
Family Planning Services Title X FY 2012		93.217	176,430
Family Planning Services Title X FY 2013		93.217	98,527
<b>Subtotal</b>			<u>274,957</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	5H79TI019946-02	93.243	86,248
Substance Abuse and Mental Health Services Administration	5H79TI019946-03	93.243	13,703
Substance Abuse and Mental Health Services Administration	1H79TI023734-01	93.243	67,974
<b>Subtotal</b>			<u>167,925</u>
Ohio Department of Health:			
Immunization Grants 2010	18-100-1-2-IM-0110	93.268	226
Immunization Grants 2011	18-100-1-2-IM-0111	93.268	93,132
<b>Subtotal</b>			<u>93,358</u>
Ohio Department of Health:			
Childhood Lead Poisoning Prevention 2011/2012	18-2-001-1-BD-11	93.197	47,110
Ohio Department of Health:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance:			
City Readiness Initiative 2011	18-200-1-2-PI-0211	93.069	2,085
City Readiness Initiative 2012	18-200-1-2-PI-0312	93.069	440,705
City Readiness Initiative 2013	18-200-1-2-PI-0413	93.069	53,171
Public Health Collaborative 2011	18-1-001-2-BI-11	93.069	346
Public Health Collaborative 2012	18-1-001-2-BI-12	93.069	136,633
Public Health Collaborative 2013	18-1-001-2-BI-13	93.069	67,421
PHER Area 3 2011		93.069	5,590
<b>Subtotal</b>			<u>705,951</u>

(Continued)

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

**For The Year Ended December 31, 2012**

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	5,591
WRAAA Supportive Services		93.044	9,265
WRAAA OAA/ADRC Project		93.044	144,092
WRAAA Supportive Services		93.044	91,778
<b>Subtotal</b>			<u>250,726</u>
WRAAA Supportive Services/MIPPA		93.779	2,995
Ohio Department of Health:			
Preventive Health Services-Sexually Transmitted Diseases:			
Sexually Transmitted Diseases Diagnosis & Treatment 2011	18-2-001-2-BX-11	93.977	26,282
Sexually Transmitted Diseases Diagnosis & Treatment 2012	18-2-001-2-SD-0112	93.977	120,649
<b>Subtotal</b>			<u>146,931</u>
Ohio Department of Health:			
HIV Prevention 2010	18-2-001-2-AS-10	93.940	3,381
HIV Prevention 2011	18-2-001-2-AS-11	93.940	72,520
HIV Prevention 2012	18-2-001-2-AS-12	93.940	721,094
<b>Subtotal</b>			<u>796,995</u>
Cuyahoga County Board of Health:			
Block Grants for Prevention and Treatment of Substance Abuse:			
Student Assistance 2012 Treatment		93.959	175,275
Student Assistance 2012 Prevention		93.959	5
<b>Subtotal</b>			<u>175,280</u>
Ohio Department of Development:			
Low-Income Home Energy Assistance-HHS 2011	11-111	93.568	41,407
Low-Income Home Energy Assistance-HHS 2012	12-111	93.568	781,879
Low-Income Home Energy Assistance-HHS 2009	10-111	93.568	998,089
<b>Subtotal</b>			<u>1,821,375</u>
<b>Total Department of Health and Human Services</b>			<u><u>6,544,314</u></u>
Department of Housing & Urban Development			
Ohio Department of Health:			
Lead Hazard Reduction Demonstration Grant Program 2010	OHLHD0188-08	14.905	695,344
CDBG Yr 30		14.218	197,115
CDBG Yr 31		14.218	74,592
CDBG Yr 32/33		14.218	33,094
CDBG Yr 34		14.218	170,313
CDBG Yr 35		14.218	567,363
CDBG Yr 36		14.218	3,080,150
CDBG Yr 37		14.218	13,508,795
CDBG Yr 38		14.218	8,793,866
CDBG Neighborhood Stabilization Program		14.218	4,494,036
NSP 3		14.218	2,640,302
SHAP/CHORE 2007-2008		14.218	105,563
ARRA-CDBG Entitlement Grants (CDBG-R) (Recovery Act Funded)		14.253	1,019,087
<b>Subtotal</b>			<u>34,684,276</u>
Lead Technical Studies Grants 2009	OHLHB0400-08	14.900	258,392
Lead Technical Studies Grants 2010	OHLHB0400-08	14.900	587,003
<b>Subtotal</b>			<u>845,395</u>

(Continued)

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

**For The Year Ended December 31, 2012**

Federal Grant/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Federal Expenditures
Department of Housing & Urban Development (continued):			
Healthy Homes Production Program Grant		14.913	59,431
HOME Investment Partnerships Program 1992		14.239	4,185
HOME Investment Partnerships Program 2001		14.239	15,712
HOME Investment Partnerships Program 2003		14.239	285,000
HOME Investment Partnerships Program 2005		14.239	170,000
HOME Investment Partnerships Program 2007		14.239	44,568
HOME Investment Partnerships Program 2008		14.239	418,259
HOME Investment Partnerships Program 2009		14.239	4,623,826
HOME Investment Partnerships Program 2011		14.239	2,531,172
HOME Investment Partnerships Program 2012		14.239	12,645
<b>Subtotal</b>			<u>8,105,367</u>
Emergency Shelter Grants Program 2010		14.231	89,872
Emergency Shelter Grants Program 2011		14.231	923,129
<b>Subtotal</b>			<u>1,013,001</u>
Housing Opportunities for Persons With Aids 2009		14.241	92,492
Housing Opportunities for Persons With Aids 2010		14.241	337,996
Housing Opportunities for Persons With Aids 2011		14.241	937,760
<b>Subtotal</b>			<u>1,368,248</u>
Empowerment Zones Program		14.244	2,168,446
Evergreen HUD 108		14.248	25,979
Hemingway HUD 108		14.248	399,457
<b>Subtotal</b>			<u>425,436</u>
Pass Through Programs:			
Ohio Department of Development: CDBG - Neighborhood Stabilization Program	A-Z-08-264-1	14.228	855,278
Ohio Department of Development: ARRA Homeless Prevention	S-09-MY-39-0004	14.257	2,050,569
ARRA-Neighborhood Stabilization Program NSP HUD	B-09-CN-OH-0032	14.256	12,151,599
<b>Total Department of Housing &amp; Urban Development</b>			<u><u>64,422,390</u></u>
Department of Justice			
Public Safety Partnership and Community Policing Grants: Cleveland Universal Hiring II		16.710	1,716,018
ARRA Cleveland Universal Hiring II		16.710	3,678,009
Federal DOJ-COPS Technology GR		16.710	660,157
<b>Subtotal</b>			<u>6,054,184</u>
2010-Edward Byrne Memorial-JAG	2010-DJ-BX-0251	16.738	105,531
ARRA-Recovery Act - Edward Byrne Memorial Justice Assistance Grants to Units of Local Government	2009-SB-B9-0367	16.804	226,777
Pass Through Programs:			
Ohio Department of Public Safety: 2010-Edward Byrne Memorial-NOLETF	2010-JG-A01-6444	16.738	392
2011-Edward Byrne Memorial-NOLETF	2011-JG-A01-6444	16.738	140,250
2011-Edward Byrne Memorial-NOVCC	2011-JG-A02-6947	16.738	32,215

(Continued)

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

**For The Year Ended December 31, 2012**

Federal Grant/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Federal Expenditures
Department of Justice (continued):			
ARRA-Edward Byrne Memorial Justice Assistance Grant Local Cuyahoga County - Department of Justice Affairs: Edward Byrne Memorial Justice Assistance Grant Programs (JAG): 2012-Edward Byrne Memorial-JAG	2009-SB-B9-0367	16.804	12,126
<b>Subtotal</b>	08-JAG-MUN-01	16.738	<u>378,828</u> <u>896,119</u>
2010 Paul Coverdell	2010-CD-BX-0071	16.742	16,030
State of Ohio - Office of Criminal Justice Services: Law Enforcement Trust Federal		16.000	34,719
State of Ohio - Office of Criminal Justice Services: Violence Against Women Formula Grants : Education, Training, and Enhanced Services to End Violence Against and Abuse of Women with Disabilities	2011-FW-AX-K004	16.529	5,255
State of Ohio - Office of Criminal Justice Services: Violence Against Women Formula Grants : VAWA Team Approach 2009 Law VAWA Team Approach 2010 Law VAWA Team Approach 2011 Law VAWA Team Approach 2011 Law Court Training Program	2009-VP-VA2-V041 2010-VP-VA2-V041 2010-VP-VA2-V041 2011-WC-AX-0002	16.588 16.588 16.588 16.588	1,375 119,001 94,153 <u>11,612</u> <u>226,141</u>
<b>Subtotal</b>			
State of Ohio - Office of Criminal Justice Services: VAWA Team Approach 2010 Safety VAWA Team Approach 2010 Safety VAWA Team Approach 2011 Safety	2010-VP-VA2-V042 2010-VP-VA2-V042 2010-VP-VA2-V042	16.590 16.590 16.590	153,477 153,571 <u>131,516</u> <u>438,564</u>
<b>Subtotal</b>			
State of Ohio - Office of Criminal Justice Services: Juvenile Accountability Incentive Block Grants 2010 Juvenile Accountability Incentive Block Grants 2011 Juvenile Accountability Incentive Block Grants 2012	2010-JB-MUN-1001 2011-JB-MUN-1001 2012-JB-MUN-1001	16.523 16.523 16.523	6,992 45,872 <u>275</u> <u>53,139</u>
<b>Subtotal</b>			
Ohio Department of Public Safety: Cleveland V-Grip Cleveland V-Grip	2007-PS-PSN-347A 2009-PS-PSN-347A	16.609 16.609	11,216 18,000 <u>29,216</u>
<b>Subtotal</b>			
Ohio Department of Public Safety: Anti-Gang Initiative 2006	2006-PS-CAG-372	16.744	119,642
Ohio Department of Public Safety: Gang Resistance Education and Training 2009	2009-JV-FX-0001	16.737	<u>61,234</u> <u>7,934,243</u>
<b>Total Department of Justice</b>			
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	3,055,860 <u>3,055,860</u>
<b>Total Department of Commerce</b>			
Department of Labor			
Ohio Department of Jobs and Family Services: WIA Adult Program WIA Youth Program WIA Dislocated Worker Program	G-1011-15-0258 G-1011-15-0258 G-1011-15-0258	17.258 17.259 17.278	1,111,779 20,812 409,721 <u>1,542,312</u> <u>(Continued)</u>
<b>Total Department of Labor</b>			

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

**For The Year Ended December 31, 2012**

Federal Grant/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Federal Expenditures
Department of Transportation			
Airport Improvement Program		20.106	3,411,599
Pass Through Programs:			
Ohio Department of Transportation:			
Lakes to Lakes Trail/Woodland	PID 90183	20.205	596,135
SRTS FY 2009 Signals	CUY-SRTS-2009-CLE3	20.205	5,647
Ohio Department of Transportation:			
ARRA- East 14th Street	PID 87358	20.205	99,650
ARRA- Avenue District Ph IV	PID 86251	20.205	16,896
ARRA- KAMM'S CORNER	PID 86255	20.205	431,055
Northeast Ohio Areawide Coordinating Agency:			
Federal NOACA Miles Ave Street	PID 84338	20.205	55,000
Federal NOACA Kamm's Corner	PID 84338	20.205	19,044
Federal NOACA East 22 Trans Plan	PID 84338	20.205	49,383
Federal NOACA League Park Plan	PID 84338	20.205	40,929
Federal NOACA Westside Market Revival	PID 84338	20.205	17,200
Federal NOACA Variety Village Study	PID 84339	20.205	11,680
Federal NOACA UCI Bicycle Network Study	PID 84339	20.205	17,452
Federal NOACA W. 65 Corridor Study	PID 84339	20.205	32,592
Federal NOACA E. 55 & Euclid Ave.	PID 84339	20.205	49,806
Federal NOACA E. 131 St. Corridor Plan	PID 84339	20.205	43,160
<b>Subtotal</b>			<u>1,485,629</u>
<b>Total Department of Transportation</b>			<u><u>4,897,228</u></u>
Department of Environmental Protection Agency			
Direct Programs:			
Air Pollution Control Program Support 2011		66.001	104,295
Air Pollution Control Program Support 2012		66.001	2,178,494
Air Pollution Control Program Support 2013		66.001	430,155
<b>Subtotal</b>			<u>2,712,944</u>
Pass Through Programs:			
Ohio Water Development Authority			
OWDA Water	5133	66.468	817,479
OWDA Water	6213	66.468	145,916
<b>Subtotal</b>			<u>963,395</u>
Pass Through Programs:			
Cuyahoga County:			
ARRA-Warner Swasey Brownfield ASBES	2B-00E97301-0	66.818	1,046,401
Warner Swasey Clean Ohio	BL-00E45201-1	66.818	200,000
<b>Subtotal</b>			<u>1,246,401</u>
Brownfield Assessment Grant		66.814	92,884
Chemical Emergency Preparedness and Prevention:			
Bio-Watch Program 2011		66.810	3,606
Bio-Watch Program 2012		66.810	248,113
Bio-Watch Program 2013		66.810	119,870
<b>Subtotal</b>			<u>371,589</u>
<b>Total Environmental Protection Agency</b>			<u><u>5,387,213</u></u>
Department of Homeland Security			
Metropolitan Medical Response System 2004		97.071	12,548
Metropolitan Medical Response System 2004-6		97.071	6,601
Metropolitan Medical Response System 2006		97.071	5,857
Metropolitan Medical Response System 2007		97.071	4,250
Metropolitan Medical Response System 2008		97.071	150,802
Metropolitan Medical Response System 2009		97.071	241,790
Metropolitan Medical Response System 2010		97.071	246,205
<b>Subtotal</b>			<u>668,053</u>

(Continued)

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

**For The Year Ended December 31, 2012**

Federal Grant/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Federal Expenditures
Department of Homeland Security (continued):			
Assistance to Firefighters Grant		97.044	999
Assistance to Firefighters Grant		97.044	48,497
Assistance to Firefighters Grant		97.044	42,880
<b>Subtotal</b>			<u>92,376</u>
Port Security Grant Program		97.056	378,808
Port Security Grant Program		97.056	159,430
<b>Subtotal</b>			<u>538,238</u>
National Explosives Detection Canine Team Program		97.072	122,193
FEMA Diaster Grant Federal Portion		97.036	1,022,449
2009 Safer Grant		97.083	11,473
2010 Safer Grant		97.083	1,875,876
<b>Subtotal</b>			<u>1,887,349</u>
2008 (LETPP) Law Enforcement Terrorism Prevention Program		97.074	9,300
2009 (LETPP) Law Enforcement Terrorism Prevention Program		97.074	678,944
<b>Subtotal</b>			<u>688,244</u>
Law Enforcement Officer Reimbursement Agreement Program		97.090	356,788
<i>Cuyahoga County Department of Justice Affairs</i>			
Urban Area Security Initiative 2007	2007-GE-T7-0030	97.008	132,026
Urban Area Security Initiative 2008	2008-GE-T8-0025	97.008	111,745
Urban Area Security Initiative 2009	2009-SS-T9-0089	97.008	726,712
Urban Area Security Initiative 2010	2010-SS-T0-0012	97.008	405,456
Urban Area Security Initiative 2005		97.008	9,143
Urban Area Security Initiative 2006		97.008	9,785
<b>Subtotal</b>			<u>1,394,867</u>
Pass Through Programs:			
State of Ohio Emergency Management Agency:			
Public Safety Fire Grants:			
Buffer Zone Protection FY 05	2005-GR-T5-0012	97.078	2
Buffer Zone Protection FY 07	2007-BZ-T7-0048	97.078	5,768
Buffer Zone Protection FY 09	2009-BF-T9-0046	97.078	102,514
Wind Power Project		97.078	1,575
<b>Subtotal</b>			<u>109,859</u>
<b>Total Department of Homeland Security</b>			<u>6,880,416</u>
<b>Grand Total</b>			<u>\$ 107,658,439</u>

(Concluded)



**CITY OF CLEVELAND  
CUYAHOGA COUNTY  
NOTES TO THE "SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS"  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**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 2012:

Beginning loans receivable balance as of January 1, 2012	\$1,713,599
Loans made during 2012	1,201,599
Loan principal repaid on loans issued prior to 2012	(936,105)
Loan principal repaid on 2012 loans issued	(39,848)
Ending loans receivable balance as of December 31, 2012	1,939,245
Cash balance on hand in the revolving loan fund as of December 31, 2012	
Cash balance, unobligated	808,774
Revolving loan committed but not disbursed	647,381
Total unobligated cash and committed but not disbursed cash	1,456,155
Total value of revolving loan portion of the EDA 11.307 program	3,395,400
Less: City's matching share	(339,540)
Total federal value of revolving loan portion as of December 31, 2012	3,055,860

**CITY OF CLEVELAND  
 CUYAHOGA COUNTY  
 NOTES TO THE "SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS"  
 FOR THE YEAR ENDED DECEMBER 31, 2012**

**Revolving Loan Fund (Continued)**

4500 LTD	\$25,521
Binkowsky-Dougherty Distribution, LLC	\$200,000
Bula Forge & Machine Inc.	70,253
Cardioninsight Tech, INC	163,879
CEAM Investment Co.	108,310
Evergreen Cooperative	22,922
Evergreen Real Estate Corporation	229,863
Hemingway	500,000
Jane and Arthur Ellison LTD	94,824
Northern Ohio Lumber & Timber Co.	179,448
Ohio Cooperative Solar INC	48,207
Otto Konigslow Manufacturing Co.	16,477
Proxy Biomedical	65,999
Replica Engineering Inc.	2,891
Sparkbase LLC	12,892
Unger Company	90,183
Zen Industries Inc.	23,244
Northeast Ohio Neighborhood Real Estate	60,413
Northeast Ohio Neighborhood Real M & E	23,921
	<u>\$1,939,245</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***

### **INDEPENDENT AUDITORS' REPORT**

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

We have audited, in accordance with the 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, 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, 2012 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 25, 2013, wherein we noted the City implemented Governmental Accounting Standards Board Statement No. 60, 62, 63 and 64.

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

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2012-1 that we consider to be a significant deficiency.

## **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*.

## **City's Response to Finding**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
June 25, 2013

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

**INDEPENDENT AUDITORS' REPORT**

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

**Report on Compliance for Each Major Federal Program**

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, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of 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, 2012.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-2, 2012-3 and 2012-4. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

## **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of compliance requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

*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. *A significant deficiency in internal control over compliance* is a deficiency, or a 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.

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 material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2012-2, 2012-3 and 2012-4 that we consider to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the City as of and for the year ended December 31, 2012, and have issued our report thereon dated June 25, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 additional 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.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
June 25, 2013

**CITY OF CLEVELAND, OHIO  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2012**

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

**Financial Statements**

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None
• Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
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:	Unmodified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	Yes
Identification of major programs:	
• 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	
• CFDA 16.710 – ARRA – Public Safety Partnership and Community Policing Grants	
• CFDA 20.205 – ARRA – Highway Planning and Construction	
• CFDA 81.128 – ARRA – Energy Efficiency and Conservation Block Grant Program	
Dollar threshold to distinguish between Type A and Type B Programs:	\$3,000,000
Auditee qualified as low-risk auditee?	Yes



## Section II – Financial Statement Findings

### **Finding 2012-1 – Correction of an Error**

During 2012, new fiscal management of the Department of Public Utilities, Division of Water determined the City had not previously reported nearly \$165 million of infrastructure capital assets in the City's financial statements. These capital assets were obtained by the City through water service agreements signed over a period of years beginning in 2005 with surrounding cities served by the Division of Water. The agreements specify the City will maintain the water system infrastructure in exchange for ownership of the assets.

The unrecorded capital assets acquired prior to 2012 have been reported in the current year financial statements as a prior period restatement. The Division of Water capitalized assets relating to new water service agreements signed in 2012. We recommend the City develop procedures for future significant contracts and agreements to determine the appropriate accounting and reporting.

*Management Response:* The City recognizes the importance of ensuring Division of Water's financial statements are correct, the Division of Fiscal Control inadvertently did not add the assets as water service agreements were entered into. As part of the Department's reorganization, the process of recognizing all assets in the year they were required has been assigned to our capital assets unit which will work with the Division's engineering unit to make the appropriate updates within the Advantage Accounting system at the time that the agreements are entered into.

## Section III – Federal Award Findings and Questioned Costs

### **DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

### **Finding 2012-2 – ARRA - Neighborhood Stabilization Program – CFDA 14.256**

*Condition:* We performed tests to determine if the City was in compliance with time and effort documentation requirements for payroll charged to the federal program. The City allocates payroll and benefits for certain employees working on the federal program. Employees spending less than 100% of their time on the program do not track actual time spent on the program, instead their time is charged based on a budget estimate.

*Criteria:* 2 CFR 225, Appendix B requires where employees work on multiple activities or cost objectives, a distribution of their salaries and wages to be supported by personnel activity reports or equivalent documentation. Personnel activity reports are required under various circumstances, including when employees work on more than one federal award. Personnel activity reports must reflect after-the-fact distribution of actual activity of each employee, must account for the total activity for which each employee is compensated, must be prepared at least monthly and must be signed by the employee. 2 CFR 225, Appendix B goes on to state, budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

*Context:* The City charged \$207,891 for payroll costs to the program for employees charging less than 100% of their time to this program. None of these employees prepared personnel activity reports or equivalent documentation.

*Cause:* The Department of Community Development was unaware of time and effort documentation requirements for employees charging less than 100% to the program.

*Effect:* Costs of \$207,891 are questioned as a result of not maintaining appropriate time and effort documentation.

*Recommendation:* We recommend the City communicate the importance of maintaining time and effort documentation to all departments and divisions operating federal programs and ensure proper documentation is maintained.

*Views of Responsible Officials:* The NSP-ARRA costs in question (\$207,891, 0.82% of the grant) are real, eligible, reasonable, and NSP-related.

In the future, the Department of Community Development agrees to use either timesheets or develop an alternative method pre-approved by HUD. The importance of keeping timesheets reflecting actual time spent on each grant has been communicated to administrative staff and is being maintained for 2013.

### **Finding 2012-3 – Neighborhood Stabilization Program – CFDA 14.218**

*Condition:* While testing the ARRA Neighborhood Stabilization program, we noted employees charging time to that program also charged time to the Neighborhood Stabilization Program. Employees spending less than 100% of their time on the program do not track actual time spent on the program, instead their time is charged based on a budget estimate.

*Criteria:* 2 CFR 225, Appendix B requires where employees work on multiple activities or cost objectives, a distribution of their salaries and wages to be supported by personnel activity reports or equivalent documentation. Personnel activity reports are required under various circumstances, including when employees work on more than one federal award. Personnel activity reports must reflect after-the-fact distribution of actual activity of each employee, must account for the total activity for which each employee is compensated, must be prepared at least monthly and must be signed by the employee. 2 CFR 225, Appendix B goes on to state, budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

*Context:* The City charged \$337,511 of payroll costs for employees charging less than 100% of their time to this program. None of these employees prepared personnel activity reports or equivalent documentation.

*Cause:* The Department of Community Development was unaware of time and effort documentation requirements for employees charging less than 100% to the program.

*Effect:* Costs of \$337,511 are questioned as a result of not maintaining appropriate time and effort documentation.

*Recommendation:* We recommend the City communicate the importance of maintaining time and effort documentation to all departments and divisions operating federal programs and ensure proper documentation is maintained.

*Views of Responsible Officials:* The NSP1 costs in question (\$336,511, 2.09% of the grant) are real, eligible, reasonable, and NSP-related.

In the future, the Department of Community Development agrees to use either timesheets or develop an alternative method pre-approved by HUD. The importance of keeping timesheets reflecting actual time spent on each grant has been communicated to administrative staff and is being maintained for 2013.

## DEPARTMENT OF ENERGY

### **Finding 2012-4 – ARRA – Energy Efficiency and Conservation Block Grant Program – CFDA 81.128**

*Condition:* We performed tests to determine if the City was in compliance with time and effort requirements for payroll charged to the federal program. The City allocates payroll and benefits for certain employees working on the federal program. Employees spending less than 100% of their time on the program do not track actual time spent on the program, instead their time is charged based on budget estimates.

*Criteria:* 2 CFR 225, Appendix B requires where employees work on multiple activities or cost objectives, a distribution of their salaries and wages to be supported by personnel activity reports or equivalent documentation. Personnel activity reports are required under various circumstances, including when employees work on an unallowable activity and a direct cost activity. Personnel activity reports must reflect after-the-fact distribution of actual activity of each employee, must account for the total activity for which each employee is compensated, must be prepared at least monthly and must be signed by the employee. 2 CFR 225, Appendix B goes on to state, budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

*Context:* The City charged \$67,286 payroll costs for an employee which represented 90% of the employee's salary even though the City asserts the employee actually spends 100% of his time on the program. For employees that spend 100% of their time on a federal program, a semi-annual certificate should be prepared which indicates the employee fully devotes their time to the program in lieu of preparing personnel activity reports. No such certificates were prepared for the employee nor did the employee prepare personnel activity reports which support the allocation of 90% of their salary to the program.

*Cause:* The Office of Sustainability was unaware of time and effort documentation requirements for employees charging less than 100% to the program.

*Effect:* Costs of \$67,286 are questioned as a result of not maintaining appropriate time and effort documentation.

*Recommendation:* We recommend the City communicate the importance of maintaining time and effort documentation to all departments and divisions operating federal programs and ensure proper documentation is maintained.

*Views of Responsible Officials:* We reviewed the importance of the time and effort documentation with personnel who oversee the grant. In addition, all personnel who are charged to the grant part time will submit detailed timesheets weekly to the Utilities CFO office. Any employees who spend 100% of their time on the grant will complete a semi-annual certificate indicating the employee fully devotes their time to the program.

**CITY OF CLEVELAND, OHIO  
Schedule of Prior Audit Findings  
Year Ended December 31, 2012**

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

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

*Status:* Corrected.