



CITY OF CLEVELAND, OHIO

Single Audit Reports

Year Ended December 31, 2013

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

For The Year Ended December 31, 2013

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Agriculture			
Summer Food Service Program for Children 2013	10.559		\$ 333,693
Total Department of Agriculture			<u>333,693</u>
Department of Energy			
Weatherization Assistance for Low-Income Persons 2011	81.042	11-111	162
Weatherization Assistance for Low-Income Persons DOE 2012	81.042	12-111	578,020
ARRA-Weatherization Assistance for Low Income Persons 2009	81.042	99-111	39
Subtotal			<u>578,221</u>
ARRA-Energy Efficiency And Conservation Block Grant Program (EECBG)	81.128		587,731
Subtotal			<u>587,731</u>
Total Department of Energy			<u>1,165,952</u>
Department of Health and Human Services			
Healthy Start Initiative Yr 12	93.926		1,079,342
Healthy Start Initiative Yr 13	93.926		888,118
Subtotal			<u>1,967,460</u>
Family Planning Services Title X FY 2012	93.217		1,820
Family Planning Services Title X FY 2013	93.217		109,621
Family Planning Services Title X FY 2014	93.217		222,104
Subtotal			<u>333,545</u>
Pass through Programs:			
Ohio Department of Health:			
Centers for Disease Control and Prevention - Investigators and Technical Assistance:			
Substance Abuse and Mental Health Services Administration	93.243	5H79TI019946-02	367
Substance Abuse and Mental Health Services Administration	93.243	5H79TI019946-03	41
Substance Abuse and Mental Health Services Administration	93.243	1H79TI023734-01	276,069
Substance Abuse and Mental Health Services Administration	93.243	1H79TI024189-01	256,057
Subtotal			<u>532,534</u>
Ohio Department of Health:			
Immunization Grants 2013	93.268	18-100-1-2-IM-0613	86,662
Subtotal			<u>86,662</u>
Ohio Department of Health:			
Childhood Lead Poisoning Prevention 2011/2012	93.197	1-2-001-1-BD-11	6,976
Subtotal			<u>6,976</u>

(Continued)

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

For The Year Ended December 31, 2013

Department of Health and Human Services (continued):

Centers for Disease Control and Prevention - Investigations and Technical Assistance:

City Readiness Initiative 2012	93.069	18-200-1-2-PH-0312	30,637
City Readiness Initiative 2013	93.069	18-200-1-2-PH-0413	474,968
Public Health Collaborative 2012	93.069	18-1-001-2-BI-12	1,482
Public Health Collaborative 2013	93.069	18-1-001-2-BI-13	98,035
Public Health Collaborative 2014	93.069	18-1-001-2-BI-14	57,808
Subtotal			<u>662,930</u>

WRAAA OAA/ADRC Project 2011	93.044		42
WRAAA OAA/ADRC Project 2012	93.044		13,688
WRAAA Supporting Services 2012	93.044		5,798
WRAAA OAA/ADRC Project 2013	93.044		187,705
WRAAA Supporting Services 2013	93.044		43,967
Subtotal			<u>251,200</u>

City Readiness Initiative 2014	93.074	18-200-1-2-PH-0514	71,757
Subtotal			<u>71,757</u>

WRAAA Supportive Services/MIPPA 2012	93.779		5
WRAAA Supportive Services/MIPPA 2011	93.779		2,856
Subtotal			<u>2,861</u>

Ohio Department of Health:

Preventive Health Services-Sexually Transmitted Diseases:

Sexually Transmitted Diseases Diagnosis & Treatment 2012	93.977	18-2-001-2-SD-0112	38,653
Sexually Transmitted Diseases Diagnosis & Treatment 2013	93.977	18-2-001-2-ST-0513	117,847
Subtotal			<u>156,500</u>

Ohio Department of Health:

HIV Prevention 2012	93.940	18-2-001-2-AS-12	95,492
HIV Prevention 2013	93.940	18-2-001-2-AS-13	709,010
Subtotal			<u>804,502</u>

Cuyahoga County Board of Health:

Block Grants for Prevention and Treatment of Substance Abuse:

Student Assistance 2012 Treatment	93.959		35,675
Student Assistance 2013 Treatment	93.959		136,202
Subtotal			<u>171,877</u>

Ohio Department of Development:

Weatherization Assistance for Low-Income Home Energy Assistance-HHS 2012	93.568	12-111	1,839,579
Weatherization Assistance for Low-Income Home Energy Assistance-HHS 2013	93.568	13-111	219,207
Subtotal			<u>2,058,786</u>

Temporary Assistance to Needy Families	93.558		500,399
Connecting the Dots - TANF Demo	93.558		13,576

Subtotal - TANF Cluster 513,975

Total Department of Health and Human Services 7,621,565

(Continued)

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

For The Year Ended December 31, 2013

Department of Housing & Urban Development

Lead Hazard Reduction Demonstration Grant Program 2010	14.905		<u>301</u>
Pass Through Programs:			
Cuyahoga County Board of Health:			
Lead Hazard Reduction Demonstration Grant Program 2012	14.905	OHLHD0218-10	<u>89,287</u>
Subtotal			<u>89,588</u>
CDBG Yr 34	14.218		1,200
CDBG Yr 35	14.218		63,194
CDBG Yr 36	14.218		771,717
CDBG Yr 37	14.218		585,364
CDBG Yr 38	14.218		14,666,933
CDBG Yr 39	14.218		9,375,226
Neighborhood Stabilization Program 1	14.218		650,154
Neighborhood Stabilization Program 3	14.218		<u>1,752,786</u>
Subtotal			<u>27,866,574</u>
ARRA Neighborhood Stabilization Program	14.256	B-09-CN-OH-0032	<u>1,447,022</u>
Subtotal			<u>1,447,022</u>
Healthy Homes Production Program Grant	14.913		<u>165,876</u>
Subtotal			<u>165,876</u>
HOME Investment Partnerships Program 1992	14.239		651
HOME Investment Partnerships Program 2006	14.239		20,000
HOME Investment Partnerships Program 2008	14.239		59,141
HOME Investment Partnerships Program 2009	14.239		91,915
HOME Investment Partnerships Program 2010	14.239		627,671
HOME Investment Partnerships Program 2011	14.239		3,660,016
HOME Investment Partnerships Program 2012	14.239		<u>996,229</u>
Subtotal			<u>5,455,623</u>
Emergency Shelter Grants Program 2009	14.231		8,000
Emergency Shelter Grants Program 2011	14.231		689,734
Emergency Shelter Grants Program 2012	14.231		1,276,464
Emergency Shelter Grants Program 2013	14.231		<u>30,879</u>
Subtotal			<u>2,005,077</u>
Housing Opportunities for Persons With Aids 2010	14.241		533,521
Housing Opportunities for Persons With Aids 2012	14.241		<u>238,419</u>
Subtotal			<u>771,940</u>
Empowerment Zones Program	14.244	E-95-EZ-39-0004	<u>1,376,349</u>
Subtotal			<u>1,376,349</u>
Hemingway HUD 108	14.248	B-10-MC-39-0004	3,600,543
Ameritrust 1010 HUD 108	14.248	B-10-MC-39-0004	6,000,000
Flats East Development LLC HUD 108	14.248	B-09-MC-39-0004	<u>6,502,258</u>
Subtotal			<u>16,102,801</u>

(Continued)

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

For The Year Ended December 31, 2013

Department of Housing & Urban Development (continued):

Pass Through Programs:

Ohio Department of Development:

Neighborhood Stabilization Program - State	14.228	A-Z-08-264-1	292,062
			292,062

Lead Technical Studies Grants 2009	14.900		323
Lead Technical Studies Grants 2010	14.900		139,017
Subtotal			139,340

Total Department of Housing & Urban Development			55,712,252
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Department of Justice

Public Safety Partnership and Community Policing Grants:

Cleveland Universal Hiring II	16.710	2011-UL-WX-0025	1,819,309
ARRA Cleveland Universal Hiring II	16.710	2009-RJ-WX-0070	458,148
Federal DOJ-COPS Technology GR FY08	16.710	2008-CK-WX-0618	28,765
Federal DOJ-COPS Technology GR FY10	16.710	2010-CK-WX-0308	137,634
Subtotal			2,443,856

2010 Paul Coverdell	16.742	2010-CD-BX-0071	136,817
Subtotal			136,817

2010-Edward Burne Memorial-JAG	16.738	2010-DJ-BX-0251	183,644
2012-Edward Burne Memorial-JAG	16.738	2012-DJ-BX-0146	490,126

Pass Through Programs:

Ohio Department of Public Safety:

2012-Edward Burne Memorial-JAG	16.738	2012-JG-D01-6926	24,178
2012-Edward Byrne Memorial-NOLETF	16.738	2012-JG-A01-6444	131,608
2011-Edward Byrne Memorial-NOVCC	16.738	2011-JG-A02-6947	35,407

Cuyahoga County - Department of Justice Affairs:

Edward Byrne Memorial Justice Assistance Grant Programs (JAG):

2011-Edward Byrne Memorial-JAG	16.738	2011-DJ-BX-3241	164,247
Subtotal			1,029,210

ARRA-Recovery Act-Edard Byrne Memorial Justice Assistance Grants to Units of Local Government FY09	16.804	2009-SB-B9-0367	164,398
Subtotal			164,398

Subtotal - JAG Cluster			1,193,608
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State of Ohio - Office of Criminal Justice Services:

Equitable Sharing Program - Asset Forfeiture Program	16.922		66,780
Subtotal			66,780

State of Ohio - Office of Criminal Justice Services:

Violence Against Women Formula Grants :

OVW Education, Training, and Enhanced Services to End Violence and Abuse of Women with Disabilities FY 2011	16.529	2011-FW-AX-K004	4,791
Subtotal			4,791

(Continued)

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

For The Year Ended December 31, 2013

Department of Justice (continued):

State of Ohio - Office of Criminal Justice Services:

Violence Against Women Formula Grants :

VAWA Team Approach 2010 Law	16.588	2010-VP-VA-V041	48,216
VAWA Team Approach 2011 Law	16.588	2011-VP-VA-V041	60,709
VAWA Team Approach 2011 Law	16.588	2011-WC-AX-0002	5,259
VAWA Team Approach 2012 Law	16.588	2012-VP-VA-V041	54,781

Subtotal			<u>168,965</u>
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State of Ohio - Office of Criminal Justice Services:

VAWA Team Approach 2010 Safety	16.590	2010-VP-VA-V042	25,442
VAWA Team Approach 2011 Safety	16.590	2011-VP-VA-V042	19,797
VAWA Team Approach 2012 Safety	16.590	2012-VP-VA-V042	80,155

Subtotal			<u>125,394</u>
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State of Ohio - Office of Criminal Justice Services:

Juvenile Accountability Incentive Block Grants 2011	16.523	2011-JB-MUN-1001	13,610
Juvenile Accountability Incentive Block Grants 2012	16.523	2012-JB-MUN-1001	2,892
Juvenile Accountability Incentive Block Grants 2013	16.523	2012-JB-MUN-1101	32,892

Subtotal			<u>49,394</u>
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Total Department of Justice			<u><u>4,189,605</u></u>
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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	11.307	See Footnote 1	3,120,855
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Total Department of Commerce			<u><u>3,120,855</u></u>
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Department of Labor

Ohio Department of Jobs and Family Services:

WIA Adult Program	17.258	G-1011-15-0258	827,992
WIA Youth Program	17.259	G-1011-15-0258	17,345
WIA Dislocated Worker Program	17.278	G-1011-15-0258	277,340
WIA Rapid Response	17.278		17,884

Subtotal - WIA Cluster			<u>1,140,561</u>
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Total Department of Labor			<u><u>1,140,561</u></u>
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Department of Transportation

Airport Improvement Program	20.106		16,959,932
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Subtotal			<u>16,959,932</u>
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Pass Through Programs:

Highway Planning and Construction:

Lakes to Lakes Trail/Woodland	20.205	See Footnote 2 PID 90183	114,716
Lake Pedestrian Bridge	20.205	PID80966	68,803
Professor Avenue	20.205	PID90218	616,413
West Sixth Streetscape	20.205	PID89722	752,468
ARRA- Avenue District Ph IV	20.205	PID 86251	14,739
ARRA-KAMM'S CORNER	20.205	PID 86255	103,148

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

For The Year Ended December 31, 2013

Department of Transportation (continued):

Highway Planning and Construction:			
Federal NOACA League Park Plan	20.205	PID 84338	3,328
Federal NOACA Variety Village Study	20.205	PID 84339	11,681
Federal NOACA UCI Bicycle Network Study	20.205	PID 84339	9,164
Federal NOACA W. 65 Corridor Study	20.205	PID 84339	42,408
Federal NOACA E. 55 & Euclid Ave.	20.205	PID 84339	25,194
Federal NOACA E. 131 St. Corridor Plan	20.205	PID 84339	31,840
Federal NOACA Bessemer	20.205		509
Federal NOACA E. 140	20.205		52,330
Federal NOACA Lorain Ave.	20.205		51,369
Subtotal - Highway Cluster			<u>1,898,110</u>

State of Ohio - Office of Criminal Justice Services:

Cuyahoga County OVI Task Force 2012	20.601	OVITF-2012-18-00-00-00392-00	18,889
Cuyahoga County OVI Task Force 2013	20.601	OVITF-2013-18-00-00-00315-00	4,110
High Visibility Enforcement Overtime 2012	20.600	HVEO-2012-18-00-00-00300-00	69,080
High Visibility Enforcement Overtime 2013	20.600	HVEO-2013-18-00-00-00300-00	13,106
Subtotal - Highway Safety Cluster			<u>105,185</u>

Total Department of Transportation

18,963,227

Department of Environmental Protection Agency

Direct Programs:

Air Pollution Control Program Support 2012	66.001		88,970
Air Pollution Control Program Support 2013	66.001		1,802,640
Air Pollution Control Program Support 2014	66.001		560,738
Subtotal			<u>2,452,348</u>

Near Road Grant Assistance	66.034		<u>18,739</u>
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Pass Through Programs:

Environmental Protection Agency:			
Ohio Water Development Authority:			
OWDA Water	66.468	6213	9,747,250
Subtotal			<u>9,747,250</u>

Pass Through Programs:

Cuyahoga County:			
ARRA-Warner Swasey Brownfield ASBES	66.818	2B-00E97301-0	28,480
Subtotal			<u>28,480</u>

Brownfield Assessment Grant	66.814		9,625
Brownfield Assessment Grant	66.814		131,230
Subtotal			<u>140,855</u>

Total Department Environmental Protection Agency

12,387,672

Department of Homeland Security

Chemical Emergency Preparedness and Prevention:

Bio-Watch Program 2013	97.091		220,612
Bio-Watch Program 2014	97.091		52,171
Subtotal			<u>272,783</u>

Assistance to Firefighters Grant FY10	97.044	EMW-2010-FO-10160	295,435
Subtotal			<u>295,435</u>

(Continued)

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

For The Year Ended December 31, 2013

Department of Homeland Security (continued):

Port Security Grant Program FY08	97.056	2008-GB-T8-K107	12,518
Port Security Grant Program FY 09	97.056	2009-PU-T9-K039	119,383
Port Security Grant Program FY 10	97.056	2010-PU-Y0-K018	299,725
Port Security Grant Program FY 2011	97.056	EMW-2011-PU-K00080-S01	393,818
Subtotal			825,444
National Explosives Detection Canine Team Program	97.072		118,400
Subtotal			118,400
FEMA Disaster Grant Federal Portion	97.036		531,052
Subtotal			531,052
2010 Safer Grant	97.083	EMW-2010-FH-00697	988,311
Subtotal			988,311
Law Enforcement Officer Reimbursement Agreement Program	97.090		276,560
Subtotal			276,560
Cuyahoga County Department of Justice Affairs			
Metropolitan Medical Response System 2010	97.067	2010-SS-T0-0012	252,095
2010 (LETTP) Law Enforcement Terrorism Prevention Program	97.067		259,700
Urban Area Security Initiative 2008	97.067	2008-GE-T8-0025	41,722
Urban Area Security Initiative 2010	97.067	2010-SS-T0-0012	1,897,384
Urban Area Security Initiative 2011	97.067		691,838
Subtotal			3,142,739
Public Safety Fire Grants:			
Buffer Zone Protection FY 10	97.078	2010-BF-T0-0028	277,436
Subtotal			277,436
Total Department of Homeland Security			6,728,160
Department of Natural Resources			
Federal Boating Infrastructure Grant	15.622	DNRFR026	838,956
Total Department of Natural Resources			838,956
Grand Total			\$ 112,202,498
			(Concluded)

**CITY OF CLEVELAND
CUYAHOGA COUNTY
NOTES TO THE "SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS"
FOR THE YEAR ENDED DECEMBER 31, 2013**

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*.

Footnote 1: Revolving Loan Fund

Activity in the Economic Adjustment Assistance, CFDA 11.307 revolving loan fund during 2013:

Beginning loans receivable balance as of January 1, 2013	\$1,939,245
Loans made during 2013	495,642
Loan principal repaid on loans issued prior to 2013	(778,032)
Loan principal repaid on 2013 loans issued	<u>(6,460)</u>
Ending loans receivable balance as of December 31, 2013	<u>\$1,650,395</u>
Cash balance on hand in the revolving loan fund as of December 31, 2013	
Cash balance, unobligated	\$1,070,006
Revolving loan committed but not disbursed	<u>747,216</u>
Total unobligated cash and committed but not disbursed cash	<u>1,817,222</u>
Total value of revolving loan portion of the EDA 11.307 program	3,467,617
Less: City's matching share	<u>(346,762)</u>
Total federal value of revolving loan portion as of December 31, 2013	<u>\$3,120,855</u>

4500 LTD	\$4,935
Binkowsky-Dougherty Distribution, LLC	174,854
Bula Forge & Machine Inc.	32,359
Ceam Investment Co.	67,704
Certified Aircraft Maintenance	25,982
Evergreen Real Estate Corporation	235,147
Green City Growers Cooperative	54,756
Hemingway AT 6555 LLC	500,000
Jane & Arthur Ellison Ltd.	73,938
Northern Ohio Lumber & Timber Co.	135,627
Ohio Cooperative Solar Inc.	104,468
Otto Klonigslow Manufacturing Co.	3,961
Patterson-Britton	120,618
Unger Company	54,983
Northeast Ohio Neighborhood Real Estate	54,963
Northeast Ohio Neighborhood Real M & E	<u>6,100</u>
Total	<u>\$1,650,395</u>

**CITY OF CLEVELAND
CUYAHOGA COUNTY
NOTES TO THE "SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS"
FOR THE YEAR ENDED DECEMBER 31, 2013**

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 2013	\$2,040,075
Federal Expenditures reported in prior years schedule	(735,986)
Amount expensed by the City in Fiscal Year 2013 not yet reimbursed	<u>366,198</u>
Expensed and reported by the City in Fiscal Year 2013	<u><u>\$1,670,287</u></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, 2013 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 26, 2014, wherein we noted the City implemented Governmental Accounting Standards Board Statement No. 65.

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 that might be material weaknesses or significant deficiencies. 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

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 results 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 26, 2014

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, 2013. 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.

Basis for Qualified Opinion on CDBG - Entitlement Grants Program

As described in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding CFDA 14.218, Community Development Block Grant (CDBG) - Entitlement Grants Program, as described in Finding 2013-001 for Reporting. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

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f. 513.241.1212

Qualified Opinion on CDBG - Entitlement Grants Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the CDBG - Entitlement Grants Program for the year ended December 31, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2013.

Other Matters

The City's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-001 to be a material weakness.

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.

The City's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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, 2013, and have issued our report thereon dated June 26, 2014, 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 26, 2014

CITY OF CLEVELAND, OHIO
Schedule of Findings and Questioned Costs
Year Ended December 31, 2013

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?	None
Noncompliance material to the financial statements noted?	None

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified not considered to be material weaknesses?	None
Type of auditors’ report issued on compliance for major programs:	Unmodified for all major programs except for CDBG (CFDA 14.218) which was qualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	Yes
Identification of major programs:	
• CFDA 14.218 – Community Development Block Grant (CDBG) – Entitlement Grants	
• CFDA 14.248 – CDBG – Section 108 Loan Guarantees	
• CFDA 16.710 – ARRA-Public Safety Partnership and Community Policing Grants	
• CFDA 20.106 – Airport Improvement Program	
• CFDA 66.468 – Capitalization Grants for Drinking Water State Revolving Funds	
• CFDA 81.128 – ARRA – Energy Efficiency and Conservation Block Grant Program	
• CFDA 97.067 – Homeland Security 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

None

Section III – Federal Award Findings and Questioned Costs

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Finding 2013-001 – CFDA 14.218 – CDBG-Entitlement Grants Program

Condition: We performed tests to determine if the City was in compliance with reporting requirements. We found the City did not file a Federal Financial Report (FFR), Standard Form 425 (SF-425) for the first two quarters of 2013. Additionally, the City did not report the required 2013 subaward data through the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS).

Criteria: 24 CFR 85.41(b) prescribes the use of the FFR to report status of funds, and to be submitted no later than 30 days after the end of each quarter. OMB prescribes the use of the SF-425 to standardize Federal financial reporting.

The Federal Funding Accountability and Transparency Act (FFATA) was signed on September 26, 2006. This act requires prime recipients of federal awards to report, through the FSRS, awards to any subcontractor greater than \$25,000 by the end of the month following the month in which the prime recipient awarded the subaward.

Context: The City did not file the SF-425 for the first two quarters of 2013 until May 28, 2014, after the lack of filing was noted during our audit. The City did not file any subaward information through the FSRS, as required by FFATA.

Cause: The Department of Community Development experienced significant turnover in key positions during 2013, which caused the oversight in financial reporting. The Department of Community Development was unaware of the FFATA reporting requirements.

Effect: The City was not in compliance with reporting requirements during 2013.

Recommendation: We recommend the City implement procedures to ensure each department is knowledgeable and compliant with reporting requirements of federal awards.

Views of Responsible Officials: The SF-425 and FFATA reports are a requirement of the grant agreement. While information related to the SF-425 is available on a daily basis in IDIS, we recognize the need to complete not only the SF-425 but also the FFATA reports.

The SF-425 issue has been corrected. The missing reports have been completed and submitted to HUD. Furthermore, a notification structure has been setup to alert staff when reports are due.

Employees are signing up for access to FFATA reporting and will begin reporting as required. These corrections will be made in 2014.

CITY OF CLEVELAND, OHIO
Schedule of Prior Audit Findings
Year Ended December 31, 2013

Finding 2012-1 – Correction of an Error

Previously unrecorded capital assets acquired prior to 2012 were reported in the 2012 financial statements as a prior period restatement. The Division of Water capitalized assets relating to new water service agreements signed in 2012.

Status: Corrected.

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

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. Costs of \$207,891 were questioned as a result of not maintaining appropriate time and effort documentation.

Status: Corrected.

Finding 2012-3 – Neighborhood Stabilization Program – CFDA 14.218

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. Costs of \$337,511 were questioned as a result of not maintaining appropriate time and effort documentation.

Status: Corrected.

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

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. Costs of \$67,286 were questioned as a result of not maintaining appropriate time and effort documentation.

Status: Corrected.