



Report of Independent Certified Public Accountants in
Accordance with OMB Circular A-133

City of Phoenix, Arizona

June 30, 2012

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**Report of Independent Certified Public Accountants on
Internal Control over Financial Reporting and on Compliance and
Other Matters**

Honorable Mayor
Members of the City Council
City of Phoenix, Arizona

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We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Phoenix, Arizona (the “City”) as of and for the year ended June 30, 2012, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants 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

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion 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 express no such opinion.

A deficiency in internal control over financial reporting 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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the City’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the City’s internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.



Our audit was also not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1, which we consider to be a significant deficiency in the City's internal control over financial reporting.

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 and regulations, 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 did not audit the City's written response to the matters described in the accompanying Schedule of Findings and Questioned Costs and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Honorable Mayor, Members of the City Council, management, others within the City, 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.

GRANT THORNTON LLP

Phoenix, Arizona
December 21, 2012



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE RELATED TO MAJOR PROGRAMS (OMB CIRCULAR A-133)
AND ON INTERNAL CONTROL OVER COMPLIANCE**

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Compliance

We have audited the compliance of the City of Phoenix, Arizona (the “City”) with the types of compliance requirements described in the U.S. *Office of Management and Budget (“OMB”) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The City’s major federal programs are identified in the summary of auditor’s 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 established by the American Institute of Certified Public Accountants, 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, City of Phoenix, Arizona complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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 requirements that could have a direct and material effect on a major federal program as a basis for designing audit procedures for the purpose of expressing an opinion on compliance, but



not for the purpose of expressing an opinion of the effectiveness of the City's internal control over compliance. Accordingly, we express no such opinion.

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 is a deficiency, or a 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 would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses. However, we identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2012-02, which we consider to be a material weakness in the City's internal control over compliance.

We did not audit the City's written response to the matters described in the accompanying Schedule of Findings and Questioned Costs and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Honorable Mayor, Members of the City Council, management, others within the City, 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.

GRANT THORNTON LLP

Phoenix, Arizona

March 29, 2013



Report on Schedule of Expenditures of Federal Awards

Honorable Mayor
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We have audited, in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Phoenix, Arizona (the "City") as of and for the year ended June 30, 2012 and our report dated December 21, 2012 expressed an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on these financial statements that collectively comprise the City's basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2012, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 US GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of the Honorable Mayor, Members of the City Council, management, others within the City, 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.

GRANT THORNTON LLP

Phoenix, Arizona
March 29, 2013

CITY OF PHOENIX, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Agency/Program/Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2011/2012 Expenditures	Subrecipient's Share of Total Expenditures
DEPARTMENT OF TRANSPORTATION (D.O.T.)				
<i>Federal Aviation Administration (F.A.A.)</i>				
Sky Harbor - Community Noise Reduction Program	20.106		\$ 8,468,651	\$ -
Connector Taxiway H-5, Rehab West Air Cargo	20.106		426,143	-
Sky Harbor - Improve Runway 7R/25L Safety Area	20.106		72,818	-
Sky Harbor - Improve West End Runway 7R/25L Safety Area	20.106		817,338	-
Rehabilitate Taxiway A Phase I	20.106		2,912,261	-
Sky Harbor - Rehabilitate Taxiway - West Hold Bay	20.106		3,123,070	-
Sky Harbor - Rehabilitate Taxiway B8	20.106		1,997,452	-
Sky Harbor - Noise Compatibility Study-Update Exposure Maps	20.106		6,012	-
Goodyear - Strengthen and Widen Taxiway Connectors Phase I	20.106		150,000	-
Goodyear - Strengthen and Widen Taxiway Connectors Phase II	20.106		3,404,070	-
Deer Valley- Airfield Markings and Safety Enhancements	20.106		218,159	-
Deer Valley - Runway 7L/25R & 7R/25L Safety Area Improvements	20.106		8,469,422	-
Deer Valley- Improve Airport Drainage and Erosion Control	20.106		1,616,010	-
Total - F.A.A. - Airport Improvement Program			\$ 31,681,406	\$ -
<i>Federal Transit Administration (F.T.A.)</i>				
<i>Urbanized Area Formula Program - Section 5307</i>				
AZ-90-X068	20.507		\$ 93,948	\$ 93,948
AZ-90-X074	20.507		638,910	611,889
AZ-90-X080	20.507		24,703	(33,572)
AZ-90-X084	20.507		326,091	326,091
AZ-90-X088	20.507		840,828	-
AZ-90-X096	20.507		5,358,490	3,714,317
AZ-90-X103	20.507		32,384,686	30,378,722
AZ-90-X109	20.507		17,134,404	5,836,398
AZ-95-X004	20.507		6,157	6,157
AZ-95-X006	20.507		1,736,002	1,736,002
AZ-95-X009	20.507		1,582,166	669,328
AZ-95-X013	20.507		7,778,094	7,778,094
AZ-96-X002	ARRA 20.507		17,501,577	10,640,207
Total - F.T.A. Urbanized Area Formula Program			\$ 85,406,056	\$ 61,757,581
<i>Transit Capital Investment Program - Section 5309</i>				
AZ-04-0004	20.500		\$ 17,501	\$ -
AZ-04-0011	20.500		144,542	-
AZ-04-0015	20.500		11,788	-
AZ-05-0203	20.500		2,507,873	2,340,893
AZ-56-0001	ARRA 20.500		138,368	-
Total - Discretionary Capital Program			\$ 2,820,072	\$ 2,340,893
<i>Transit Services Program Cluster</i>				
<i>Job Access and Reverse Commute Program - Section 5316</i>				
AZ-37-X008	20.516		\$ 435,815	\$ 100,000
AZ-37-X011	20.516		176,169	130,297
AZ-37-X014	20.516		968,856	552,696
AZ-37-X017	20.516		996,728	436,767
Total - Job Access and Reverse Commute Program			\$ 2,577,568	\$ 1,219,760
<i>New Freedom - Section 5317</i>				
AZ-57-X001	20.521		\$ 313,168	\$ 243,399
AZ-57-X008	20.521		80,968	80,968
AZ-57-X009	20.521		473,188	473,181
AZ-57-X012	20.521		556,890	522,850
AZ-57-X013	20.521		270,943	257,746
Total - New Freedom			\$ 1,695,157	\$ 1,578,144
Total - Transit Services Program Cluster			\$ 4,272,725	\$ 2,797,904
<i>Clean Fuels - Section 5308</i>				
AZ-58-0003	20.519		\$ 2,539,339	\$ 2,539,339
<i>Alternatives Analysis - Section 5339</i>				
AZ-39-0001	20.522		\$ 23,749	\$ 23,749
AZ-39-0003	20.522		940,137	940,137
Total - Alternatives Analysis			\$ 963,886	\$ 963,886
Total - F.T.A.			\$ 96,002,078	\$ 70,399,603
<i>Federal Pass-Thru: Federal Highway Administration (F.H.A.)</i>				
<i>Arizona Department of Transportation (A.D.O.T.)</i>				
ACDC at 7th Ave Bike Underpass	ARRA 20.205	ARRA-PHX-0(218)A	\$ 686,356	\$ -
ACDC at 7th Ave Bike Underpass	20.205	CM-PHX-0(218)A	1,149,224	-
ARS Broadway - 17 Ave- 7 St - Phase Two	20.205	HPS-PHX-0(055)A	159,024	-
ARS Broadway - 27 Ave- 17 Ave - Phase Two	20.205	HPS-PHX-0(055)A	179,374	-
ARS Broadway - 35 Ave- 27 Ave - Phase Two	20.205	HPS-PHX-0(055)A	117,075	-
ARS Broadway - 43 Ave- 35 Ave - Phase Two	20.205	HPS-PHX-0(055)A	188,966	-
ARS Broadway - 51 Ave-43 Ave - Phase Two	20.205	HPS-PHX-0(055)A	211,267	-
Arcadia Portal Multi-Use Trail	20.205	TEA-PHX-0(163)A	158,773	-
Bridge Safety Management FY11/12	20.205	BR-PHX-0(268)A	74,591	-
Bridge Inspection Equipment Rental	20.205	BR-PHX-0(242)A	(9,574)	-
Bridge Insp Cycle A 11-12 Rental Equipment	20.205	BR-PHX-(267)A	48,028	-
Bridge Insp Cycle B 2010-11 Equipment	20.205	BR-PHX-0(255)A	(21,019)	-

CITY OF PHOENIX, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Agency/Program/Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2011/2012 Expenditures	Subrecipient's Share of Total Expenditures
Bridge Joint Rehabilitation	ARRA 20.205	ARRA-PHX-0(232)A	6,423	-
Bridge Deck Rehabilitation	ARRA 20.205	ARRA-PHX-0(231)A	71,154	-
Centennial Way: Central to 19th Ave	20.205	TEA-PHX-0(260)A	5,799,337	-
2007 CMAQ Shoulder	20.205	CM-PHX-0(217)	25,882	-
2008 CMAQ Dirt Roads	20.205	CM-PHX-0(216)	67,481	-
2009 CMAQ Alley Dust Proofing	20.205	CM-PHX-0(224)A	554,568	-
2010 CMAQ Alley Dust Proofing	20.205	CM-PHX-0(240)A	1,382,643	-
7th Street & McDowell	20.205	CM-PHX-0(209)A	(1,946)	-
15th Ave N/O Lincoln UPRR Improvements	20.205	STP PHX-0(248)A	1,543	-
15th Ave S/O Madison BNSF RR Improvements	20.205	STP PHX-0(250)A	502	-
19th Avenue and Greenway	20.205	CM-PHX-0(215)A	(333,000)	-
27th Ave S/O Jackson St RR Crossing	20.205	STP-700-9(005)P	(2,951)	-
30th St: Washington-Fillmore	20.205	SRS 999-A (316)A	43,580	-
32nd St S/O Jackson St RR Crossing	20.205	STP PHX-0(251)A	28,319	-
35th Ave S/O Indian School Crossing	20.205	STP-000-6(185)A	37,614	-
40th St S/O Madison St RR Crossing	20.205	STP PHX-0(252)A	28,780	-
Grant St W of 7 St Railroad Crossing	20.205	STP-000-6(075)A	44	-
HES-Dunlap @ 35th Ave	20.205	PHX-0(253)A	48,344	-
HES-McDowell Rd & 43rd Ave	20.205	HES PHX-0(152)A	(2,560)	-
Historical Neighborhood Lighting	20.205	TEA-PHX-0(203)A	373,151	-
Lincoln & 6 St UPRR Sidewalks	20.205	none provided	4,845	-
Install Fiber Optic Backbone	ARRA 20.205	ARRA-PHX-0(234)A	147,811	-
Install CCTV	ARRA 20.205	ARRA-PHX-0(233)A	566,231	-
Pavement Preservation - City Wide	ARRA 20.205	ARRA-PHX-0(261)A	2,600,696	-
Phx Regional ITS FOB Phase II	20.205	STP-PHX-0(52)A	23,254	-
Remove/Replace ADA Ramps-South	ARRA 20.205	ARRA-PHX-0(230)A	10,000	-
Rio Salado Pkwy Design Phase One	20.205	HPS-PHX-0(055)A	508,270	-
Roosevelt: Central to 4th Street	20.205	TEA PHX-0(269)	45,345	-
Safe Route to School - Mitchell School, Phase 2	20.205	SRS 999-A(252)A	32,205	-
Safe Route to School - Mitchell School, Phase III	20.205	SRS 999-A(344)	12,587	-
Safe Route to School - 55th Ave & Campbell	20.205	SRS 999-A(251)A	47,234	-
Salt River: 24th St	20.205	CM-PHX-0(223)	45,154	-
S Mtn Community College	20.205	TEA PHX-0(212)A	344,342	-
Traffic Control Signs	ARRA 20.205	ARRA-PHX-0(236)A	572,221	-
Wireless Communications	ARRA 20.205	ARRA-PHX-0(235)A	245,777	-
Total - A.D.O.T			\$ 16,276,965	\$ -
Total - F.H.A.			\$ 16,276,965	\$ -
Federal Pass-Thru: Maricopa Association of Governments				
Congestion Mitigation and Air Quality Improvement Funding				
Streetsweepers	20.205	none provided	\$ 926,965	\$ -
Total - M.A.G.			\$ 926,965	\$ -
Federal Pass-Thru: National Highway Traffic Safety Administration (N.H.T.S.A.)				
Governor's Office of Community and Highway Safety (G.O.H.S.)				
Child Passenger Safety Program	20.600	2011-OP-005	\$ 3,087	\$ -
Accident Investigation Equipment	20.600	2011-AI-001	507	-
Selective Traffic Enforcement (STEP)	20.600	2011-PT-003	2,224	-
2012 PT/Selective Traffic Enforcement (Speed)	20.600	2012-PT-006	26,967	-
2012 Occupant Protection	20.600	2012-OP-005	52	-
2012 Selective Traffic Enforcement Equip	20.600	2012-PT-007	50,521	-
2012 Buckle Up Arizona	20.600	2012-OP-031	14,939	-
GOHS - eCitation Project 11-12	20.600	2012-TR-002	14,950	-
2012 DUI Enforcement Equipment	20.600	2012-410-006	71,923	-
2012 DUI Equipment	20.600	2012-HF-001	113,555	-
DUI Enforcement	20.601	2011-410-003	60,801	-
2012 DUI/Underage Alcohol Enforcement	20.601	2012-410-007	50,000	-
DUI/Underage Alcohol Enforcement	20.601	2011-410-004	17,437	-
GOHS - TSRP Transportation Safety Resource Prosecutor 11-121	20.601	2012-410-005	152,844	-
Total - G.O.H.S.			\$ 579,807	\$ -
Total - N.H.T.S.A.			\$ 579,807	\$ -
TOTAL - DEPARTMENT OF TRANSPORTATION			\$ 145,467,221	\$ 70,399,603

CITY OF PHOENIX, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Agency/Program/Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2011/2012 Expenditures	Subrecipient's Share of Total Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (H.U.D.)				
Community Development Block Grants (C.D.B.G.) Cluster				
2003 Entitlement Program	14.218		\$ 34,560	\$ 34,560
2006 Entitlement Program	14.218		145,266	-
2007 Entitlement Program	14.218		443,170	-
2008 Entitlement Program	14.218		356,948	-
2009 Entitlement Program	14.218		618,537	67,375
2010 Entitlement Program	14.218		4,613,359	620,335
2011 Entitlement Program	14.218		11,980,169	767,390
Community Development Block Grant (CDBG)	ARRA 14.253		1,816,357	-
Total - C.D.B.G. Cluster			\$ 20,008,366	\$ 1,489,660
Lower Income Housing Assistance				
Housing Opportunities for Persons with Aids (HOPWA)	14.241		\$ 1,239,698	\$ -
Public and Indian Housing	14.850		7,585,135	-
Resident Opportunities & Self-Sufficiency (ROSS)	14.870		270,202	-
Total - Lower Income Housing Assistance			\$ 9,095,035	\$ -
Section 8 Housing Assistance				
Section 8 Vouchers 5-Year Mainstream	14.181		\$ 571,963	-
Section 8 Fillmore Gardens/Sunnyslope Manor	14.195		109,484	-
Section 8 Modernization Rehabilitation VIII	14.249		197,256	-
Section 8 Modernization Rehabilitation IX	14.249		88,636	-
Section 8 Modernization Rehabilitation X	14.249		67,212	-
Green Retrofit Program	ARRA 14.318		339,341	-
Section 8 Modernization Rehabilitation III	14.856		29,729	-
Housing Voucher Cluster				
Section 8 Vouchers	14.871		57,002,889	-
Section 8 Vouchers	14.871		2,111,924	-
Section 8 Vouchers - Family Unification Program (FUP)	14.880		883,816	-
Total - Housing Voucher Cluster			59,998,629	-
Total - Section 8 Housing Assistance			\$ 61,402,250	\$ -
Public Housing - Capital Fund Program Cluster				
Capital Fund Program	14.872		5,143,349	-
CFP 2009 - Competitive	ARRA 14.884		966,378	-
CFP 2009 - Formula	ARRA 14.885		252,565	-
Total - Capital Fund Program Cluster			\$ 6,362,292	\$ -
HOME Program				
Home Investment Partnerships (HOME)	14.239		9,190,617	-
Total - HOME Program			\$ 9,190,617	\$ -
HUD Emergency Shelter Grant Program	14.231		\$ 282,240	\$ 545
HUD Emergency Shelter Grant Program	14.231		750,778	268,747
Subtotal CFDA #14.231			\$ 1,033,018	\$ 269,292
Neighborhood Stabilization Program 1 - HERA	14.218		\$ 5,847,263	\$ -
Neighborhood Stabilization Program 3 - Dodd-Frank Wall Street Reform	14.218		4,873,347	-
Neighborhood Stabilization Program 2	ARRA 14.256		27,192,288	-
Total - Neighborhood Stabilization Program			\$ 37,912,898	\$ -
Homelessness Prevention and Rapid Re-Housing Program (HPRP)	ARRA 14.257		\$ 2,596,456	\$ -
Lead Based Paint Hazard Control Round 16	14.900		\$ 101,788	\$ 25,386
Lead Based Paint Hazard Control	14.900		133,170	12,600
Lead Hazard Control Cluster				
HUD Lead Based Paint Hazard Control	ARRA 14.907		705,330	91,144
HUD Healthy Homes	ARRA 14.908		269,497	-
Total - Lead Hazard Control Cluster			974,827	91,144
			\$ 1,209,785	\$ 129,130
Fair Housing Assistance Program (FHAP)				
HUD Type I-FHAP	14.408		174,718	-
Total - F.H.A.P.			\$ 174,718	\$ -
Other Grant Programs				
Hope VI - Krohn West	14.866		\$ 711,758	\$ -
Total - Other Grant Programs			\$ 711,758	\$ -
Total - Federal Direct Programs			\$ 149,697,193	\$ 1,888,082
Federal Pass-Through				
Arizona Department of Economic Security				
DES/Emergency Shelter Grant (ESG)	14.231	DEO-71131-001	\$ 14,882	\$ 14,882
TOTAL - DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (H.U.D.)			\$ 149,712,075	\$ 1,902,964
U. S. DEPARTMENT OF THE INTERIOR				
Bureau of Reclamation				
91st Ave Wastewater Treatment Plant Appraisal Level Study	15.504		\$ 12,260	\$ -
Evaluating Dual-Flush High Efficiency Toilets (HET)	15.530		19,869	-
Rio Salado Bird Garden	15.625		48,615	-
Total - Bureau of Reclamation			\$ 80,744	\$ -
TOTAL - U. S. DEPARTMENT OF THE INTERIOR			\$ 80,744	\$ -

CITY OF PHOENIX, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Agency/Program/Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2011/2012 Expenditures	Subrecipient's Share of Total Expenditures
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE (C.N.C.S.)				
Senior Companion Program	94.016		\$ -	\$ -
TOTAL - CORPORATION FOR NATIONAL AND COMMUNITY SERVICE (C.N.C.S.)			\$ -	\$ -
DEPARTMENT OF HOMELAND SECURITY				
<i>Federal Emergency Management Agency (FEMA)</i>				
2010 Urban Research and Rescue (USAR) Grant	97.025		\$ 285,984	\$ -
2011 Urban Research and Rescue (USAR) Grant	97.025		853,973	-
Hurricane Irene	97.025		14,093	-
Thunderbolt 11	97.025		8,944	-
AFG - Fire Prevention	97.044		1,651	-
AFG - Smoke Alarms	97.044		4,473	-
AFG - FP Kitchen Trailer	97.044		29,485	-
AFG - Fire Safety House	97.044		80,000	-
AFG - Incident Safety Officer Systems (ISOS) Training	97.044		349,990	-
AFG - ISOS Training	97.044		128,608	-
AFG - Fire Ground Survival Training	97.044		15,846	-
2009 Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		2,085,122	-
2010 Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		2,152,559	-
Total - Federal Emergency Management Agency			\$ 6,010,728	\$ -
TSA Canine Program	97.unknown	HSTS0208HCAN443	\$ 63,960	\$ -
Law Enforcement Officer Reimbursement Program	97.090		651,451	-
In-Line EDS Baggage Handling System (TSA)	ARRA 97.117		411,323	-
Total - Other Direct			\$ 1,126,734	\$ -
Total - Federal Direct Programs			\$ 7,137,462	\$ -
<i>Federal Pass-Through</i>				
<i>Arizona Department of Emergency Management</i>				
UASI 10-AZ TLO Conference	97.067	2010-SS-T0-0086	\$ 23,464	\$ -
UASI 10-Terrorism Liaison Officers (TLO)	97.067	2010-SS-T0-0086	18,304	-
UASI 11-Terrorism Liaison Officers (TLO)	97.067	888821-03	79,421	-
UASI 10 - Rapid Response Team	97.067	2010-SS-T0-0086	163,111	-
UASI 11 - Sustain Rapid Response Team	97.067	888821-02	116,082	-
UASI 09-CERT	97.067	2009-SS-T9-0016	2,869	-
UASI 09-CERT Truck	97.067	2009-SS-T9-0016	38,513	-
UASI 09-Adv Configuration-Command Vehicle	97.067	2009-SS-T9-0016	19,236	-
UASI 09-RRT Hook Lift Storage Containers	97.067	2009-SS-T9-0016	49,487	-
UASI 09-Microwave Down Link	97.067	2009-SS-T9-0016	35,829	-
UASI 09-Special Ops Fencing	97.067	2009-SS-T9-0016	74,548	-
UASI 08-Com Vehicle Equipment	97.067	2008-GE-T8-0021	6,018	-
UASI 11-Exercise & Training	97.067	888820-01	107,200	-
UASI 10-Fire Assets	97.067	2010-SS-T0-0086	113,102	-
UASI 10-HSEEP	97.067	2010-SS-T0-0086	169,847	-
UASI 10-Volunteer Reception Centers (VRC)	97.067	2010-SS-T0-0086	12,612	-
UASI 11-Volunteer Reception Centers (VRC)	97.067	888821-01	32,057	-
State Homeland Security Grant Program (SHSGP) 2010	97.067	777213-03	497,421	-
Urban Area Security Initiative (UASI) 2008	97.067	444823-15	5,865	-
Urban Area Security Initiative (UASI) 2009	97.067	555818-07, 555818-11,	281,207	-
Urban Area Security Initiative (UASI) 2010 F	97.067	777819-03, 777818-01,	1,025,422	-
Urban Area Security Initiative (UASI) 2011	97.067	888822-03, 888822-04,	338,282	-
Metropolitan Medical Response (MMRS)	97.071	2009-SS-T9-0016, 2010-SS-T0-0086, 888209-03, 2010-SS-T0-0086, 2009-SS-T9-0016, 2006-GE-T6-0007	274,839	-
2010 SHSGP-AHIMT, 2009 SHSGP-Citizen Corp,	97.073	888208-01	133,667	-
2006 SHSGP-IMT Equipment II	97.073	2010-SS-T0-0086	17,700	-
2011 SHSGP-AHIMT	97.073	888209-02	37,119	-
2010 SHSGP-CERT	97.073	888209-04	3,308	-
2011 SHSGP-CERT	97.073	2009-SS-T9-0016	53,498	-
2012 SHSGP-CERT II	97.073	2010-SS-T0-0086	13,042	-
2009 SHSGP-Interoperative	97.073	888208-02	72,989	-
2010 SHSGP-Rev 911	97.073	555203-07	34,285	-
2011 SHSGP-911	97.073	888209-01	13,215	-
2009 SHSGP-Phoenix Regional Storage Facilities	97.073	888209-01	13,215	-
2011 SHSGP-Phoenix Regional Storage Facilities	97.073	888209-01	13,215	-
Buffer Zone Protection Plan (BZPP) 2009	97.078	555212-02, 555212-03	126,176	-
Buffer Zone Protection Plan (BZPP) 2010	97.078	777213-04	1,663	-
Total - Arizona Department of Emergency Management			\$ 4,125,580	\$ -
<i>Arizona Department of Homeland Security</i>				
2008 Transit Security Grant Program	97.075	08-AZDOHS-TSGP	\$ 110,062	\$ -
2009 Transit Security Grant Program	97.075	2009-RA-T9-0034	418,400	-
2011 Transit Security Grant Program	97.075	2011RA00064	4,980	-
2009 UASI Strategy Update Project	97.067	555817-08	54,000	-
Total - Arizona Department of Homeland Security			\$ 587,442	\$ -
TOTAL - DEPARTMENT OF HOMELAND SECURITY			\$ 11,850,484	\$ -

CITY OF PHOENIX, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Agency/Program/Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2011/2012 Expenditures	Subrecipient's Share of Total Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Headstart Year "45"	93.600		\$ 3,691,800	\$ 1,632,210
Headstart Year "46"	93.600		26,107,060	15,978,989
Headstart COLA/Quality	ARRA 93.600		4,509	4,507
Subtotal CFDA #93.600			\$ 29,803,369	\$ 17,615,706
Headstart Expansion	ARRA 93.708		\$ 351,442	-
Early Headstart	ARRA 93.708		1,117,685	-
Subtotal CFDA #93.708			\$ 1,469,127	\$ -
Total - H.H.S. - Federal Direct			\$ 31,272,496	\$ 17,615,706
Federal Pass-Through				
AZ Department of Health				
2008 Immunization Program	93.268	HG854316	\$ 27,039	\$ -
AZ Governor's Office of Energy Policy				
Weatherization - LIHEAP	93.568	G043-10-06	211,117	-
Total- AZ Governor's Office of Energy Policy			\$ 211,117	\$ -
Arizona Department of Economic Security				
Temporary Assistance for Needy Families (TANF)	93.558	DE111075001	\$ 1,059,855	-
TANF Homeless	93.558	DEO-71131-001	47,270	\$ 47,270
Low Income Home Energy Assistance Program (LIHEAP)	93.568	DE111075001	23,786	-
Low Income Home Energy Assistance Program (LIHEAP)	93.568	DE111075001	7,741,891	-
Low Income Home Energy Assistance Program (LIHEAP)	93.568	Various	139,659	-
Community Service Block Grant	93.569	DE111075001	1,558,513	-
Social Services Block Grant	93.667	DE111075001	\$ 667,174	\$ -
Total- Arizona Department of Economic Security			\$ 11,238,148	\$ 47,270
Other Pass-thru Programs				
Older American Act - Title IIC2	93.045	2012-37-PHX	1,218,562	-
Older American Act - NSIP	93.053	2012-37-PHX	215,040	-
Older American Act - SSBG	93.667	2012-37-PHX	\$ 286,721	\$ -
Total Other Pass-thru Programs			\$ 1,720,323	\$ -
TOTAL - DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 44,469,123	\$ 17,662,976
DEPARTMENT OF EDUCATION				
Federal Pass-Through				
Arizona Governor's Office of Economic Recovery				
Governor's Public Safety Stabilization Program	ARRA 84.397	OER-11-IJA-GS-69	\$ 26,333	\$ -
Governor's Public Safety Stabilization Program	ARRA 84.397	OER-11-IJA-GS-190	35,250	-
Total- Arizona Governor's Office of Economic Recovery			\$ 61,583	\$ -
TOTAL - DEPARTMENT OF EDUCATION			\$ 61,583	\$ -
DEPARTMENT OF JUSTICE				
Bureau of Justice Assistance				
Congressionally Recommended Awards				
ePRO 2010 - 2013	16.753		\$ 57,350	\$ -
Office of Victims of Crime				
Victim's Rights 2011-12	16.582		\$ 164,200	\$ -
Advocacy Services 2011-12	16.582		105,401	-
Advocate for Victims 50 Years & Older 2011-12	16.582		72,878	-
Subtotal - Office of Victims of Crime			\$ 342,479	\$ -
Office of Justice Programs				
Internet Crimes Against Children	16.543		\$ 373,450	\$ 127,329
G.R.E.A.T - Regional	16.737		283,162	-
Smart Policing Initiative	16.738		2,661	-
Internet Crimes Against Children	ARRA 16.800		255,062	-
Subtotal - Office of Justice Programs			\$ 914,335	\$ 127,329
Maryvale Weed and Seed 09-10	16.595		\$ 13,190	\$ -
Maryvale Weed and Seed 10-11	16.595		55,978	-
Canyon Corridor Weed and Seed	16.595		29,602	-
Subtotal - CFDA #16.595			\$ 98,770	\$ -
COPS Technology 2007	16.710		486,868	-
COPS Technology 2010 -Mobile Data Security	16.710		17,325	-
Subtotal - CFDA #16.710			\$ 504,193	\$ -
2009 Human Trafficking Task Force Initiative	16.320		\$ 58,971	\$ -
2010 Human Trafficking Task Force Initiative	16.320		23,686	-
Ed. Byrne Memorial Comp. - OHD (Police)	ARRA 16.808		543,676	-
Cannabis Eradication 2009	16.Unknown		5,863	-
Subtotal - Other Federal Direct Programs			\$ 632,196	\$ -
Total - Federal Direct Programs			\$ 2,549,323	\$ 127,329

CITY OF PHOENIX, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Agency/Program/Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2011/2012 Expenditures	Subrecipient's Share of Total Expenditures
Federal Pass-Through				
Governor's Office for Children, Youth & Families				
STOP Domestic Violence Attorney	ARRA 16.806	II-IGS-11-2121-03	\$ 142,005	\$ -
Total - Governor's Office for Children			\$ 142,005	\$ -
Arizona Criminal Justice Commission (A.C.J.C)				
Solving Cold Cases with DNA	16.560	CCDNA-12-001	\$ 54,332	\$ -
ACJC Crime Victim's Assistance 2011-12	16.582	VA-12-039	27,714	-
Forensic DNA Backlog Reduction Program VI	16.741	DNB-10-002	134,846	-
Forensic DNA Backlog Reduction Program VII	16.741	DNB-11-002	333,419	-
Forensic DNA Backlog Reduction Program VIII	16.741	DNB-12-002	18,996	-
National Forensic Sciences Formula 2011	16.742	CV-11-005	103,994	-
National Forensic Sciences Formula 2012	16.742	CV-12-004	65,668	-
NICS Act Records Improvement Program	16.813	NIC11-12-001	147,532	-
Total - A.C.J.C.			\$ 886,501	\$ -
Arizona Department of Public Safety (A.D.P.S.)				
DPS Victims of Crime Assistance 11/12	16.575	2010-324	295,866	-
JAG Community Assistance - VOCA	ARRA 16.801	2009-474	\$ 3,015	-
Total - A.D.P.S.			\$ 298,881	\$ -
Governor's Office of Highway Safety				
Underage Alcohol Enforcement	16.727	2011-DOJ-001	\$ 38,318	\$ -
Total - Governor's Office of Highway Safety			\$ 38,318	\$ -
Maricopa County				
Byrne Justice Assistance Grant (JAG) 2008	16.738	2008-DJ-BX-0500	\$ 16,422	\$ -
Byrne Justice Assistance Grant (JAG) 2009	16.738	2009-DJ-BX-0342	479,649	-
Byrne Justice Assistance Grant (JAG) 2010	16.738	2010-DJ-BX-1213	422,081	-
Byrne Justice Assistance Grant (JAG) 2011	16.738	2011-DJ-BX-3298	57,599	-
Byrne Justice Assistance Grant (JAG)	ARRA 16.804	2009-SB-B9-2970	1,271,223	-
Court Awards Federal (RICO)	16.922	none provided	2,070,024	-
Total - Maricopa County			\$ 4,316,998	\$ -
Neighborhood Services				
Maryvale Weed and Seed	16.595	2009-WS-QX-0043	\$ 933	\$ -
Maryvale Weed and Seed	16.595	2010-WS-QX-0061	45,231	-
Canyon Corridor Weed and Seed	16.595	2010-WS-QX-0060	65,849	-
Total - Neighborhood Services			\$ 112,013	\$ -
TOTAL - DEPARTMENT OF JUSTICE			\$ 8,344,039	\$ 127,329
DEPARTMENT OF LABOR				
Arizona Department of Economic Security - Other				
<i>Workforce Investment Act (WIA) Cluster</i>				
Workforce Investment Act - Adult 2010-11	17.258	DE111003001	\$ 979,778	\$ 497,086
Workforce Investment Act - Adult 2011/12	17.258	DE111003001-Amen 3	2,570,281	-
Workforce Investment Act - Youth 2011-12	17.259	DE111003001-Amen 3	3,333,443	2,086,581
Workforce Investment Act - Incentive Fund PY2009	17.259	DE101043	26,865	-
Workforce Investment Act - Dislocated Worker 2010-11	17.278	DE111003001	2,991,249	-
Workforce Investment Act - Dislocated Worker 2011-12	17.278	DE111003001-Amen 3	1,600,606	-
Total - Workforce Investment Act (WIA) Cluster			11,502,222	2,583,667
Youthbuild	17.274	YB019135-09-060	733,131	423,100
Total - Arizona Department of Economic Security - Other			\$ 12,235,353	\$ 3,006,767
Maricopa County				
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	ARRA 17.275	C-22-10-092-3-00	1,002,274	-
TOTAL - DEPARTMENT OF LABOR			\$ 13,237,627	\$ 3,006,767
DEPARTMENT OF ENERGY (D.O.E.)				
Local Energy Assurance Planning (LEAP) Initiative	ARRA 81.122		\$ 61,347	\$ -
Energy Efficiency and Conservation Block Grant Program (EECBG)	ARRA 81.128		7,589,669	-
Energy Efficiency and Conservation Block Grant Program (EECBG)	ARRA 81.128		11,058,638	1,208,183
Total Direct Federal Awards			\$ 18,709,654	\$ 1,208,183
Federal Pass-Through (D.O.E.)				
Arizona Department of Energy				
Arizona BioFuel Conversion (ABC) Grant	ARRA 81.041	700013	\$ 52,202	-
Weatherization Assistance for Low-Income Persons	81.042	C051-09-06	135,633	-
Weatherization Assistance for Low-Income Persons	81.042	C037-09-06 AM#3	471,699	-
Weatherization Assistance for Low-Income Persons	ARRA 81.042	C037-09-06	2,247,632	-
Total - Arizona Department of Energy			\$ 2,907,166	\$ -
Arizona Department of Commerce				
AZ Solar Rooftop	81.117	700014	\$ 7,565	-
TOTAL - DEPARTMENT OF ENERGY (D.O.E.)			\$ 21,624,385	\$ 1,208,183

CITY OF PHOENIX, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Agency/Program/Grant Title	Federal CFDA Number	Federal Grant/ State Pass-Through Number	2011/2012 Expenditures	Subrecipient's Share of Total Expenditures
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
<i>Federal Pass-Through (Library, Archives & Public Records)</i>				
LTSA Lib E-readers	45.310	2011-31104-06	29,299	-
21 Century Learning LSTA 2010	45.310	2010-30104-06	7,794	-
TOTAL - INSTITUTE OF MUSEUM AND LIBRARY SERVICES			\$ 37,093	\$ -
ENVIRONMENTAL PROTECTION AGENCY				
Brownsfield Del Rio	66.814		\$ 66,737	\$ -
Brownsfield Job Training Grant	66.818		5,752	-
TOTAL - ENVIRONMENTAL PROTECTION AGENCY			\$ 72,489	\$ -
DEPARTMENT OF COMMERCE				
<i>Federal Pass-Through</i>				
<i>AZ Department of Emergency Management</i>				
Public Safety Interoperable Communications (PSIC) 2007	11.555	none provided	\$ 2,252,269	\$ -
TOTAL - DEPARTMENT OF COMMERCE			\$ 2,252,269	\$ -
EXECUTIVE OFFICE OF THE PRESIDENT				
High Intensity Drug Trafficking Area (HIDTA) 2010	95.001		\$ 180,101	-
HIDTA 2011	95.001		860,953	-
HIDTA 2012	95.001		326,507	-
TOTAL - EXECUTIVE OFFICE OF THE PRESIDENT			\$ 1,367,561	\$ -
GRAND TOTAL FEDERAL ASSISTANCE PROGRAMS			\$ 398,576,693	\$ 94,307,822

See accompanying notes to schedule.

FOOTNOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2012

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on the accrual 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*. Because the Schedule presents only a portion of the operations of the City, it is not intended to and does not present the financial position, results of operations and cash flows of the City of Phoenix, Arizona.

Federal awards provided to sub recipients are treated as expenditures when paid to the sub recipient.

2. CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the Catalog of Federal Domestic Assistance.

3. FEDERAL LOAN PROGRAM

Loans issued to nonprofit corporations for the purpose of establishing and/or improving public housing units or to single families providing affordable housing under the HOME Program are summarized in the federal expenditures column of the Schedule of Expenditures of Federal Awards. The City entered into various loan agreements with third parties related to its public housing programs that have been recorded as notes receivable within the Public Housing Special Revenue Fund. Under these agreements, the City has either loaned money to nonprofit corporations or to single families providing affordable housing. The payments received from these loans are restricted by the Federal Government for public housing programs. Therefore the City records a trust liability within the Public Housing Special Revenue Funds for the outstanding balance of the notes.

Total amount of the notes outstanding under the HOME Program is \$15,444,557 as of June 30, 2012. The Schedule is a summary of total expenditures, including loans, made during the fiscal year ended June 30, 2012.

4. PRIOR YEAR NUMBERS

Some balances disclosed in the Schedule of Federal Awards as of June 30, 2012, include activity from the prior fiscal year that were not previously reported. As of June 30, 2011, the Schedule overstated expenditures for CFDA 14.195 and understated expenditures for CFDA 14.871 Section 8 Housing Assistance programs. Therefore, the Schedule as of June 30, 2012, represents the activity in these programs net of the prior year over/understatements for the respective programs, as approved by the Department of Housing and Urban Development.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:.....unqualified

Internal control over financial reporting:

- Material weakness identified?..... none reported
- Significant deficiencies identified that are not considered to be material weaknesses? yes

Noncompliance material to financial statements noted? none reported

Federal Awards

Internal control over major programs:

- Material weakness identified?..... yes
- Significant deficiencies identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs:unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? none reported

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS (continued)

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.516 and 20.521	Transit Services Programs Cluster
ARRA 20.205	Highway Planning and Construction
14.218 and ARRA 14.253	Community Development Block Grants (CDBG) Cluster
14.850	Public and Indian Housing
14.871 and 14.880	Housing Voucher Cluster
14.872, ARRA 14.884 and ARRA 14.885	Capital Fund Program Cluster
ARRA 14.256	Neighborhood Stabilization Program 2
ARRA 14.257	Homelessness Prevention and Rapid Re-Housing Program (HPRP)
ARRA 14.907 and ARRA 14.908	Lead Hazard Control
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)
97.067	Homeland Security Grant Program
93.568	Low Income Home Energy Assistance Program (LIHEAP)
17.258, 17.259, and 17.278	Workforce Investment Act (WIA) Cluster
ARRA 17.275	Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors
ARRA 81.128	Energy Efficiency and Conservation Block Grant Program (EECBG)
ARRA 81.042	Weatherization Assistance for Low-Income Persons

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? yes

City of Phoenix, Arizona

FOOTNOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2012-01
Significant Deficiency

Criteria

The City of Phoenix (City) is required to have internal controls in place to ensure that the Schedule of Expenditures of Federal Awards (SEFA) is accurately and comprehensively reported.

Condition/Effect

Information is gathered by each individual program manager and is compiled by the accounting supervisor. Select information is verified by reconciliation to the general ledger and grant master file. The remaining information is not reviewed against source documents.

As a result of the lack of monitoring controls, several issues were identified including:

- Inaccurate expenditure amounts
- Missing CFDA numbers and related expenditures
- Missing subrecipient information and related expenditures

While these issues did not result in over-expenditures, or noncompliance with any program requirements, the SEFA, as initially prepared, was not accurate as a result of the above. However, the necessary corrections that were identified were made in the SEFA prior to issuance.

Cause

Select information presented in the SEFA is reviewed for accuracy to ensure all program expenditures are correct as reported. The remaining information, and completeness of the schedule, is not reviewed, and grant managers do not review the final SEFA before it is issued.

Recommendation

The City should establish monitoring controls to ensure that timely review and reconciliation of the SEFA is completed on a regular basis in the accounting supervisor's office. This may include an additional level of review or incorporating the assistance of some of the grant managers, as needed.

Views of responsible officials and planned corrective action:

The accounting supervisor's office will continue to review departments' SEFA submissions on a sample basis and will follow up with any discrepancies based on the sample selections. In addition, the accounting supervisor's office will provide the final SEFA to all grant managers for their review and verification of accuracy and completion of all information for their respective grants.

City of Phoenix, Arizona

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2012-02

Material Weakness

Capital Fund Program Cluster (CFP), CFDA 14.872, ARRA 14.884 & ARRA 14.885.
Department of Housing and Urban Development, Award year 2012

Energy Efficiency and Conservation Block Grant Program (EECBG), CFDA ARRA 81.128.
Department of Energy, Award year 2012

Criteria

OMB Circular A-133, section 300 requires that, as a condition of receiving Federal awards, non-Federal entities agree to maintain internal control over Federal programs to provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements. Grant drawdown requests should be reviewed to ensure that they are for allowable expenditures under the grant.

Condition/Effect

It was noted that with respect to cash drawdowns, that review controls are not in place and operating effectively in all cases. In those circumstances, a review was not performed prior to the submission of the drawdown requests for the Energy Efficiency Block grant, CFDA 81.128. Although we understand that this was identified in the fiscal year 2011 single audit and was addressed midway through fiscal year 2012 by management, so while the drawdowns early in the year were not reviewed, later requests were corrected and properly reviewed and corrected as necessary. Of the four drawdown requests that were selected for testing during the 2012 audit, one of the requests, from early in the year, did not have proper expenditure support and review. With respect to the Capital Fund Program Cluster, CFDA #'s 14.872, 14.884 & 14.885, four cash drawdowns were judgmentally selected for testing and none had any evidence of review.

While these issues did not result in over-expenditures or noncompliance with any program requirements, proper controls must be in place.

Questioned Costs

None

Cause

All of the drawdown requests were not reviewed for accuracy to ensure that all expenditures were accurate and complete.

City of Phoenix, Arizona

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

Recommendation

The City should consider implementing/enforcing procedures to ensure that drawdown requests are reviewed prior to submission. Additionally, the City should also consider implementing/enforcing segregation of duties controls to ensure that receipt of funds and drawdown requests are not initiated/recorded by the same individuals.

Views of responsible officials and planned corrective action:

The City of Phoenix Housing Department concurs with this observation.

Corrective Action: *The department now has appropriate controls in place to ensure segregation between preparation and review/ approval of all cash draws.*

The City of Phoenix Public Works Department concurs with this observation.

Corrective Action: Prior to December 2011, the Accountant III would generate an expense report and draw down funds through ASAP using this report. There was not a review or approval process from the Department Budget Supervisor or any other staff member to verify expenses.

After January 23, 2012, several staffing changes occurred, which included a new Department Budget Supervisor, an Accountant III, and a Budget Analyst II. Immediately, the new staff addressed the process for reviewing and approving drawdown requests from the ASAP system and new internal controls were implemented. The current drawdown process includes having the responsibility of drawing down funds assigned to the Budget Analyst II and having the responsibility of reviewing and approving the drawdown of funds assigned to the Department Budget Supervisor. Step by step procedures of how to verify valid expenditures and how to request funds from ASAP were also created.

All drawdown requests as of January 2012 are in compliance as they have been reviewed and approved by the Budget Supervisor.

City of Phoenix, Arizona

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

SECTION IV – STATUS OF PRIOR YEAR FINDINGS

Finding 2011-01

Federal Program

Public Safety Interoperable Communications (PSIC), CFDA 11.555
Department of Commerce
Pass through from the AZ Department of Homeland Security

Criteria

The City prepares its SEFA on the accrual basis, thus the expenditures initially reported for the program was not in compliance with the City's accounting policies.

Questioned Costs

None

Condition/Effect

The draft Schedule of Expenditures of Federal Awards (SEFA) was not initially prepared with all the correct amounts. Although the SAP system reflected the correct amounts, we identified the amount provided by the department for the program Public Safety Interoperable Communications (PSIC) that was incorrect and resulted in a material adjustment for the program to the draft SEFA.

The Schedule of Expenditures of Federal Awards was not initially prepared on the accrual basis of accounting.

Cause

The City's existing policies and procedures did not identify the error.

Recommendation

The City should implement/enforce procedures to ensure that the Schedule of Expenditures of Federal Awards is completed on an accrual basis of accounting.

Views of responsible officials and planned corrective action:

The City of Phoenix Police Department concurs with this observation. In the future only the Split Ledger Report in SAP will be used in drafting the SEFA. In addition, City Finance will be providing training to all Police grant accountants to implement and enforce procedures and the uniform use of SAP reports on all Police grant SEFA reports.

Status:

The Police Department resolved this issue by drafting the SEFA using the Split Ledger Report in SAP during fiscal year 2012.

City of Phoenix, Arizona

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

Finding 2011-02

Federal Program

Workforce Investment Act (WIA), CFDA 17.258, 17.259, 17.260, 17.278
Department of Labor
Pass through from the Arizona Department of Economic Security

Criteria

General procedures of the City states that the second review of adult and dislocated worker participant eligibility should be documented.

Questioned Costs

None

Condition/Effect

Of the 40 WIA participant files reviewed, 3 did not have evidence of a second sign off indicating the file had been reviewed.

Participants may be given federal aid when they are not eligible.

Cause

Supervisors at the sub recipient level are not reviewing participant files on a timely basis.

Recommendation

The City should enforce the established procedures to ensure that participant files are reviewed on a timely basis and prior to aid being given out.

Views of responsible officials and planned corrective action:

The City of Phoenix Community and Economic Development Department concurs with this observation. The requirement for file reviews and the checklist will be reiterating in training. In addition, we are using a new case management system called AZ Job Connection. For WIA participants who were register with our program after February 21, 2012, there is now an online supervisor approval process required. For new participants, the online requirement will replace the hard copy file checklist requirement as the secondary review and approval for those participants. However, the checklist signature process will remain in effect for those with a registration date prior to February 21, 2012.

Status:

The Community and Economic Development Department resolved this issue by ensuring that all file reviewers were documented on the checklist and properly signed off with the second reviewer signature. Additionally, the new case management system is being operated and fully utilized.

City of Phoenix, Arizona

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

Finding 2011-03

Federal Program

Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458,
Environmental Protection Agency
Pass through from Water Infrastructure Financing Authority

Criteria

In accordance with City policies, goods issued to third parties should be documented with authorized goods release forms.

Questioned Costs

None

Condition/Effect

Expenditures related to water meters issued to a third party for installation, were not properly authorized and reported in the SAP system.

Expenditures charged to the program could be unauthorized or inaccurate.

Cause

Good shipped (issued) to third parties should be documented with authorized goods release forms.

Recommendation

The City should enforce the procedures already in place to ensure that goods release are properly documented and authorized.

Views of responsible officials and planned corrective action:

The City of Phoenix Water Services Department concurs with this observation. The Water Services Department has reviewed the process for issuing inventory to third parties and to City field staff. During this review the Department identified gaps in the control and as a result have prepared new detailed procedures that will address this control deficiency. These procedures include the requirement that goods issued will be documented, and that a reconciliation and physical inventory be performed on a regular basis.

Status:

The Water Services Department has updated its procedures to include the requirement that goods issued will be documented, and that a reconciliation and physical inventory be performed on a regular basis. Reconciliations are being performed on monthly basis.

City of Phoenix, Arizona

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

Finding 2011-04

Federal Program

Energy Efficiency Block Grant, CFDA 81.122, 81.128
Department of Energy

Criteria

Cash drawdowns should be supported by eligible expenditures.

Questioned Costs

None

Condition/Effect

The Department did not have established procedures over cash drawdowns to ensure transactions are valid and accurate.

There was a drawdown request in excess of expenditures incurred.

Cause

There was no process in place to ensure that drawdown requests are accurate and valid.

Recommendation

The City should implement/enforce procedures to ensure that expenditures incurred agree to drawdown requests. Additionally the City should implement/enforce segregation of duties controls to ensure that receipt of funds and drawdown requests are not initiated/recorded by the same individuals.

Views of responsible officials and planned corrective action:

The City of Phoenix Public Works Department concurs with this observation. New business procedures have been implemented since the audit to maintain controls, segregate duties, and maintain authorization. Detailed step by step procedures outline how to validate expenditures and request funds from the Automated Standard Application for Payments System.

Status:

The Public Works Department issued new business processes to maintain controls, segregate duties, and maintain authorization. The controls were implemented in the current year. See Finding 2012-02.

City of Phoenix, Arizona

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

Finding 2011-05

Federal Program

Public Safety Interoperable communications (PSIC), CFDA 11.555
Department of Commerce
Pass through from AZ Department of Homeland Security

COPS Technology, CFDA 16.710
Department of Justice

Criteria

Grant expenditures should be reviewed to ensure that they are allowable expenditures under the grant.

Questioned Costs

None

Condition/Effect

Management has an informal process in place for the approval of internal cost postings. However, there was no formal review of grant expenditures for allow ability.

Expenditures incurred, may not be allowable under the grant requirements.

Cause

There was no formal documentation to support that expenditures were reviewed.

Recommendation

The City should implement a formal process that is documented to ensure timely review of expenditures for adherence to grant requirements.

Views of responsible officials and planned corrective action:

The City of Phoenix Police Department concurs with this observation. The City of Phoenix Police Department is in the process of implementing a formalized grant process to centralize all Police Grant Functions, develop effective grant management methods, define clear roles and responsibilities and provide a better mechanism of accountability. This will facilitate communication with Federal granting agencies as well as between City departments.

Status:

The City Police Department implemented a formalized grant process to centralize all Police Grant Functions, develop effective grant management methods, define clear roles and responsibilities, and provide a better mechanism of accountability.