



CITY AUDITOR'S OFFICE

FY 2019/20 Financial Audit: Single Audit Report

February 26, 2021

REPORT NO. 2101.02

CITY COUNCIL

Mayor David D. Ortega

Tammy Caputi

Tom Durham

Vice Mayor Betty Janik

Kathy Littlefield

Linda Milhaven

Solange Whitehead



Honorable Mayor and Members of the City Council:

Enclosed is the *FY 2019/20 Financial and Compliance Audit: Single Audit Report*.

The City Auditor's Office manages the City's financial audit contract and submits the resulting reports to the Audit Committee and then to the City Council for review. This *Single Audit Report* is typically completed in October along with the audit of the City's comprehensive annual financial report (CAFR). The federal government's delay in issuing auditing requirements for coronavirus relief funds delayed the completion of this portion of the annual audit.

This report includes the City's Schedule of Expenditures of Federal Awards and accompanying notes to the schedule, along with independent CPA firm, Heinfeld, Meech and Co., P.C., reports on internal control, compliance and the schedule. The independent auditor's report on internal control over financial reporting and compliance based on the financial statement audit was previously issued in October 2020 and is included as a required part of the Single Audit Report package.

The independent auditor's report on compliance with certain federal funding requirements, internal control over compliance, and the schedule of federal awards expended was completed on February 11, 2021. In this report, the CPA firm noted one instance of noncompliance with federal grant requirements that is required to be reported. The City Treasurer's Office response described procedures and training being developed or updated to address this matter. The CPA firm also concluded that the City's schedule of expenditures of federal awards, which totaled just over \$30 million, was fairly stated in relation to the City's basic financial statements taken as a whole.

If you need additional information or have any questions, please contact me at (480) 312-7867.

Sincerely,

Sharron E. Walker, CPA, CFE, CLEA
City Auditor

Audit Team:

Paul Christiansen, CPA, CIA – Senior Auditor



City of Scottsdale, Arizona
Single Audit Reporting Package
Year Ended June 30, 2020

**CITY OF SCOTTSDALE, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2020**

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**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 Auditor's Report

Honorable Mayor and Members of the City Council
City of Scottsdale, Arizona

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, the budgetary comparison information for the General Fund, and the aggregate remaining fund information of City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Scottsdale, Arizona's basic financial statements, and have issued our report thereon dated October 16, 2020. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement Nos. 84, 87, 90 and 95.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Scottsdale, Arizona's internal control over financial reporting (internal control) as a basis for designing 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 City of Scottsdale, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Scottsdale, Arizona'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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Scottsdale, Arizona'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 financial statements. 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.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 16, 2020

**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 the Uniform Guidance**

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Scottsdale, Arizona

Report on Compliance for Each Major Federal Program

We have audited City of Scottsdale, Arizona's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Scottsdale, Arizona's major federal programs for the year ended June 30, 2020. City of Scottsdale, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Scottsdale, Arizona'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 City of Scottsdale, Arizona'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 City of Scottsdale, Arizona's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Scottsdale, Arizona complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

City of Scottsdale, Arizona's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Scottsdale, Arizona'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 City of Scottsdale, Arizona 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 City of Scottsdale, Arizona's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 the Uniform Guidance, 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 City of Scottsdale, Arizona's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

City of Scottsdale, Arizona's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Scottsdale, Arizona's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

City of Scottsdale, Arizona is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. City of Scottsdale, Arizona's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on it.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison information for the General Fund, and the aggregate remaining fund information of City of Scottsdale, Arizona as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Scottsdale, Arizona's basic financial statements. We issued our report thereon dated October 16, 2020, which contained unmodified opinions on those basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 basic 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 basic financial statements or to the basic 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
February 11, 2021

CITY OF SCOTTSDALE, ARIZONA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2020

Federal Grantor Agency/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor (See Notes)	Federal Grant / Pass-Through Number	FY 19/20 Expenditures	Payments to Subrecipients	Total FY 19/20 Expenditures
Department of Agriculture						
Forest Service: Cooperative Forestry Assistance	10.664	AFOA	TREE 16-107	4,000	-	4,000
Total Department of Agriculture				<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 4,000</u>
Department of Housing and Urban Development						
CDBG - Entitlement Grants Cluster:						
Assistant Secretary for Community Planning and Development: Community Development Block Grants/Entitlement Grants	14.218	N/A	B-17-MC-04-0503	58,802	1,970	60,772
Assistant Secretary for Community Planning and Development: Community Development Block Grants/Entitlement Grants	14.218	N/A	B-18-MC-04-0503	393,636	86,344	479,980
Assistant Secretary for Community Planning and Development: Community Development Block Grants/Entitlement Grants	14.218	N/A	B-19-MC-04-0503	758,781	133,854	892,635
Total CDBG - Entitlement Grants Cluster:				<u>1,211,219</u>	<u>222,168</u>	<u>1,433,387</u>
Assistant Secretary for Community Planning and Development: Home Investment Partnerships Program	14.239	MCHC	M-16-DC-04-0227	5,289	-	5,289
Assistant Secretary for Community Planning and Development: Home Investment Partnerships Program	14.239	MCHC	M-17-DC-04-0227	13,873	173,756	187,629
Assistant Secretary for Community Planning and Development: Home Investment Partnerships Program	14.239	MCHC	M-18-DC-04-0227	418	-	418
				<u>19,580</u>	<u>173,756</u>	<u>193,336</u>
Housing Voucher Cluster:						
Assistant Secretary for Public and Indian Housing: Section 8 Housing Choice Vouchers	14.871	N/A	AZ032AF	477,971	-	477,971
Assistant Secretary for Public and Indian Housing: Section 8 Housing Choice Vouchers	14.871	N/A	AZ032VO	5,397,418	-	5,397,418
Total Housing Voucher Cluster:				<u>5,875,389</u>	<u>-</u>	<u>5,875,389</u>
Assistant Secretary for Public and Indian Housing: Family Self- Sufficiency Program	14.896	N/A	AZ032FSH	11,776	-	11,776
Total Department of Housing and Urban Development				<u>\$ 7,117,964</u>	<u>\$ 395,924</u>	<u>\$ 7,513,888</u>
Department of Justice						
COVID-19 - OJP Bureau Of Justice Assistance: Coronavirus Emergency Supplemental Funding Program	16.034	N/A	2020-VD-BX-1666	90,837	-	90,837
Office of Justice Programs: Missing Children's Assistance	16.543	COP	2018-MC-FX-K029	7,189	-	7,189
Office of Justice Programs: Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	2017-DJ-BX-0023	3,981	-	3,981
Office of Justice Programs: Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	2018-DJ-BX-0867	31,068	-	31,068
Office of Justice Programs: Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	2019-DJ-BX-0884	2,588	-	2,588
				<u>37,637</u>	<u>-</u>	<u>37,637</u>
OJP Bureau Of Justice Assistance: DNA Backlog Reduction Program	16.741	N/A	2017-DN-BX-0131	38,532	-	38,532
OJP Bureau Of Justice Assistance: Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	ACJC	CV 18-19-004	6,302	-	6,302
Total Department of Justice				<u>\$ 180,497</u>	<u>\$ -</u>	<u>\$ 180,497</u>
Department of Transportation						
Federal Aviation Administration: Airport Improvement Program	20.106	N/A	3-04-0032-036-2018	120,962	-	120,962
Federal Aviation Administration: Airport Improvement Program	20.106	N/A	3-04-0032-037-2019	413,240	-	413,240
Federal Aviation Administration: Airport Improvement Program	20.106	N/A	3-04-0032-038-2020	93,661	-	93,661
COVID-19 - Federal Aviation Administration: Airport Improvement Program	20.106	N/A	3-04-0032-039-2020	157,000	-	157,000
				<u>784,863</u>	<u>-</u>	<u>784,863</u>
Highway Planning and Construction Cluster:						
Federal Highway Administration: Highway Planning and Construction (Federal-Aid Highway Program)	20.205	ADOT	HSIP-SCT-0(217)D	1,173,281	-	1,173,281
Total Highway Planning and Construction Cluster:				<u>1,173,281</u>	<u>-</u>	<u>1,173,281</u>

CITY OF SCOTTSDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2020

Federal Grantor Agency/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor (See Notes)	Federal Grant / Pass-Through Number	FY 19/20 Expenditures	Payments to Subrecipients	Total FY 19/20 Expenditures
Department of Transportation (cont'd)						
Federal Transit Cluster:						
Federal Transit Administration: Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507	COP	AZ-2019-014	119,846	-	119,846
Federal Transit Administration: Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507	COP	AZ-2020-008	174,084	-	174,084
Federal Transit Administration: Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507	COP	AZ-90-X136	2,164	-	2,164
COVID-19 - Federal Transit Administration: Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507	COP	AZ-2020-015-00	988,426	-	988,426
Total Federal Transit Cluster:				1,284,520	-	1,284,520
Highway Safety Cluster:						
National Highway Traffic Safety Administration: State and Community Highway Safety	20.600	GOHS	2019-AI-010	11,284	-	11,284
National Highway Traffic Safety Administration: State and Community Highway Safety	20.600	GOHS	2020-PTS-056	61,719	-	61,719
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2019-405d-037	47,118	-	47,118
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2019-405h-023	28,178	-	28,178
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2020-405d-038	119,511	-	119,511
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2020-405h-022	21,849	-	21,849
Total Highway Safety Cluster:				289,659	-	289,659
Total Department of Transportation				\$ 3,532,323	\$ -	\$ 3,532,323
Department of the Treasury						
Department of the Treasury: Equitable Sharing Program	21.016	MCACAAR	N/A	807,850	-	807,850
COVID-19 - Departmental Offices: Coronavirus Relief Fund	21.019	AGOV	ERMT-20-079	17,238,644	-	17,238,644
Total Department of the Treasury				\$ 18,046,494	\$ -	\$ 18,046,494
Institute of Museum and Library Services						
Grants to States	45.310	ASTA	2019-0010-0-R	3,274	-	3,274
Grants to States	45.310	ASTA	2019-0260-9	9,851	-	9,851
				13,125	-	13,125
National Leadership Grants	45.312	ASU	LG-95-17-0158-17	1,710	-	1,710
Total Institute of Museum and Library Services				\$ 14,835	\$ -	\$ 14,835
Department of Homeland Security						
COVID-19 - Federal Emergency Management Agency: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	DR-4524	238,542	-	238,542
Federal Emergency Management Agency: Assistance to Firefighters Grant	97.044	COM	EMW-2017-FR-00143	31,968	-	31,968
Federal Emergency Management Agency: Homeland Security Grant Program (HSGP)	97.067	AZDOHS	180818-01	15,245	-	15,245
Federal Emergency Management Agency: Homeland Security Grant Program (HSGP)	97.067	AZDOHS	180819-01	1,713	-	1,713
Federal Emergency Management Agency: Homeland Security Grant Program (HSGP)	97.067	AZDOHS	180819-02	9,951	-	9,951
Federal Emergency Management Agency: Homeland Security Grant Program (HSGP)	97.067	AZDOHS	190212-01	10,000	-	10,000
Federal Emergency Management Agency: Homeland Security Grant Program (HSGP)	97.067	AZDOHS	190819-02	33,093	-	33,093
Federal Emergency Management Agency: Homeland Security Grant Program (HSGP)	97.067	AZDOHS	190820-01	26,087	-	26,087
Federal Emergency Management Agency: Homeland Security Grant Program (HSGP)	97.067	AZDOHS	190820-02	780	-	780
				96,869	-	96,869

CITY OF SCOTTSDALE, ARIZONA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2020

Federal Grantor Agency/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor (See Notes)	Federal Grant / Pass-Through Number	FY 19/20 Expenditures	Payments to Subrecipients	Total FY 19/20 Expenditures
Department of Homeland Security (cont'd)						
Federal Emergency Management Agency: Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	EMW-2017-FH-00439	328,474	-	328,474
Federal Emergency Management Agency: Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	EMW-2018-FH-00238	184,080	-	184,080
				512,554	-	512,554
Total Department of Homeland Security				<u>\$ 879,933</u>	<u>\$ -</u>	<u>\$ 879,933</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 29,776,046</u>	<u>\$ 395,924</u>	<u>\$ 30,171,970</u>

(See Notes to Schedule of Expenditures of Federal Awards)

**CITY OF SCOTTSDALE, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2020**

1. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Scottsdale, Arizona (City) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of Title 2 of the U.S. Code of Federal Regulations - Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. Federal awards provided to sub-recipients are treated as expenditures when paid to the sub-recipient.

2. THE REPORTING ENTITY

The City, for purposes of the Schedule of Expenditures of Federal Awards, includes all the funds of the primary government as defined by Government Accounting Standards Board (GASB).

The City administers certain federal financial assistance programs through sub-recipients. Those sub-recipients are not considered part of the City reporting entity.

3. PASS-THROUGH GRANTOR'S REFERENCE

The City receives certain federal awards passed through the following non-Federal agencies:

ACJC Arizona Criminal Justice Commission
ADOT Arizona Department of Transportation
AFOA Arizona Office of the State Forester
AGOV Arizona Governor's Office
ASTA Arizona Secretary of State
ASU Arizona State University
AZDOHS Arizona Department of Homeland Security
COP City of Phoenix
COM City of Maricopa
GOHS Governor's Office of Highway Safety
MCACAAR Maricopa County Arizona, County Attorney's Asset Recovery
MCHC Maricopa County Home Consortium

4. INDIRECT COST RATE

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CITY OF SCOTTSDALE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified: Yes
- Material weakness(es) identified: No

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

Any audit findings disclosed that are required to be reported in accordance with §200.516 of Uniform Guidance: Yes

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Voucher Cluster
20.507	Federal Transit Cluster
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$905,159

Auditee qualified as low-risk auditee: Yes

Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*: No

Findings and Questioned Costs Related to Federal Awards: Yes

Summary Schedule of Prior Audit Findings required to be reported: No

**CITY OF SCOTTSDALE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Finding Number: 2020-001

Repeat Finding: No

Program Name/CFDA Title: Housing Voucher Cluster

CFDA Number: 14.871

Federal Agency: Department of Housing and Urban Development

Federal Award Number: AZ032AF, AZ032VO

Pass-Through Agency: N/A

Questioned Costs: N/A

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement: Eligibility

CRITERIA

At the time a family initially receives tenant-based assistance for occupancy of a dwelling unit, and where the gross rent of the unit exceeds the applicable payment standard for the family, the family share does not exceed 40 percent of the family's monthly adjusted income (24 CFR 982.305(a)(5)).

CONDITION

The City's Housing Agency improperly approved tenant-based assistance for a dwelling unit that exceeded 40 percent of a family's monthly adjusted income.

CAUSE

This error was likely a result of the 40 percent limit being calculated on the normal housing assistance payment (HAP) rather than the prorated HAP for the mixed family. Additionally, the error was not detected when the supervisor reviewed the file.

EFFECT

The City improperly approved a family for tenant-based assistance.

CONTEXT

For one of 40 tenant files reviewed, the total tenant payment of \$556 exceeded the calculated maximum of \$365. The tenant payment represents 61 percent of the mixed family's monthly adjusted income. The population of mixed families with prorated HAPs is limited to three families during the current fiscal year. The sample was not intended to be, and was not, a statistically valid sample.

RECOMMENDATION

The City should work with their housing software vendor to ensure there are automated controls in place to detect and alert housing staff of rent in excess of 40 percent of the mixed family's monthly adjusted income. The supervisor should also review the tenant file for compliance before approval.

VIEWS OF RESPONSIBLE OFFICIALS

See Corrective Action Plan.



City Treasurer's Office

7447 E. Indian School Road, Suite 210
Scottsdale, AZ 85251

PHONE 480-312-2437
FAX 480-312-7897
WEB www.ScottsdaleAZ.gov

February 11, 2021

To Whom It May Concern:

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Uniform Guidance. The names of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

Sincerely,

Anna Henthorn
Accounting Director

**CITY OF SCOTTSDALE, ARIZONA
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2020**

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2020-001

Program Name/CFDA Title: Housing Voucher Cluster

CFDA Number: 14.871

Contact Person: Irma Hollamby, Community Assistance Office Manager

Anticipated Completion Date: February 17, 2021

Planned Corrective Action:

- a. Staffing: The staff person and supervisor who made the identified errors are no longer with the Scottsdale Housing Agency.
- b. Quality Control: SHA currently performs QC file reviews on 100% of its monthly actions before approval and payment. The QCs are led by a Lead Housing Specialist well versed in housing subsidy calculations and who recently received certification in HCV Program Management & Supervision.
- c. Technology: SHA converted to a new enterprise software system effective January 2020. Emphasys/Elite does have automated controls in place and provides notification via a warning if the 40% rule is violated.
- d. Training: All SHA Housing Specialists will receive training in assisting Prorated Families and the associated calculations and 40% rule policy on February 17, 2021. Additionally, SHA developed a spreadsheet tool to manually walk each housing specialist through the proration of housing assistance. Our practice will be to manually calculate the assistance in addition to relying on the calculations made in the Elite software system. Training on use of this tool will also occur on February 17, 2021.

City Auditor's Office

7447 E. Indian School Rd., Suite 205
Scottsdale, Arizona 85251

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www.ScottsdaleAZ.gov/auditor



The City Auditor's Office conducts audits to promote operational efficiency, effectiveness, accountability and integrity.

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City Auditor's Office

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Sharron Walker, City Auditor