

CITY OF TUCSON, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2010



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SINGLE AUDIT REPORTING PACKAGE
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HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS



**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**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Tucson, Arizona as of and for the year ended June 30, 2010, which collectively comprise City of Tucson, Arizona's basic financial statements and have issued our report thereon dated December 8, 2010, which was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement Nos. 53 and 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs item 2010-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or 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.

Compliance and Other Matters

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

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

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

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

December 8, 2010



HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS



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

Independent Auditors' Report

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

Compliance

We have audited the City of Tucson, Arizona's compliance 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, 2010. The City of Tucson, Arizona's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Tucson, Arizona's management. Our responsibility is to express an opinion on City of Tucson, Arizona's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. 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 City of Tucson, 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. Our audit does not provide a legal determination of City of Tucson, Arizona's compliance with those requirements.

In our opinion, the City of Tucson, Arizona complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect each on of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-2.

Internal Control Over Compliance

Management of the City of Tucson, Arizona 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 City of Tucson, Arizona's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Tucson, 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.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of City of Tucson, Arizona as of and for the year ended June 30, 2010, and have issued our report thereon dated December 8, 2010, which was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement Nos. 53 and 54. We did not audit the financial statements of the Housing Partnerships discretely presented component units, which represent 5%, 1%, and 1%, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units and remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Partnerships discretely presented component units, is based on the reports of the other auditors. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

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

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

March 16, 2011, except for the
Schedule of Expenditures of Federal Awards
for which the date is December 8, 2010

CITY OF TUCSON, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA No.	Federal And/Or Pass-Through Grantor Contract No.	Program or Award Amount	Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
COMMUNITY PLANNING AND DEVELOPMENT:				
Direct programs:				
<i>CDBG - Entitlement Grants Cluster</i>				
Community Development Block Grants/Entitlement Grants	14.218	B-08-MC-04-0505	\$ 6,102,204	\$ 3,843,486
Community Development Block Grants/Entitlement Grants	14.218	B-09-MC-04-0505	6,180,686	1,735,700
Community Development Block Grants/Entitlement Grants	14.218	B-08-MN-04-0507	7,286,911	5,484,289
Total Federal Program 14.218			<u>19,569,801</u>	<u>11,063,475</u>
Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	B-09-MY-040505	1,657,320	195,830
Total CDBG - Entitlement Grants Cluster			<u>21,227,121</u>	<u>11,259,305</u>
Emergency Shelter Grants Program	14.231	S-08-MC-04-0505	272,788	3,668
Emergency Shelter Grants Program	14.231	S-09-MC-04-0505	271,691	268,219
Total Federal Program 14.231			<u>544,479</u>	<u>271,887</u>
Supportive Housing Program	14.235	AZ0025B9T010801	743,699	743,699
Supportive Housing Program	14.235	AZ0029B9T010801	60,385	60,385
Supportive Housing Program	14.235	AZ0044C9T010801	727,932	727,873
Supportive Housing Program	14.235	AZ0045C9T010801	289,248	238,969
Supportive Housing Program	14.235	AZ0038B9T010801	91,037	66,123
Supportive Housing Program	14.235	AZ0038B9T010802	91,037	27,703
Total Federal Program 14.235			<u>2,003,338</u>	<u>1,864,752</u>
Shelter Plus Care	14.238	AZ01C401001	745,440	184,060
HOME Investment Partnerships Program	14.239	M99-DC040229 - M09-DC040229	4,549,228	4,280,150
Pass through programs from Pima County:				
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	A-ZH-08-F002	411,000	29,340
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	A-ZH-09-F002	420,497	403,071
Total Federal Program 14.241			<u>831,497</u>	<u>432,411</u>
Direct programs:				
Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	SF-527K(04)	143,768	143,768
Homeless Prevention and Rapid Re-Housing Program (HPRP) (Recovery Act Funded)	14.257	S-09-MY-04-0505	2,534,340	436,132

CITY OF TUCSON, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA No.	Federal And/Or Pass-Through Grantor Contract No.	Program or Award Amount	Expenditures
PUBLIC AND INDIAN HOUSING:				
Direct programs:				
Public and Indian Housing	14.850	AZ004-30011009D	401,786	201,847
Public and Indian Housing	14.850	AZ004-30011010D	316,079	210,719
Public and Indian Housing	14.850	AZ004-40111109D	559,902	281,281
Public and Indian Housing	14.850	AZ004-40111110D	482,145	337,985
Public and Indian Housing	14.850	AZ004-50011209D	685,163	344,209
Public and Indian Housing	14.850	AZ004-50011210D	583,208	388,805
Public and Indian Housing	14.850	AZ004-60011309D	586,023	246,697
Public and Indian Housing	14.850	AZ004-60011310D	511,912	341,275
Public and Indian Housing	14.850	AZ004-00004809D	1,303,542	654,867
Public and Indian Housing	14.850	AZ004-00004810D	833,876	555,917
Public and Indian Housing	14.850	AZ004-10011509D	117,653	59,106
Public and Indian Housing	14.850	AZ004-10011510D	82,028	54,685
Public and Indian Housing	14.850	AZ004-00005009D	230,864	115,981
Public and Indian Housing	14.850	AZ004-00005010D	232,743	155,162
Public and Indian Housing	14.850	AZ004-00005109D	191,973	96,442
Public and Indian Housing	14.850	AZ004-00005110D	185,367	99,010
Public and Indian Housing	14.850	AZ004-00604009D	108,007	54,260
Public and Indian Housing	14.850	AZ004-00604010D	93,108	62,072
Public and Indian Housing	14.850	AZ004-00006509D	43,598	21,903
Public and Indian Housing	14.850	AZ004-00006510D	49,837	33,225
Public and Indian Housing	14.850	AZ004-00509509D	95,868	31,956
Total Federal Program 14.850			7,694,682	4,347,404
Lower Income Housing Assistance-Section 8 Moderate Rehabilitation	14.856	SF-527K(01)	14,581	14,581
Lower Income Housing Assistance-Section 8 Moderate Rehabilitation	14.856	SF-527K(02)	133,137	133,137
Lower Income Housing Assistance-Section 8 Moderate Rehabilitation	14.856	SF-527K(03)	266,204	266,204
Total Federal Program 14.856			413,922	413,922
Demolition and Revitalization of Severely Distressed Public Housing (HOPE VI)	14.866	AZ20URD004I104	9,825,000	5,559,683
Resident Opportunity and Supportive Services - Service Coordinators	14.870	AZ004RFS011A008	76,686	76,686
Section 8 Housing Choice Vouchers	14.871	SF-527V	28,236,882	28,236,882
Pass through program from Pima County:				
Section 8 Housing Choice Vouchers	14.871	SF-526V	5,250,497	5,250,497
Section 8 Housing Choice Vouchers	14.871	SF-526DV	260,610	260,610
Total Federal Program 14.871			33,747,989	33,747,989

CITY OF TUCSON, ARIZONA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA No.	Federal And/Or Pass-Through Grantor Contract No.	Program or Award Amount	Expenditures
Direct programs:				
Public Housing Capital Fund (CFP)	14.872	AZ20P00450108	1,631,796	351,487
Public Housing Capital Fund (CFP)	14.872	AZ20P00450109	<u>1,697,964</u>	<u>1,166,644</u>
Total Federal Program 14.872			<u>3,329,760</u>	<u>1,518,131</u>
Public Housing Capital Fund Competitive (Recovery Act Funded)	14.884	AZ20S004501-09	2,085,435	1,897,098
OFFICE OF HEALTHY HOMES AND LEAD HAZARD CONTROL:				
Direct Programs:				
Lead Based Paint Hazard Control in Privately-Owned Housing	14.900	AZLHB037107	3,000,000	1,600,902
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>\$ 92,752,685</u>	<u>\$ 68,034,280</u>

CITY OF TUCSON, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA No.	Federal And/Or Pass-Through Grantor Contract No.	Program or Award Amount	Expenditures
DEPARTMENT OF TRANSPORTATION:				
FEDERAL HIGHWAY ADMINISTRATION:				
Pass through programs from Arizona Department of Transportation: (Surface Transportation Program):				
Highway Planning and Construction	20.205	HPP-TUC-0(201)A	\$ 345,365	\$ (92)
Highway Planning and Construction	20.205	HPP-TUC-0(238)	1,216,097	80,391
Highway Planning and Construction	20.205	STP-TUC-01(042)A	1,400,219	15,728
Highway Planning and Construction	20.205	STP-TUC-0(044)A	2,200,000	21,917
Highway Planning and Construction	20.205	STP-TUC-0(046)A	14,353,000	21,783
Highway Planning and Construction	20.205	STP-TUC-0(057)A	1,345,490	17,305
Highway Planning and Construction	20.205	STP-TUC-0(058)A Help Loan	12,515,474	5,673,472
Highway Planning and Construction	20.205	STP-TUC-0(063)A	259,607	197,859
Highway Planning and Construction	20.205	STP-TUC-0(067)	150,000	57,232
Highway Planning and Construction	20.205	STP-TUC-0(071)A	116,279	36,781
Highway Planning and Construction	20.205	STP-TUC-0(201)A	325,698	240,412
Highway Planning and Construction	20.205	STP-TUC-0(204)X	3,015,537	5,984
Highway Planning and Construction	20.205	STP-TUC-0(205)A	235,488	35,371
Highway Planning and Construction	20.205	STP-TUC-0(206)A	152,921	21,308
Highway Planning and Construction	20.205	STP-TUC-0(207)A	314,962	7,983
Highway Planning and Construction	20.205	STP-TUC-0(213)A	425,000	69,771
Highway Planning and Construction	20.205	STP-TUC-0(227)A	94,300	33,085
Highway Planning and Construction	20.205	STP-TUC-0(228)SS776 03D	100,090	100,015
Highway Planning and Construction	20.205	TEA/STP-TUC-0(061)A	4,047,616	8,744
Highway Planning and Construction	20.205	TEA-TUC-0(054)A	113,500	9,833
Highway Planning and Construction (Recovery Act Funded)	20.205	TUC-0(073)A	276,000	113,109
Highway Planning and Construction (Recovery Act Funded)	20.205	TUC-0(232)A	3,482,051	2,328,108
Highway Planning and Construction (Recovery Act Funded)	20.205	TUC-0(231)A	7,203,178	19,812
Highway Planning and Construction (Recovery Act Funded)	20.205	TUC-0(051)A	514,000	276,491
Pass through program from Arizona Department of Transportation and Pima Association of Governments:				
Highway Planning and Construction	20.205	PAG OWP 5100	253,000	192,160
Highway Planning and Construction	20.205	PAG OWP 5100	215,000	176,411
Highway Planning and Construction	20.205	PAG OWP 5100	26,000	24,029
Highway Planning and Construction	20.205	PAG OWP 5100	135,000	77,210
Total Federal Program 20.205			<u>54,830,892</u>	<u>9,862,212</u>
FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION (FMCSS):				
Border Enforcement Grants	20.233	BE-09-04-3	107,591	98,524
OFFICE OF THE FEDERAL TRANSIT ADMINISTRATION:				
Direct programs:				
Federal Transit Cluster				
Federal Transit-Capital Investment Grants	20.500	AZ-04-0007	8,415,000	369,342
Federal Transit-Capital Investment Grants	20.500	AZ-04-0009	4,468,854	4,468,854
Federal Transit-Capital Investment Grants	20.500	AZ-03-0044	6,639,832	31,237
Federal Transit-Capital Investment Grants	20.500	AZ-03-0047	6,893,201	58,130
Federal Transit-Capital Investment Grants	20.500	AZ-03-0052	3,644,169	170,881
Federal Transit-Capital Investment Grants	20.500	AZ-03-0063	5,980,000	2,362,597
Total Federal Program 20.500			<u>36,041,056</u>	<u>7,481,041</u>

CITY OF TUCSON, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA No.	Federal And/Or Pass-Through Grantor Contract No.	Program or Award Amount	Expenditures
DEPARTMENT OF TRANSPORTATION:				
OFFICE OF THE FEDERAL TRANSIT ADMINISTRATION:				
Direct programs:				
Federal Transit-Formula Grants	20.507	AZ-95-X007	805,040	(17)
Federal Transit-Formula Grants	20.507	AZ-90-X048	7,817,669	1,311
Federal Transit-Formula Grants	20.507	AZ-90-X062	9,745,069	8,904
Federal Transit-Formula Grants	20.507	AZ-90-X066	13,554,143	15,725
Federal Transit-Formula Grants	20.507	AZ-90-X071	9,873,309	1,271,716
Federal Transit-Formula Grants	20.507	AZ-90-X073	10,596,159	570,305
Federal Transit-Formula Grants	20.507	AZ-90-X078	9,737,468	2,227,248
Federal Transit-Formula Grants	20.507	AZ-90-X085	10,230,078	1,370,091
Federal Transit-Formula Grants	20.507	AZ-90-X100	11,241,976	6,432,649
Federal Transit-Formula Grants	20.507	AZ-90-X101	12,079,700	6,606,840
Federal Transit-Formula Grants (Recovery Act Funded)	20.507	AZ-96-X001	16,022,390	26,770
Total Federal Program 20.507			<u>111,703,001</u>	<u>18,531,542</u>
Total Federal Transit Cluster			<u>147,744,057</u>	<u>28,012,583</u>
Job Access - Reverse Commute	20.516	AZ-37-X009	441,408	168,586
Job Access - Reverse Commute	20.516	AZ-37-X012	465,290	97,748
Total Federal Program 20.516			<u>906,698</u>	<u>266,334</u>
New Freedom Program	20.521	AZ-57-X004	196,373	24,237
Pass through program from Arizona Department of Transportation: and Pima Association of Governments:				
Metropolitan Transportation Planning	20.505	PAG OWP 5200	103,200	102,133
Metropolitan Transportation Planning	20.505	PAG OWP 5200	28,574	28,574
Metropolitan Transportation Planning	20.505	PAG OWP 5200	32,000	20,000
Metropolitan Transportation Planning	20.505	PAG OWP 5200	128,000	114,954
Total Federal Program 20.505			<u>289,774</u>	<u>265,661</u>
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION:				
Pass through programs from Arizona Governor's Office of Highway Safety:				
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614	2009-NG-028	33,000	21,188
Pass through program from Pima County Dept of Transportation State and Community Highway Safety	20.600	01-04-T-138151-0606	255,645	10,965

CITY OF TUCSON, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA No.	Federal And/Or Pass-Through Grantor Contract No.	Program or Award Amount	Expenditures
Pass through programs from Arizona Governor's Office of Highway Safety:				
State and Community Highway Safety	20.600	2007-KA-007	179,837	2,334
State and Community Highway Safety	20.600	2008-OP-022	75,000	(16,863)
State and Community Highway Safety	20.600	2009-AL-007	80,000	72,275
State and Community Highway Safety	20.600	2010-HRF-015	25,782	25,782
State and Community Highway Safety	20.600	2010-HRF-014	174,240	70,003
State and Community Highway Safety	20.600	2010-OP-011	59,500	45,490
State and Community Highway Safety	20.600	2010-PT-070	39,977	39,977
State and Community Highway Safety	20.600	2010-PT-071	14,250	14,250
State and Community Highway Safety	20.600	2010-PT-073	33,225	24,167
Total Federal Program 20.600			<u>937,456</u>	<u>288,380</u>
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	2007-410-012	150,000	43,275
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	2008-410-061	2,280	2,151
Total Federal Program 20.601			<u>152,280</u>	<u>45,426</u>
Occupant Protection	20.602	2008-OP-011	24,000	23,335
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.805	2010-163-015	50,000	29,478
TOTAL DEPARTMENT OF TRANSPORTATION			<u>\$ 205,272,121</u>	<u>\$ 36,937,358</u>

CITY OF TUCSON, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA No.	Federal And/Or Pass-Through Grantor Contract No.	Program or Award Amount	Expenditures
DEPARTMENT OF HOMELAND SECURITY:				
OFFICE FOR DOMESTIC PREPAREDNESS:				
Pass through program from Arizona Office of Emergency Management:				
State Domestic Preparedness Equipment Support Program	97.004	2005-GE-T5-0030	\$ 446,998	\$ (245)
Pass through program from Arizona Dept of Homeland Security:				
Homeland Security Grant Program	97.067	333411-01	47,500	8,906
Homeland Security Grant Program	97.067	333411-02	14,100	12,598
Homeland Security Grant Program	97.067	333425-03	7,785	7,758
Homeland Security Grant Program	97.067	333426-01	258,145	101,971
Homeland Security Grant Program	97.067	333425.01	325,000	298,665
Homeland Security Grant Program	97.067	444413-01	165,240	13,231
Homeland Security Grant Program	97.067	333900-01	520,000	367,134
Homeland Security Grant Program	97.067	333900-02	195,000	72,556
Homeland Security Grant Program	97.067	333900-03	100,000	(11)
Homeland Security Grant Program	97.067	333900-05	100,000	2,158
Homeland Security Grant Program	97.067	333900-06	60,343	60,343
Homeland Security Grant Program	97.067	333901.03	15,000	15,000
Homeland Security Grant Program	97.067	444414-02	58,000	58,000
Homeland Security Grant Program	97.067	444414-03	22,258	11,018
Homeland Security Grant Program	97.067	444414-04	392,000	284,469
Homeland Security Grant Program	97.067	444414-05	230,150	60,654
Homeland Security Grant Program	97.067	444903-02	200,000	32,840
Homeland Security Grant Program	97.067	444413.02	265,044	265,044
Homeland Security Grant Program	97.067	444904-01	772,000	735,991
Homeland Security Grant Program	97.067	444904-02	110,000	20,533
Homeland Security Grant Program	97.067	444904-03	808,000	272,096
Homeland Security Grant Program	97.067	444904-04	25,000	23,035
Homeland Security Grant Program	97.067	444904-05	229,000	40,919
Homeland Security Grant Program	97.067	444905-02	100,000	57,527
Homeland Security Grant Program	97.067	555404.01	311,584	69,484
Homeland Security Grant Program	97.067	555404.02	10,000	6,238
Homeland Security Grant Program	97.067	555404.03	55,600	6,394
Homeland Security Grant Program	97.067	555410-01	68,342	28,086
Homeland Security Grant Program	97.067	555410-02	50,400	12,776
Homeland Security Grant Program	97.067	555410-03	28,220	3,426
Homeland Security Grant Program	97.067	555410-05	77,000	70,550
Homeland Security Grant Program	97.067	555410-06	302,400	269,078
Homeland Security Grant Program	97.067	555410-07	431,070	403,688
Homeland Security Grant Program	97.067	555906-02	262,820	196,199
Homeland Security Grant Program	97.067	555906-03	494,100	441,387
Homeland Security Grant Program	97.067	555907-01	100,000	4,462
Homeland Security Grant Program	97.067	555907-02	12,500	4,156
Homeland Security Grant Program	97.067	555907-03	12,500	1,727
Total Federal Program 97.067			7,236,101	4,340,086
Rail and Transit Security Grant Program	97.075	08-AZDOHS-TSGP-444425-01	488,531	93,916

CITY OF TUCSON, ARIZONA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA No.	Federal And/Or Pass-Through Grantor Contract No.	Program or Award Amount	Expenditures
Direct program: Disaster Housing Assistance Program	97.109	DHAP AZ004F	156,448	20,845
FEDERAL EMERGENCY MANAGEMENT AGENCY: Pass through program from University of Arizona: Assistance to Firefighters Grant	97.044	EMW-2007-FP-01499	5,500	3,875
Direct Program: Assistance to Firefighters Grant	97.044	EMW-2009-FO-00851	<u>297,477</u>	<u>297,477</u>
Total Federal Program 97.044			<u>302,977</u>	<u>301,352</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			\$ <u>8,631,055</u>	\$ <u>4,755,954</u>

CITY OF TUCSON, ARIZONA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA No.	Federal And/Or Pass-Through Grantor Contract No.	Program or Award Amount	Expenditures
DEPARTMENT OF JUSTICE:				
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION:				
Pass through programs from Arizona Governor's Community Policy Office:				
Juvenile Accountability Block Grants JABG	16.523	JB-CSG-07-8274-01	\$ 29,889	\$ 7,276
Juvenile Accountability Block Grants JABG	16.523	JB-CSG-08-9273-11	30,098	17,830
Total Federal Program 16.523			<u>59,987</u>	<u>25,106</u>
Pass through program from City of Phoenix:				
Missing Children's Assistance	16.543	None	1,594	1,594
Pass through program from Arizona Governor's of Highway Safety				
Enforcing Underage Drinking Laws Program	16.727	5510 EUDL	5,190	4,802
Enforcing Underage Drinking Laws Program	16.727	2010-OJJDP-001 (2007)	28,631	28,631
Total Federal Program 16.727			<u>33,821</u>	<u>33,433</u>
OFFICE OF JUSTICE PROGRAMS:				
Direct program:				
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2007-DN-BX-K138	449,727	136,987
EXECUTIVE OFFICE FOR WEED AND SEED:				
Direct programs:				
Community Capacity Development Office	16.595	2007-WS-Q7-0122	200,000	45,804
Community Capacity Development Office	16.595	2007-WS-Q7-0136	200,000	27,503
Community Capacity Development Office	16.595	2008-WS-QX-0070	150,000	88,497
Community Capacity Development Office	16.595	2008-WS-QX-0068	150,000	80,187
Community Capacity Development Office	16.595	2009-WS-QX-0002	142,000	17,656
Total Federal Program 16.595			<u>842,000</u>	<u>259,647</u>
BUREAU OF JUSTICE ASSISTANCE:				
Direct program:				
Edward Byrne Memorial Formula Grant Program	16.579	2009-DJ-BX-1239	704,762	338,552
Project Safe Neighborhoods	16.609	None	83,212	83,212

CITY OF TUCSON, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA No.	Federal And/Or Pass-Through Grantor Contract No.	Program or Award Amount	Expenditures
DEPARTMENT OF JUSTICE:				
OFFICE OF COMMUNITY ORIENTED POLICING SERVICES:				
Direct programs:				
Public Safety Partnership and Community Policing Grants	16.710	2006-CK-WX-0251	39,489	35,300
Public Safety Partnership and Community Policing Grants	16.710	2006-CK-WX-0244	246,807	3,893
Public Safety Partnership and Community Policing Grants	16.710	2008-CK-WX-0319	93,530	22,829
Public Safety Partnership and Community Policing Grants	16.710	2008-CK-WX-0327	257,208	158,759
Public Safety Partnership and Community Policing Grants	16.710	2009-DJ-WX-0136	200,000	10,038
Public Safety Partnership and Community Policing Grants	16.710	2009-CK-WX-0490	500,000	1,610
Total Federal Program 16.710			<u>1,337,034</u>	<u>232,429</u>
BUREAU OF JUSTICE ASSISTANCE:				
Direct programs:				
Bulletproof Vest Partnership Program	16.607	None	101,019	24,136
Edward Byrne Memorial Justice Assistance Grant	16.738	2006-DJ-BX-1015	361,396	16,738
Edward Byrne Memorial Justice Assistance Grant	16.738	2007-DJ-BX-0361	586,338	109,257
Edward Byrne Memorial Justice Assistance Grant	16.738	2008-DJ-BX-0403	203,286	47,375
Total Federal Program 16.738			<u>1,151,020</u>	<u>173,370</u>
Pass through program from Arizona Criminal Justice Commission:				
Forensic DNA Backlog Reduction Program	16.741	BNB-09-003	138,872	38,167
Forensic DNA Backlog Reduction Program	16.741	CV-10-006	20,708	15,439
Forensic DNA Backlog Reduction Program	16.741	DNC06-07-204	186,120	135,875
Total Federal Program 16.741			<u>345,700</u>	<u>189,481</u>
Forensic Casework DNA Backlog Reduction Program	16.743	DNB07-08-104	178,341	135,000
Anti-Gang Initiative	16.744	Anti-Gang 09-003	61,985	61,985
Anti-Gang Initiative	16.744	Anti-Gang 09-004	85,000	69,876
Total Federal Program 16.744			<u>146,985</u>	<u>131,861</u>
Recovery Act - Edward Byrne Memorial Justice Grant (JAG) Program/Grants to States and Territories	16.803	DC-10-024	816,976	816,976
Recovery Act - Edward Byrne Memorial Justice Grant (JAG) Program/Grants to States and Territories	16.803	DC-10-020	47,520	47,520
Recovery Act - Edward Byrne Memorial Justice Grant (JAG) Program/Grants to States and Territories	16.803	CR109-10-115	11,576	11,576
Recovery Act - Edward Byrne Memorial Justice Grant (JAG) Program/Grants to States and Territories	16.803	PL-08-060	360,064	360,064
Total Federal Program 16.803			<u>1,236,136</u>	<u>1,236,136</u>
Direct programs:				
DEA Tucson Taskforce Group	16.Unknown	FY 08-09 Allotment	32,658	3,251
Joint Terrorism Task Force	16.Unknown	None	16,903	12,635
Joint Terrorism Task Force DR	16.Unknown	None	16,903	3,685
Arizona WANTED US Marshal's Task Force	16.Unknown	None	1,000	1,000

CITY OF TUCSON, ARIZONA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA No.	Federal And/Or Pass-Through Grantor Contract No.	Program or Award Amount	Expenditures
US Marshal's Operation Scare Treat	16.Unknown	None	1,600	1,599
US Marshal's AZ Wanted Equipment	16.Unknown	None	11,000	11,000
US Marshal's Wanted Task Force II	16.Unknown	None	14,000	7,101
DEA Tactical Diversion Squad Taskforce	16.Unknown	None	16,903	4,901
US Marshall Service	16.Unknown	None	10,000	8,193
Loya Wire Title III Operation Special Overtime	16.Unknown	None	12,880	12,880
State and Local Anti-Terrorism Training	16.614	66F-PX-A54566-S/LLMOU	48,512	4,031
G20 Summit	16.Unknown	None	122,310	115,490
TOTAL DEPARTMENT OF JUSTICE			\$ 6,976,007	\$ 3,186,710

CITY OF TUCSON, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA No.	Federal And/Or Pass-Through Grantor Contract No.	Program or Award Amount	Expenditures
DEPARTMENT OF ENERGY:				
OFFICE OF ENERGY EFFICIENCY & RENEWABLE ENERGY:				
Direct Programs:				
Energy Efficiency and Conservation Block Grant Program (EECBG) (Recovery Act Funded)	81.128	DE-EE0000846	\$ 5,155,300	\$ 521,072
Energy Efficiency & Renewable Energy Information Dissemination, Training & Tech Analysis/Assistance (Recovery Act Funded)	81.117	DE-FC36-07G017066	200,000	92,059
TOTAL DEPARTMENT OF ENERGY			\$ 5,355,300	\$ 613,131
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
ADMINISTRATION ON AGING:				
Pass through programs from Area Agency on Aging, Pima Council on Aging (AAA-PCOA):				
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	City of Tucson/CSD/CCD 2007-08	\$ 192,196	\$ 111,944
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	Breakfast Program	319,995	319,995
Pass through programs from Area Agency on Aging, Pima Council on Aging (AAA-PCOA):				
Nutrition Services Incentive Program (NSIP)	93.053	City of Tucson/Nutrition FY8	32,466	32,466
Direct programs:				
Medicare Enrollment Assistance Program	93.071	02T100017601D	94,000	3,557
Medicare Enrollment Assistance Program	93.071	233-03-0097	280,000	2,165
Total Federal Program 93.071			<u>374,000</u>	<u>5,722</u>
ADMINISTRATION FOR CHILDREN AND FAMILIES:				
Direct programs:				
Assets for Independence Demonstration Program	93.602	90EI0422/01	110,000	27,018
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMIN.:				
Pass through program from Pima Prevention Partnership				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	None	7,074	4,141
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 1,035,731	\$ 501,286

CITY OF TUCSON, ARIZONA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA No.	Federal And/Or Pass-Through Grantor Contract No.	Program or Award Amount	Expenditures
<u>ENVIRONMENTAL PROTECTION AGENCY:</u>				
OFFICE OF THE CHIEF FINANCIAL OFFICER:				
Direct programs:				
Congressionally Mandated Projects	66.202	AP-96993701	\$ 430,200	\$ 112,956
OFFICE OF SOLID WASTE AND EMERGENCY RESPONSE:				
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-96915301-0	200,000	39,376
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-96955901-0 G900NY00	200,000	825
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-96955901-0 G900OR00	200,000	42,857
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-99919101-0	200,000	92,444
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-00T25901-0	200,000	1,760
Total Federal Program 66.818			<u>1,000,000</u>	<u>177,262</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY			<u>\$ 1,430,200</u>	<u>\$ 290,218</u>
<u>DEPARTMENT OF INTERIOR</u>				
FISH AND WILDLIFE SERVICE:				
Pass through program from Arizona Game and Fish Department:				
Cooperative Endangered Species Conservation Fund	15.615	P0012008005133	\$ 173,750	\$ 102,615
NATIONAL PARKS SERVICE:				
Pass through program from Arizona State Historic Preservation Office:				
Historic Preservation Fund Grants-in-Aid	15.904	04-10-21707	1,125	900
Pass through program from Arizona State Parks:				
Outdoor Recreation-Acquisition, Development and Planning	15.916	04-00737	161,405	81,429
Outdoor Recreation-Acquisition, Development and Planning	15.916	04-00738	147,663	132,897
Total Federal Program 15.916			<u>309,068</u>	<u>214,326</u>
TOTAL DEPARTMENT OF INTERIOR			<u>\$ 483,943</u>	<u>\$ 317,841</u>
<u>DEPARTMENT OF THE TREASURY:</u>				
Direct program:				
Asset Forfeiture - Equitable Sharing	21.Unknown	FY 09-10 Allotment	\$ 50,491	\$ 50,491
TOTAL DEPARTMENT OF TREASURY			<u>\$ 50,491</u>	<u>\$ 50,491</u>
<u>DEPARTMENT OF AGRICULTURE:</u>				
FOREST SERVICE:				
Pass through program from Arizona State Forestry Division:				
Cooperative Forestry Assistance	10.664	CCG 09-001	\$ 13,000	\$ 6,979
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 13,000</u>	<u>\$ 6,979</u>

CITY OF TUCSON, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA No.	Federal And/Or Pass-Through Grantor Contract No.	Program or Award Amount	Expenditures
<u>EXECUTIVE OFFICE OF THE PRESIDENT:</u>				
OFFICE OF NATIONAL DRUG CONTROL POLICY:				
Direct Program:				
High Intensity Drug Trafficking Areas Program	95.001	HT19-09-1715	\$ 197,474	\$ 197,474
High Intensity Drug Trafficking Areas Program	95.001	G10SA0007A	126,102	22,154
High Intensity Drug Trafficking Areas Program	95.001	G10SA0007A	13,000	6,947
High Intensity Drug Trafficking Areas Program	95.001	G10SA0007A	17,908	4,620
High Intensity Drug Trafficking Areas Program	95.001	HT19-09-1715	186,851	166,176
Pass through programs from Pima County Sheriff's Department:				
High Intensity Drug Trafficking Areas Program	95.001	HT16-06-2110	21,670	3,078
High Intensity Drug Trafficking Areas Program	95.001	HT17-07-2110	17,908	(3,078)
High Intensity Drug Trafficking Areas Program	95.001	HT17-07-1715	120,724	1,754
High Intensity Drug Trafficking Areas Program	95.001	HT18-08-1715	114,210	50,473
High Intensity Drug Trafficking Areas Program	95.001	HT18-08-2110	17,908	7,543
Pass through programs from Arizona Criminal Justice Commission:				
High Intensity Drug Trafficking Areas Program	95.001	HIDTA HNE18 2008 18PSAP501Z	6,074	6,074
High Intensity Drug Trafficking Areas Program	95.001	HT19-09-2110	17,908	17,908
High Intensity Drug Trafficking Areas Program	95.001	HT19-09-0715	15,100	15,100
Total Federal Program 95.001			<u>872,837</u>	<u>496,223</u>
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT			\$ <u>872,837</u>	\$ <u>496,223</u>
<u>DEPARTMENT OF DEFENSE:</u>				
OFFICE OF ECONOMIC ADJUSTMENT:				
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment or Closure of Military Installation	12.607	CL0672-08-01	\$ 144,416	\$ 44
TOTAL DEPARTMENT OF DEFENSE			\$ <u>144,416</u>	\$ <u>44</u>
TOTAL ALL AGENCIES			\$ <u>323,017,786</u>	\$ <u>115,190,515</u>

CITY OF TUCSON, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Tucson, Arizona and is presented on the modified 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*. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2010 *Catalog of Federal Domestic Assistance*.

NOTE 3 – NEGATIVE AMOUNTS

The negative amounts presented in the Schedule of Federal Awards grants arose from adjustments of cumulative totals of prior year expenditures to the related grant awards.

NOTE 4 – CLEAN RENEWABLE ENERGY BOND PROGRAM

The City received \$7,595,900 of assistance associated with the Clean Renewable Energy Bond Program administered by the Internal Revenue Service pursuant to the *Energy Improvement and Extension Act of 2008*. These tax-credit bonds allow for interest free funding of approved renewable energy facilities projects. The bonds are payable in equal installments of \$584,300 over 13 fiscal years beginning in fiscal year 2010. In fiscal year 2010 the City utilized remaining proceeds of \$2,546,219. This assistance is not considered Federal awards in accordance with OMB Circular A-133, therefore are not included in this schedule.

NOTE 5 – BUILD AMERICA BOND PROGRAM

The City Water Department issued \$38,510,000 Series 2010 A Water Revenue Bonds (Direct Pay Build America Bonds). Build America Bonds are taxable municipal bonds that carry special tax credits and federal subsidies; these bonds were created under the American Recovery Reinvestment Act 2009. The purpose of the Build America Bonds is to reduce the cost of borrowing for state and local issuers and governmental agencies. Since the bonds issued were Direct Pay BABs, the City will be receiving a federal subsidy of 35% of the interest paid on the bonds beginning fiscal year 2011. The interest on the bonds are payable over 20 fiscal years beginning fiscal year 2011 and principal on the bonds are payable over 16 fiscal years beginning fiscal year 2015. In fiscal year 2010, the City Water Department spent \$2,367,417 of proceeds with remaining \$36,142,583. This assistance is not considered Federal awards in accordance with OMB Circular A-133, therefore, are not included in this schedule.

**CITY OF TUCSON, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes X none reported

Type of auditors' 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 OMB Circular A-133? X yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218, 14.253	CDBG – Entitlement Grants Cluster
14.866	Demolition and Revitalization of Severely Distressed Public Housing (HOPE VI)
20.205	Highway Planning and Construction
20.500, 20.507	Federal Transit Cluster
97.067	Homeland Security Grant Program
16.803	Recovery Act - Edward Byrne Memorial Justice Grant (JAG) Program/Grants to States and Territories
81.128	Energy Efficiency and Conservation Block Grant Program (EECBG) (Recovery Act Funded)

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

Auditee qualified as low-risk auditee? X yes no

**CITY OF TUCSON, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

**SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

2010-1 CRITERIA

The City is responsible for implementing and maintaining a system of effective internal controls over financial reporting.

CONDITION/CONTEXT

The following conditions were noted in regards to the workers' compensation claims estimate liability of the City's Self Insurance Fund:

- A lack of sufficient review controls resulted in errors in the calculation of the claims payable liability resulting in a correction in the current fiscal year. The correction was not material to the financial statements.
- The City has not implemented sufficient review controls over the external adjustment of workers' compensation claims by the third party claims administrator.

EFFECT

The claims estimate liability for workers' compensation is significant to the City's Self Insurance Fund. The lack of sufficient review controls over the calculation of this liability could potentially result in errors that are significant to the financial statements.

CAUSE

The system of internal controls over the workers' compensation claims estimate liability of the City's Self Insurance Fund was not adequately designed.

RECOMMENDATION

The City should implement review controls over the calculation of the claims estimate liability, and should strengthen review controls with respect to external claim adjustment activities performed by the third party administrator. Such controls could include; a documented review of the annual service auditor's report of the third party administrator, and periodic review and recalculation of a sample of claims adjusted by the third party administrator.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

We agree with the auditor's finding and the following corrective measures have been put into place. An actuarial firm has been contracted to calculate the claims payable liabilities for the fiscal year 2011 year end and will be reviewed by the Risk Manager. The worker's compensation administrator now includes worksheets in each claim file to adjust reserves and reviews with the third party administrator on a quarterly basis. Staff is preparing documentation to create a self-insurance trust and will take to Mayor and Council for approval this spring with plans to implement next fiscal year. Management will continue to evaluate the areas in the self-insurance fund for continued improvement.

Contact Person: Michael Mason, City of Tucson Finance Department
Finance Administrator

Anticipated Completion Date: June 30, 2012

**CITY OF TUCSON, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

U.S. DEPARTMENT OF EDUCATION

Finding Number: 2010-2	Questioned Costs: \$71,355
Program Name: Recovery Act - Edward Byrne Memorial Justice Grant (JAG) Program/Grants to States and Territories	CFDA Number: 16.803
Pass-Through Agency: Arizona Criminal Justice Commission	Grantor Numbers: DC-10-024 DC-10-020 CR109-10-115 PL-08-060

CRITERIA

According to Office of Management and Budget (OMB) Circular A-87, an employee paid from a single Federal program must submit a semi-annual certification that indicates the employee worked solely for that Federal program. An employee paid from more than one Federal program must submit monthly activity reports, documenting time worked in each Federal program. In each case, an employee's supervisor should sign all documentation as evidence of approval.

CONDITION/CONTEXT

For one of eight employees reviewed from the Recovery Act - Edward Byrne Memorial Justice Grant (JAG) Program, the City did not document the distribution of time worked in the program as required by Federal guidelines.

EFFECT

Federally funded salaries for the City employees were not properly substantiated; as a result, the City did not comply with the provisions of OMB Circular A-87.

CAUSE

Oversight error by the City.

RECOMMENDATION

Employees whose salaries are split between funds, including at least one Federal fund, should submit monthly activity reports. Employees paid solely from one Federal fund should complete semi-annual certifications of the duties performed.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The City of Tucson Police Department has implemented processes and procedures to ensure time and effort documentation is completed for all employees paid from Federal funds.

Contact Person: Richard Prater, City of Tucson Police Department – Management Coordinator
Anticipated Completion Date: Fiscal year 2011

**CITY OF TUCSON, ARIZONA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010**

Status of Federal Award Findings and Questioned Costs

The City had no findings or questioned costs related to federal awards noted in prior audits that require a status.