



CITY OF CLEVELAND, OHIO

Single Audit Reports

Year Ended December 31, 2010



Dave Yost • Auditor of State

Honorable Frank G. Jackson, Mayor,
Members of Council and
the Audit Committee
City of Cleveland
601 Lakeside Ave
Cleveland, Ohio 44114

We have reviewed the *Independent Auditors' Report* of the City of Cleveland, Cuyahoga County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Cleveland is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 26, 2011

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

For The Year Ended December 31, 2010

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Agriculture			
Summer Food Service Program for Children 2010	10.559		\$ 273,571
Total Department of Agriculture			<u>273,571</u>
Weatherization Assistance for Low-Income Persons 2009	81.042		2,047
ARRA-Weatherization Assistance for Low-Income Persons 2009	81.042		14,239,020
			<u>14,241,067</u>
ARRA-Energy Efficiency And Conservation Block Grant Program (EECBG)	81.128		295,198
			<u>295,198</u>
Total Department of Energy			<u>14,536,265</u>
Healthy Start Initiative Yr 9	93.926		1,075,486
Healthy Start Initiative Yr 9	93.926		95,079
Healthy Start Initiative Yr 10	93.926		942,497
Subtotal			<u>2,113,062</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance: Steps To A Healthier U.S. year 5	93.283		237,394
Subtotal			<u>237,394</u>
Immunization Grants 2008	93.268	18-100-1-2-IM-0108	5
Immunization Grants 2009	93.268	18-100-1-2-IM-0109	6,943
Immunization Grants 2010	93.268	18-100-1-2-IM-0110	86,428
Subtotal			<u>93,376</u>
Ohio Department of Health: Childhood Lead Poisoning Prevention 2009	93.197	18-2-001-1-BD-09	215
Childhood Lead Poisoning Prevention 2010	93.197	18-2-001-1-BD-10	143,272
Childhood Lead Poisoning Prevention 2010-2011	93.197	18-2-001-1-BD-11	116,138
Subtotal			<u>259,625</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance: City Readiness Initiative 09	93.069	18-200-1-2-PI-0109	2,426
City Readiness Initiative 2010	93.069	18-200-1-2-PI-0210	560,348
City Readiness Initiative 2011	93.069	18-200-1-2-PI-0211	77,990
Public Health Collaborative 08	93.069	18-1-001-2-BI-08	11
Public Health Collaborative 09	93.069	18-1-001-2-BI-09	8,919
Public Health Collaborative 10	93.069	18-1-001-2-BI-10	152,652
PHER Area 1	93.069		309,787
PHER Area 3	93.069		540,828
Subtotal			<u>1,652,961</u>
Preventive Health Services-Sexually Transmitted Diseases: Sexually Transmitted Diseases Diagnosis & Treatment 2008	93.977	18-2-001-2-BX-08	8
Sexually Transmitted Diseases Diagnosis & Treatment 2009	93.977	18-2-001-2-BX-09	2,827
Sexually Transmitted Diseases Diagnosis & Treatment 2009	93.977	18-2-001-2-BX-09	120,826
Subtotal			<u>123,661</u>

(Continued)

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

For The Year Ended December 31, 2010

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Health and Human Service (continued):			
HIV Prevention 2008	93.940	18-2-001-2-AS-08	8
HIV Prevention 2009	93.940	18-2-001-2-AS-09	113,485
HIV Prevention 2010	93.940	18-2-001-2-AS-10	621,900
Subtotal			<u>735,393</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance:			
Health Center Renovations	93.887		112,884
Subtotal			<u>112,884</u>
Block Grants for Prevention and Treatment of Substance Abuse:			
Centerpoint 2009	93.959		240
Centerpoint 2010	93.959		117,221
Student Assistance 2009	93.959		29
Student Assistance 2010	93.959		34,104
Subtotal			<u>151,594</u>
Low-Income Home Energy Assistance-HHS 2009	93.568	09-111	4,213
ARRA-Low-Income Home Energy Assistance-HHS 2009	93.568	ARRA-10-111	142,037
Subtotal			<u>146,250</u>
Total Department of Health and Human Services			<u><u>5,626,200</u></u>
Department of Housing & Urban Development			
HUD 108 Flats	14.248	OH B-09-MC-39-0004	6,685,248
VA HUD Independent Ag Special Project	14.246	OH B-03-SP-OH-0592	45,495
Ohio Department of Health:			
Lead Hazard Reduction Demonstration Grant Program 2009	14.905	OHLHD0144-06	856,599
Lead Hazard Reduction Demonstration Grant Program 2010	14.905	OHLHD0144-06	554,791
Lead Hazard Reduction Demonstration Grant Program 2010	14.905	OHLHD0188-08	613,707
Subtotal			<u>2,025,097</u>

(Continued)

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

For The Year Ended December 31, 2010

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Housing & Urban Development (continued):			
CDBG Yr 30	14.218		2,392,134
CDBG Yr 31	14.218		449,106
CDBG Yr 32	14.218		817,070
CDBG Yr 33	14.218		937,682
CDBG Yr 34	14.218		1,368,444
CDBG Yr 35	14.218		11,774,647
CDBG Yr 36	14.218		8,620,827
CDBG Neighborhood Stabilization Program	14.218		6,936,039
ARRA-Community Development Block Grant ARRA- Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253		2,450,373
Subtotal			<u>35,746,322</u>
Ohio Department of Health:			
Lead Technical Studies Grants 2010	14.900	OHLHD0188-08	811,680
HOME Investment Partnerships Program 1992	14.239		433
HOME Investment Partnerships Program 2001	14.239		1,594,048
HOME Investment Partnerships Program 2003	14.239		60,000
HOME Investment Partnerships Program 2004	14.239		1,539
HOME Investment Partnerships Program 2005	14.239		500,000
HOME Investment Partnerships Program 2006	14.239		53,461
HOME Investment Partnerships Program 2007	14.239		868,503
HOME Investment Partnerships Program 2008	14.239		1,763,711
HOME Investment Partnerships Program 2009	14.239		967,576
Subtotal			<u>5,809,271</u>
Emergency Shelter Grants Program 2008	14.231		44,162
Emergency Shelter Grants Program 2009	14.231		924,299
Subtotal			<u>968,461</u>
Housing Opportunities for Persons With Aids 2007	14.241		153,527
Housing Opportunities for Persons With Aids 2008	14.241		34,420
Housing Opportunities for Persons With Aids 2009	14.241		267,471
Subtotal			<u>455,418</u>
Empowerment Zones Program	14.244		2,423,919
Subtotal			<u>2,423,919</u>
Pass Through Programs:			
Ohio Department of Development: CDBG - Neighborhood Stabilization Program	14.228	A-Z-08-264-1	5,552,589
Ohio Department of Development: ARRA Homeless Prevention	14.257	S-09-MY-39-0004	4,171,021
Neighborhood Stabilization Program NSP HUD	14.256		21,269
Total Department of Housing & Urban Development:			<u>64,715,790</u>

(Continued)

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

For The Year Ended December 31, 2010

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Justice			
Public Safety Partnership and Community Policing Grants:			
Cleveland Universal Hiring II	16.710		65,710
Cops in School	16.710		391,939
Federal DOJ-COPS Technology GR	16.710		799
Federal DOJ-COPS Technology GR	16.710		62,386
Federal DOJ-COPS Technology GR	16.710		80,000
ARRA COPS HIRING RECOVERY PROGRAM (COPS CHRP)	16.710	2009RJWX0070	<u>3,001,069</u>
Subtotal			<u><u>3,601,903</u></u>
Edward Byrne Memorial State and Local Law Enforcement assistance Discretionary Grant Program			
	16.580	2007-DD-BX-0650	<u>250,287</u>
Subtotal			<u><u>250,287</u></u>
ARRA-Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Local Program - Grants to Units of Local Government			
	16.804	2009-SB-B9-0367	1,019,509
Edward Byrne Memorial Justice Assistance Grant (JAG) Local Program	16.804	2009-SB-B9-0367	<u>10,854</u>
Subtotal			<u><u>1,030,363</u></u>
ARRA-Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Local Program - Grants to Units of Local Government			
	16.803	2009-RA-B01-2012	161,469
State of Ohio - Office of Criminal Justice Services:			
Edward Byrne Memorial Justice Assistance Grant Programs (JAG):			
2007-Edward Byrne Memorial-JAG	16.738	2007-JG-A02-6585	63,473
2008-Edward Byrne Memorial-NOLETF	16.738	2007-JG-A01-6444	13,964
2009-Edward Byrne Memorial-NOLETF	16.738	2009-JG-A01-6444	118,030
Cuyahoga County - Department of Justice Affairs:			
Edward Byrne Memorial Justice Assistance Grant Programs (JAG):			
2007-Edward Byrne Memorial-JAG	16.738	07-JAG-MUN-01	491
2008-Edward Byrne Memorial-JAG	16.738	08-JAG-MUN-01	114,212
2009-Edward Byrne Memorial-JAG	16.738	2009-DJ-BX-0796	<u>607,319</u>
Subtotal			<u><u>917,489</u></u>
State of Ohio - Office of Criminal Justice Services:			
Violence Against Women Formula Grants :			
VAWA Team Approach 2008 Law	16.588		86
VAWA Team Approach 2009 Law	16.588		82,693
VAWA Team Approach 2008 Safety	16.588	2008-VP-VA2-V042	2,476
ARRA-Stop Violence Against Women	16.588		<u>128,913</u>
Subtotal			<u><u>214,168</u></u>

(Continued)

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

For The Year Ended December 31, 2010

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Justice (continued):			
State of Ohio - Office of Criminal Justice Services:			
Juvenile Accountability Incentive Block Grants 2008	16.523		245
Juvenile Accountability Incentive Block Grants 2009	16.523		12,968
Juvenile Accountability Incentive Block Grants 2010	16.523		50,385
Subtotal			<u>63,598</u>
Anti-Gang Initiative 2006	16.744	2006-PS-CAG-372	3,844
Subtotal			<u>3,844</u>
Total Department of Justice			<u><u>6,243,121</u></u>
Department of Commerce			
U S Department of Commerce, Economic Development Administration:			
Revolving Loan Fund Grant - Economic Adjustment Assistance	11.307	See Footnote 2	3,156,933
Subtotal			<u>3,156,933</u>
Total Department of Commerce			<u><u>3,156,933</u></u>
Department of Labor			
WIA Adult Program	17.258	G-1011-15-0258	2,080,157
WIA Youth Program	17.259	G-1011-15-0258	464,484
WIA Dislocated Worker Program	17.260	G-1011-15-0258	927,497
Subtotal			<u>3,472,138</u>
Total Department of Labor			<u><u>3,472,138</u></u>
Department of Transportation			
Airport Improvement Program	20.106		4,841,525
ARRA-Airport Improvement Program	20.106		13,432,095
Subtotal			<u>18,273,620</u>
Bessemer Avenue PH2A	20.205		160,000
SRTS FY 2009	20.205		234,023
Pass Thru:			
Highway Planning and Construction:			
East 14th Street	20.205	SEE FOOTNOTE 3	109,310
Avenue District Ph IV	20.205	SEE FOOTNOTE 3	5,402
Bessemer Avenue PH2A	20.205	SEE FOOTNOTE 3	9,063
SRTS FY 2009	20.205	SEE FOOTNOTE 3	3,992
Highway Planning and Construction:			
ARRA- East 14th Street	20.205		1,395,063
ARRA- Avenue District Ph IV	20.205		319,204
ARRA- KAMM'S CORNER	20.205		471,636
			<u>2,707,693</u>

(Continued)

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

For The Year Ended December 31, 2010

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Transportation (continued):			
Total Department of Transportation			<u>20,981,313</u>
Department of Environmental Protection Agency			
Direct Programs:			
Air Pollution Control Program Support 2008	66.001		6,490
Air Pollution Control Program Support 2009	66.001		127,421
Air Pollution Control Program Support 2010	66.001		1,834,994
Air Pollution Control Program Support 2011	66.001		359,303
Subtotal			<u>2,328,208</u>
ARRA-Water	66.468	FS390466-01	5,000,000
OWDA Loan-Morgan Pretreatment	66.468	FS390466-01	11,840,158
Subtotal			<u>16,840,158</u>
Brownfields Assessment and Cleanup Cooperative Agreements:			
Brownfield Job Training	66.818		45,495
Lower Woolen Mills	66.818		16,089
Morgana Run	66.818		170,179
Subtotal			<u>231,763</u>
Brownfield Assessment Grant	66.814	BF00E31801	10,246
Chemical Emergency Preparedness and Prevention:			
Bio-Watch Program 2009	66.810		26,805
Bio-Watch Program 2010	66.810		245,466
Bio-Watch Program 2011	66.810		93,121
Subtotal			<u>365,392</u>
Total Environmental Protection Agency			<u>19,775,767</u>
Department of Homeland Security			
Metropolitan Medical Response System 2005/2006	97.071		45,164
Metropolitan Medical Response System 2007	97.071		10,464
Metropolitan Medical Response System 2008	97.071		132,816
Subtotal			<u>188,444</u>
National Explosives Detection Canine Team Program	97.072		100,352
Subtotal			<u>100,352</u>
2008 (LETPP) Law Enforcement Terrorism Prevention Program	97.074		37,059
2008 (LETPP) Law Enforcement Terrorism Prevention Program	97.074		359,941
2007 (LETPP) Law Enforcement Terrorism Prevention Program	97.074		488
2007 (LETPP) Law Enforcement Terrorism Prevention Program	97.074		700,934
Subtotal			<u>1,098,422</u>
Law Enforcement Officer Reimbursement Agreement Program	97.090		464,597
Subtotal			<u>464,597</u>
<i>Cuyahoga County Department of Justice Affairs</i>			
Urban Area Security Initiative 2006	97.008	Cuyahoga County DJA	108,346
Urban Area Security Initiative 2007	97.008	Cuyahoga County DJA	1,281,104
Urban Area Security Initiative 2008	97.008		789,564
Urban Area Security Initiative 2009	97.008		55,554
Subtotal			<u>2,234,568</u>

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

For The Year Ended December 31, 2010

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Homeland Security (continued):			
Public Safety Fire Grants:			
Buffer Zone Protection FY 07	97.078	2007-BZ-T7-0048	50,499
Federal BAPP-FY07-Crown	97.078		121,350
Federal BAPP-FY08-Nottingham	97.078		124,270
Load Baldwin Residuals	97.078		162,676
Subtotal			<u>458,795</u>
Total Department of Homeland Security			<u>4,545,178</u>
Grand Total			<u>\$ 143,326,276</u>

(Concluded)

**CITY OF CLEVELAND
 CUYAHOGA COUNTY
 NOTES TO THE "SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS"
 FOR THE YEAR ENDED DECEMBER 31, 2010**

Basis of Presentation

The accompanying "Schedule of Expenditures of Federal Awards" includes the federal grant activity of the City of Cleveland (the "City") and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Longwood Apartments Grant

The United States Department of Housing and Urban Development (HUD) made available an UpFront grant to the City in connection with the demolition, rebuilding and redevelopment of the Longwood apartments.

The funding for the plan is to come from a variety of public and private sources, including, tax-exempt bonds issued under Section 103 of the Internal Revenue Code of 1986, private sector equity derived from benefits associated with the low income housing tax credits, HUD Section 221 (d)(4) mortgage insurance, HUD UpFront Grant Program Funds, and City general obligation bond, public utility, Housing Trust Fund, and NDA funds.

The UpFront Grant will be allocated and loaned to the developer throughout the various phases of the project in accordance with a Promissory Note, Interest on this Note began to accrue on April 1, 2006 at a fixed annual rate of 0.25% with this Note maturing on April 1, 2046.

Park Village Apartment Grant

The United States Department of HUD made available an UpFront Grant in the amount of \$981,836 for the rehabilitation of the Park Village Apartments.

In addition to the Upfront Grant, funding for the plan includes a private lender first mortgage, a Community Development Block Grant Float Loan and private sector equity derived from benefits associated with low income housing tax credits.

The UpFront Grant funds are being loaned to the developer in accordance with the Promissory Note. Interest on this Note began to accrue on March 19, 2003 at a fixed annual rate of 5.23% per annum with this Note maturing on March 19, 2033.

Footnote 2: Revolving Loan Fund

Activity in the Economic Adjustment Assistance, CFDA 11.307 revolving loan fund during 2010:

Beginning loans receivable balance as of January 1, 2010	\$1,904,793
Loans made during 2010	864,310
Loan principal repaid on loans issued prior to 2010	(493,649)
Loan principal repaid on 2010 loans issued	(26,630)
Ending loans receivable balance as of December 31, 2010	<u>2,248,824</u>
Cash balance on hand in the revolving loan fund as of December 31, 201	
Cash balance, unobligated	987,972
Revolving loan committed but not disbursed	270,907
Total unobligated cash and committed but not disbursed cash	<u>1,258,879</u>
Total value of revolving loan portion of the EDA 11.307 program	<u>3,507,703</u>
Less: City's matching share	(350,770)
Total federal value of revolving loan portion as of December 31, 2010	<u><u>\$3,156,933</u></u>

**CITY OF CLEVELAND
CUYAHOGA COUNTY
NOTES TO THE "SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS"
FOR THE YEAR ENDED DECEMBER 31, 2010**

Revolving Loan Fund (Continued)

4500 LTD	\$58,951
Accurate Instrument Service Co., Inc.	1,121
Braden Sutphin Ink Co.	125,232
CEAM Investment Co.	125,232
Bula Forge & Machine Inc.	184,816
DRD, Inc., DBA AS Power Direct	128,591
Dunecraft Inc.	146,141
Evergreen Cooperative	143,357
Infinite Energy Manufacturing	194,132
Jane and Arthur Ellison LTD	134,175
Nisman Rozgonyi Enterprise	157,069
Otto Klonigslow Manufacturing Co.	38,208
Proxy Biomedical	129,093
Replica Engineering Inc.	36,535
Sparkbase LLC	156,847
Universal Heat Treating Inc.	173,370
Zen Industries Inc.	35,392
Northeast Ohio Neighborhood Real Estate	152,386
Northeast Ohio Neighborhood Real M & E	70,680
Total Revolving Loan Fund Principal Outstanding	57,496
	<u>\$2,248,824</u>

Footnote 3: Ohio Department of Transportation

The Ohio Department of Transportation (ODOT) is the organization of state government responsible for developing and maintaining all state and federal roadways in the State of Ohio (State) with exception of the Ohio Turnpike. In addition to highways, the department also helps develop public transportation and public aviation programs. The "Schedule of Expenditures of Federal Awards" details expenditures incurred by the City in the year they were paid. Due to the timing of work executed and timing of the reimbursement from ODOT, the expenditures reported on the "Schedule of Expenditures of Federal Awards" may not coincide with expenditures reported by ODOT.

Amounts reimbursed to the City by ODOT during 2010		\$4,170,161
Expensed and reported by the City in Fiscal Year 2009	20.205	(\$1,600,000)
Federal Expenditures expensed in 2010 not yet reimbursed	20.205	\$9,765
Federal Expenditures expensed in 2010 not yet reimbursed	20.205	\$127,767
Amount expensed by the City in Fiscal Year 2010		<u>\$2,707,693</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleveland, Ohio ("City") as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 24, 2011, wherein we noted the City implemented Governmental Accounting Standards Board Statement No. 53. 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 the City'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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.

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Compliance And Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated June 24, 2011.

This report is intended solely for the information and use of the Mayor, Members of City Council, the Audit Committee, the City's management, 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.

Clark, Schaefer, Harshbarger & Co.

Cincinnati, Ohio
June 24, 2011

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

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

Compliance

We have audited the City of Cleveland, Ohio's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2010. The City'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 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; 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, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

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f. 513.241.1212

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 the requirements that could have a direct and material effect on a major federal program 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 the City's internal control over compliance.

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

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 remaining fund information of the City, as of and for the year ended December 31, 2010, and have issued our report thereon dated June 24, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, Members of Council, the Audit Committee, the City's management, 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.

Clark, Schaefer, Harshbarger & Co.

Cincinnati, Ohio
June 24, 2011

CITY OF CLEVELAND, OHIO
Schedule of Findings and Questioned Costs
Year Ended December 31, 2010

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None
• Significant deficiency(ies) identified not considered to be material weaknesses?	None
Noncompliance material to the financial statements noted?	None

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None
• Significant deficiency(ies) identified not considered to be material weaknesses?	None
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None

Identification of major programs:

- CDBG Entitlement Cluster:
 - CFDA 14.218 – Community Development Block Grants/Entitlement Grants
 - CFDA 14.253 – ARRA-Community Development Block Grants/ARRA Entitlement Grants
- CFDA 14.228 – Community Development Block Grants/State’s Program & Non-Entitlement Grants
- CFDA 14.248 – Section 108 Loan Guarantee Program
- CFDA 14.257 – ARRA-Homelessness Prevention and Rapid Re-Housing Program
- CFDA 16.710 – Pubic Safety Partnership and Community Policing Grants
- CFDA 16.804 – ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG)
- CFDA 20.106 – ARRA-Airport Improvement Program
- CFDA 66.468 – Capitalization Grants for Drinking Water State Revolving Funds
- CFDA 81.042 – Weatherization Assistance for Low-Income Persons

Dollar threshold to distinguish between Type A and Type B Programs:	\$3,000,000
Auditee qualified as low-risk auditee?	Yes

CITY OF CLEVELAND, OHIO
Schedule of Findings and Questioned Costs
Year Ended December 31, 2010
(Continued)

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

**CITY OF CLEVELAND, OHIO
Schedule of Prior Audit Findings
Year Ended December 31, 2010**

Finding 2009-001 – Division of Water’s Out of Order Meters and Estimated Accounts

Accurate and timely meter readings are essential for tracking water and sewer usage and for the accounting of revenues and receivables at the Division of Water (DOW) and Water Pollution Control (WPC). Water usage calculations generated by DOW also serve as sewer usage for WPC when calculating bills. Water rates change annually while sewer rates may change on a less frequent basis depending on the local municipality. Therefore, it is imperative that actual readings occur on an annual basis, especially during January and December, so that usage can be applied to the proper rate in effect at the time.

It was recommended the DOW administration develop a monitoring process to ensure the accounts that meet the estimated bill parameter are investigated and resolved before the next bill cycle. Regardless of whether repeated estimates are due to out-of-order meters or other factors, DOW must place a high priority on resolving issues associated with accounts that have not had a reliable meter reading. Efforts should also be expanded to follow up on potential billing errors in a timely manner, to reduce the number of accounts receiving estimated bills.

Status: Corrected.

Finding 2009-002 – Monitoring Issues Related to Customer Accounts

DOW supervisors and managers are responsible for assigning To Do entries to their staff to work on a daily basis. The CC&B application provides a To Do supervisor summary that shows all unresolved To Do entries by type. In addition, the summary categorizes the unresolved To Do entries as assigned and unassigned. Aging information is available to managers and supervisors to monitor progress on resolving To Do entries. While each manager and supervisor receives a list of To Dos, management does not have a mechanism in place which summarizes the total quantity and dollar values of the To Dos.

It was recommended DOW develop policies and procedures to monitor the resolution of To Do entries. Policies and procedures for monitoring the To Do entry process should, at a minimum, identify the following:

- Management should establish a control mechanism to assure that all revenues are recognized for services provided to those accounts in a “Pended” status.
- Management should be provided with summary reports which quantify the number, type, and dollar value of the accounts with To Dos.
- A thorough analysis of all To Do entry types and the departments to which they should be disseminated.
- An acceptable timeline in which To Do entry types should be worked.
- The development of management exception reports to highlight To Do entries that have not been resolved within the designated timeline.
- The process for review of the management exception reports to ensure To Do entries are being worked.

Status: Corrected.

Finding 2009-003 – Activities Allowed or Unallowed – CFDA 14.218 - Community Development Block Grants

In October 2009, the U.S. Department of Housing and Urban Development (HUD) communicated the results of an on-site monitoring review of the Community Development Block Grant program to the City. Based on their review, HUD concluded the City improperly provided second mortgage assistance to households based on meeting the National Objective of eliminating Slum and Blight Areas (SBA) when this type of assistance can only be provided if the household is low to moderate income status. As a result, the City allowed homebuyers that were not at or below 80% of median income assistance to receive program funds they would not have been entitled to. HUD directed the City to cease and desist the activity of providing homebuyers second mortgage assistance that is above 80% of median income and the City complied and responded with a corrective action plan.

CDBG funded activities in the Afford-A-Home federal program for the renovation of single-family units. During a review of all CDBG expenditures relating to the Afford-A-Home program, it was noted there were eight instances in which second mortgage assistance was provided and the applicant was not at or below 80% of median income. As a result, seven applicants received \$10,000 each and one received \$5,000 for a total of \$75,000 in CDBG funds they were not entitled to.

It was recommended that CDBG develop procedures to ensure compliance with the income eligibility requirements for second mortgage assistance.

Status: Corrected.