

Mary Taylor, CPA
Auditor of State

CITY OF CLEVELAND
CUYAHOGA COUNTY

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

For The Year Ended December 31, 2009

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Agriculture			
Direct Programs:			
Summer Food Service Program for Children 2007	10.559		45,139
Summer Food Service Program for Children 2008	10.559		64,766
Summer Food Service Program for Children 2009	10.559		177,354
			<u>287,259</u>
Total Department of Agriculture			<u><u>287,259</u></u>
Department of Energy			
Pass Through Programs:			
Ohio Department of Development:			
Weatherization Assistance for Low-Income Persons 2008	81.042		387,026
Weatherization Assistance for Low-Income Persons 2009	81.042		738,910
ARRA-Weatherization Assistance for Low-Income Persons 2009	81.042		4,605,074
			<u>5,731,010</u>
Total Department of Energy			<u><u>5,731,010</u></u>
Department of Health and Human Services			
Direct Programs:			
Healthy Start Initiative Yr 7	93.926		2,951
Healthy Start Initiative Yr 8	93.926		1,135,467
Healthy Start Initiative Yr 9	93.926		917,707
Healthy Start Initiative Yr 9	93.926		510,025
Subtotal			<u>2,566,150</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance:			
Steps To A Healthier U.S. year 4	93.283		167,893
Steps To A Healthier U.S. year 5	93.283		946,903
Subtotal			<u>1,114,796</u>
Pass Through Programs:			
Cuyahoga County Board of Health:			
Immunization Grants 2007	93.268	18-100-1-2-IM-0107	880
Immunization Grants 2008	93.268	18-100-1-2-IM-0108	5,639
Immunization Grants 2009	93.268	18-100-1-2-IM-0109	71,813
Subtotal			<u>78,332</u>
Ohio Department of Health:			
Childhood Lead Poisoning Prevention 2009	93.197	18-2-001-1-BD-09	135,208
Childhood Lead Poisoning Prevention 2010	93.197	18-2-001-1-BD-10	142,519
Subtotal			<u>277,727</u>

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

For The Year Ended December 31, 2009

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Health and Human Services-continued			
Pass Through Programs:			
Cuyahoga County Board of Health (continued):			
Centers for Disease Control and Prevention - Investigations and Technical Assistance:			
City Readiness Initiative 08	93.069	18-200-1-1-LD-0108	8,113
City Readiness Initiative 09	93.069	18-200-1-2-PI-0109	768,297
City Readiness Initiative 2010	93.069	18-200-1-2-PI-0210	68,243
Subtotal			<u>844,653</u>
Preventive Health Services-Sexually Transmitted Diseases:			
Sexually Transmitted Diseases Diagnosis & Treatment 2007	93.977	18-2-001-2-BX-07	722
Sexually Transmitted Diseases Diagnosis & Treatment 2008	93.977	18-2-001-2-BX-08	5,485
Sexually Transmitted Diseases Diagnosis & Treatment 2009	93.977	18-2-001-2-BX-09	85,239
Subtotal			<u>91,446</u>
HIV Prevention 2007	93.940	18-2-001-2-AS-07	1,655
HIV Prevention 2008	93.940	18-2-001-2-AS-08	100,175
HIV Prevention 2009	93.940	18-2-001-2-AS-09	672,357
Subtotal			<u>774,187</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance:			
Public Health Collaborative 08	93.069	18-1-001-2-BI-08	2,302
Public Health Collaborative 09	93.069	18-1-001-2-BI-09	100,011
Public Health Collaborative 10	93.069	18-1-001-2-BI-10	92,339
Subtotal			<u>194,652</u>
Ohio Department of Alcohol and Drug Addiction Services:			
Block Grants for Prevention and Treatment of Substance Abuse:			
Centerpoint 2007	93.959		1,665
Centerpoint 2008	93.959		12,944
Centerpoint 2009	93.959		115,697
Centerpoint 2010	93.959		156,009
Student Assistance 2008	93.959		3,289
Student Assistance 2009	93.959		32,641
Student Assistance 2010	93.959		44,619
Subtotal			<u>366,864</u>
Ohio Department of Development:			
Low-Income Home Energy Assistance-HHS 2008	93.568	08-111	472,594
Low-Income Home Energy Assistance-HHS 2009	93.568	09-111	761,835
ARRA-Low-Income Home Energy Assistance-HHS 2009	93.568	ARRA-10-111	29,944
Subtotal			<u>1,264,373</u>
Total Department of Health and Human Services			<u><u>7,573,180</u></u>

(Continued)

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

For The Year Ended December 31, 2009

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Housing & Urban Development			
Direct Programs:			
Community Development Block Grant Entitlement Grants (CDBG) Cluster:			
CDBG Yr 30	14.218		5,683,755
CDBG Yr 31	14.218		610,404
CDBG Yr 32	14.218		1,317,277
CDBG Yr 33	14.218		1,174,024
CDBG Yr 34	14.218		10,693,273
CDBG Yr 35	14.218		9,615,694
CDBG Float Loan	14.218		3,667,963
CDBG Neighborhood Stabilization Program	14.218		2,358,263
ARRA-Community Development Block Grant ARRA- Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253		<u>105,004</u>
Subtotal			<u><u>35,225,657</u></u>
HOME Investment Partnerships Program 1992	14.239		509,839
HOME Investment Partnerships Program 2001	14.239		914,187
HOME Investment Partnerships Program 2002	14.239		315,566
HOME Investment Partnerships Program 2003	14.239		160,000
HOME Investment Partnerships Program 2004	14.239		230,427
HOME Investment Partnerships Program 2005	14.239		480,374
HOME Investment Partnerships Program 2006	14.239		129,185
HOME Investment Partnerships Program 2007	14.239		2,124,688
HOME Investment Partnerships Program 2008	14.239		2,426,866
HOME Investment Partnerships Program 2009	14.239		<u>311,448</u>
Subtotal			<u><u>7,602,580</u></u>
Emergency Shelter Grants Program 2007	14.231		108,827
Emergency Shelter Grants Program 2008	14.231		<u>1,042,259</u>
Subtotal			<u><u>1,151,086</u></u>
Housing Opportunities for Persons With Aids 2007	14.241		6,820
Housing Opportunities for Persons With Aids 2008	14.241		<u>559,314</u>
Subtotal			<u><u>566,134</u></u>
Empowerment Zones Program	14.244		<u>1,621,009</u>
Subtotal			<u><u>1,621,009</u></u>
Pass Through Programs:			
Ohio Department of Development:			
CDBG - Neighborhood Stabilization Program	14.218	A-Z-08-264-1	<u>2,417,837</u>
Total Department of Housing & Urban Development			<u><u>48,584,303</u></u>
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**CITY OF CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended December 31, 2009

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Justice			
Direct Programs:			
Public Safety Partnership and Community Policing Grants:			
Cleveland Universal Hiring II	16.710		1,368,949
Cops in School	16.710		464,575
Federal DOJ-COPS Technology GR	16.710		42,922
Federal DOJ-COPS Technology GR	16.710		14,423
Subtotal			<u>1,890,869</u>
Gang Resistance Education and Training 2007	16.737	2007-JV-FX-0253	16,112
Subtotal			<u>16,112</u>
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grant Program	16.580	2007-DD-BX-0650	3,529,257
Subtotal			<u>3,529,257</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	3,046,084
Pass Through Programs:			
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	36,505
2007-Edward Byrne Memorial-NOLETF	16.738	2006-JG-A01-6444	34,357
2008-Edward Byrne Memorial-NOLETF	16.738	2007-JG-A01-6444	54,630
2009-Edward Byrne Memorial-NOLETF	16.738	2008-JG-A01-6444	100,894
Cuyahoga County - Department of Justice Affairs:			
Edward Byrne Memorial Justice Assistance Grant Programs (JAG):			
2005 Edwards Byrne Memorial-JAG	16.738	05-DG-B-00A	290
2006-Edward Byrne Memorial-JAG	16.738	06-JAG-MUN-01	62,250
2007-Edward Byrne Memorial-JAG	16.738	07-JAG-MUN-01	274,411
2008-Edward Byrne Memorial-JAG	16.738	08-JAG-MUN-01	62,530
Subtotal			<u>3,671,951</u>
Pass Through Programs:			
State of Ohio - Office of Criminal Justice Services:			
Violence Against Women Formula Grants :			
VAWA Team Approach 2008 Law	16.588		11,401
VAWA Team Approach 2009 Law	16.588		79,037
VAWA Team Approach 2008 Safety	16.588	2008-VP-VA2-V042	19,358
VAWA Team Approach Safety	16.588		151,920
Subtotal			<u>261,716</u>

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

For The Year Ended December 31, 2009

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Justice (continued)			
Pass Through Programs:			
State of Ohio - Office of Criminal Justice Services (continued):			
Juvenile Accountability Incentive Block Grants 2008	16.523		5,943
Juvenile Accountability Incentive Block Grants 2009	16.523		54,097
Subtotal			<u>60,040</u>
Paul Coverdell Forensic Science Improvement Grant Program 2007	16.742	2007-CD-BX-0014	90,797
Subtotal			<u>90,797</u>
Anti-Gang Initiative 2006	16.744	2006-PS-CAG-372	11,791
Anti-Gang Initiative 2006	16.744	2006-PS-CAG-379	481
Subtotal			<u>12,272</u>
Total Department of Justice			<u><u>9,533,014</u></u>
Department of Commerce-Economic Development Administration:			
Direct Programs:			
U S Department of Commerce, Economic Development Administration:			
Revolving Loan Fund Grant - Economic Adjustment Assistance	11.307	See Footnote 2	3,097,771
Subtotal			<u>3,097,771</u>
Total Department of Commerce			<u><u>3,097,771</u></u>
Department of Labor			
Pass Through Programs:			
Ohio Department of Jobs and Family Services:			
WIA Adult Program	17.258	G-1011-15-0258	3,376,258
WIA Youth Program	17.259	G-1011-15-0258	2,311,053
WIA Dislocated Worker Program	17.260	G-1011-15-0258	1,222,167
Subtotal			<u>6,909,478</u>
Total Department of Labor			<u><u>6,909,478</u></u>
Department of Transportation			
Direct Programs:			
Airport Improvement Program	20.106		7,623,338
ARRA-Airport Improvement Program	20.106		836,873
Subtotal			<u>8,460,211</u>
Highway Planning and Construction:			
Safe Routes to School	20.205		35,110
Federal- Department of Commerce	20.205		5,060
Federal- Flats East Bank	20.205		756,235
Subtotal			<u>796,405</u>
Total Department of Transportation			<u><u>9,256,616</u></u>

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

For The Year Ended December 31, 2009

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Environmental Protection Agency			
Direct Programs:			
Air Pollution Control Program Support 2008	66.001		210,434
Air Pollution Control Program Support 2009	66.001		2,031,454
Air Pollution Control Program Support 2010	66.001		423,720
Subtotal			<u>2,665,608</u>
Brownfields Assessment and Cleanup Cooperative Agreements:			
Brownsfield Job Training	66.818		42,493
Lower Woolen Mills	66.818		15,959
Morgana Run	66.818		29,819
Subtotal			<u>88,271</u>
Chemical Emergency Preparedness and Prevention:			
Bio-Watch Program 2009	66.810		252,446
Bio-Watch Program 2010	66.810		75,256
Subtotal			<u>327,702</u>
Total Environmental Protection Agency			<u><u>3,081,581</u></u>
Department of Homeland Security			
Direct Programs:			
Metropolitan Medical Response System 2005/2006	97.071		120,770
Metropolitan Medical Response System 2007	97.071		237,201
Subtotal			<u>357,971</u>
National Explosives Detection Canine Team Program	97.072		175,966
Subtotal			<u>175,966</u>
2008 (LETTP) Law Enforcement Terrorism Prevention Program	97.074		87,551
Subtotal			<u>87,551</u>
Law Enforcement Officer Reimbursement Agreement Program	97.090		557,822
Subtotal			<u>557,822</u>
Public Safety Fire Grants:			
Buffer Zone Protection	97.078	2007-BZ-T7-0048	60,948
Buffer Zone Protection	97.078	2008-BZ-T8-0019	17,397
Buffer Zone Protection FY 06	97.078	2006-BZ-T6-0034	179,428
Buffer Zone Protection FY 07	97.078	2007-BZ-T7-0048	117,280
Subtotal			<u>375,053</u>

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

For The Year Ended December 31, 2009

Federal Grant/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Federal Expenditures
Department of Homeland Security (continued)			
Pass-Through Programs:			
Cuyahoga County Department of Justice Affairs			
Urban Area Security Initiative 2005	97.008		300,026
Urban Area Security Initiative 2006	97.008	Cuyahoga County DJA	824,546
Urban Area Security Initiative 2007	97.008	Cuyahoga County DJA	765,050
Urban Area Security Initiative 2008	97.008		569,604
Subtotal			<u>2,459,226</u>
Total Department of Homeland Security			<u>4,013,589</u>
Grand Total			<u>98,067,801</u>

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**CITY OF CLEVELAND
CUYAHOGA COUNTY
NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. Basis of Presentation

The accompanying Federal Awards Expenditures Schedule 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*.

2. 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 an annual fixed rate of 0.25% with this Note maturing on April 1, 2046.

3. 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 an annual fixed rate of 5.23% per annum with this Note maturing on March 19, 2033.

4. Revolving Loan Fund

Activity in the Economic Adjustment Assistance, CFDA 11.307 revolving loan fund during 2009:

Beginning loans receivable balance as of January 1, 2009	\$861,812
Loans made during 2009	1,164,784
Loan principal repaid on loans issued prior to 2009	(106,091)
Loan principal repaid on 2009 loans issued	(15,712)
Ending loans receivable balance as of December 31, 2009	<u>\$1,904,793</u>
Cash balance on hand in the revolving loan fund as of December 31, 2009	
Cash balance, unobligated	\$401,959
Revolving loan committed but not disbursed	1,135,216
Total unobligated cash and committed but not disbursed cash	<u>1,537,175</u>
Total value of revolving loan portion of the EDA 11.307 program	3,441,968
Less: City's matching share	(344,197)
Total federal value of revolving loan portion as of December 31, 2009	<u>\$3,097,771</u>

There are no delinquent amounts due as of December 31, 2009.

CITY OF CLEVELAND
 CUYAHOGA COUNTY
 NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2009

4. Revolving Loan Fund (Continued)

Revolving Loan Fund Principal Outstanding as of December 31, 2009:

4500 LTD	\$74,988
Accurate Instrument Service Co, Inc	1,974
Braden Sutphin Ink Co.	200,000
Bula Forge & Machine, Inc	184,288
DRD, Inc., DBA AS Power Direct	166,614
Dunecraft Inc.	200,000
Evergreen Cooperative	37,569
Infinite Energy Manufacturing	200,000
Jane and Arthur Ellison LTD	152,703
Nisman Rozgonyi Enterprise	164,710
Otto Klonigslow Manufacturing Co.	47,602
Replica Engineering Inc.	50,000
Sparkbase LLC	118,531
Universal Heat Treating Inc.	50,000
Zen Industries Inc.	108,684
Northeast Ohio Neighborhood Real Estate	75,119
Northeast Ohio Neighborhood Real M & E	<u>72,011</u>
Total Revolving Loan Fund Principal Outstanding	<u>\$1,904,793</u>



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Cleveland
Cuyahoga County
601 Lakeside Avenue
Cleveland, Ohio 44114

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

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, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider significant deficiencies in internal control over financial reporting. We consider findings 2009-001 and 2009-002 to be significant deficiencies. 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.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to City's management in a separate letter dated June 28, 2010.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 28, 2010



Mary Taylor, CPA

Auditor of State

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, AND ON THE FEDERAL AWARDS
EXPENDITURES SCHEDULE**

City of Cleveland
Cuyahoga County
601 Lakeside Avenue
Cleveland, Ohio 44114

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

Compliance

We have audited the compliance of the City of Cleveland, Cuyahoga County, Ohio, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Cleveland complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as finding 2009-003.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. 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 federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily 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.

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

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated September 9, 2010.

Federal Awards Expenditures Schedule

We have also 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 as of and for the year ended December 31, 2009, and have issued our report thereon dated June 28, 2010. Our audit was performed to form opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying federal awards expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

City of Cleveland
Cuyahoga County
Independent Accountants' Report on Compliance With Requirements Applicable
to Each Major Federal Program, on Internal Control Over Compliance In Accordance
With OMB Circular A-133, and on the Federal Awards Expenditures Schedule
Page 2

We intended this report for the information and use of the audit committee, management, City Council, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

September 9, 2010

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CITY OF CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA# 14.239 – Home Investment Partnership Program 16.580 - Edward Byrne Memorial State and Local Law Enforcement Discretionary Grant 16.738 - Edward Byrne Memorial Justice Assistance Grants Program 16.804 – ARRA Recovery Act Edward Byrne Memorial Justice Assistance Grant Local Programs 17.258 and 17.259 – WIA Youth Program 17.260 – WIA Dislocated Worker Program 20.106 – Airport Improvement Program 20.106 – ARRA Airport Improvement Program 81.042 – Weatherization Assistance for Low Income Persons 81.042 – ARRA Weatherization Assistance for Low Income Persons
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: \$2,942,034 Type B: \$294,203
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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 FOR THE YEAR ENDED DECEMBER 31, 2009
 (CONTINUED)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2009-001
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Significant Deficiency - 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.

At DOW, individual meter readings are performed on a quarterly basis for each customer. Controls have been established by DOW to investigate and follow-up on accounts with meters that did not receive an actual reading.

DOW's Out-of-Order Accounts

Based on an analysis of the accounts as of December 31, 2009, 7% of the total number of DOW accounts (28,671 of 407,023) was classified as "out-of-order" by DOW at December 31, 2009. These consist of accounts that have been identified by meter readers and other DOW staff as either being out of order or a meter is missing. An aging of these accounts at year end is as follows:

Year Determined Out-of-order	CC&B ⁽¹⁾ Number of Accounts as of December 31, 2009
1950	3
1984-1992	75
1993	3
1994-1999	225
2000	244
2001	407
2002	588
2003	595
2004	902
2005	1,488
2006	1,649
2007	4,258
2008	8,068
2009	10,166
Total	28,671

As the above analysis indicates, there are numerous accounts in which a reliable meter reading has not occurred in over one year. For accounts with out-of-order meters, bills were estimated based on historical usage patterns.

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 (CONTINUED)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2009-001
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(Continued)

⁽¹⁾ This information was obtained from the new DOW Customer Care and Billing System (CC&B). DOW began using this system on September 27, 2009. When converting accounts from the old AS/400 system to the new CC&B system, assumptions had to be made by the DOW. One assumption was that if a meter was classified as out-of-order on the old system, but the meter was advancing, it was no longer considered out-of-order. Therefore, accounts that were previously considered out-of-order on the old system were not considered out-of-order in the new system. Also during the conversion, any account deemed out-of-order that did not have a date when the account was first reported as out-of-order, was defaulted to the year 1950.

DOW's Estimated Bills

Bills may be estimated because meter readings either fail tolerance tests, or meters are not read because they are inaccessible. Meters are scheduled for a read every 90 days. If an issue is identified and not addressed within eight days after the meter was initially scheduled for a read, an estimated bill is automatically generated. The new CC&B utility billing system will only allow an account to be estimated for two consecutive billing cycles. When the account has been estimated two times, the customer will not receive a third bill until an actual read is performed. When the DOW converted to the new CC&B system, all estimated accounts from the previous billing system were converted to the new system as being estimated only once, regardless of the number of times it had actually been estimated in the previous billing system.

A monitoring process was not in place at the DOW during the audit period to ensure the accounts that meet the maximum estimated bill parameter of two, are investigated and resolved before the next bill cycle.

The following analysis of bills generated for five days in late December 2009 indicates that 9% (2,652) of the 29,011 accounts billed for this five-day period have not received a bill based on actual consumption. Of that amount, six percent (1,671) have an estimated bill count of one and three percent (981) have an estimated bill count of two. The accounts with an estimated bill count of two will not receive another bill until an actual read is performed on those accounts.

Estimated Accounts	Billing Date					Totals
	12/21/09	12/22/09	12/23/09	12/28/09	12/29/09	
Accounts with an estimated bill count = 1	382	408	456	32	393	1,671
Accounts with an estimated bill count = 2	432	177	167	5	200	981
Total # of Estimated Accounts	814	585	623	37	593	2,652
Total # of Accounts Billed	5,257	7,266	7,866	173	8,449	29,011
% of Accounts Estimated	15%	8%	8%	21%	7%	9%

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**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
 REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	2009-001
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(Continued)

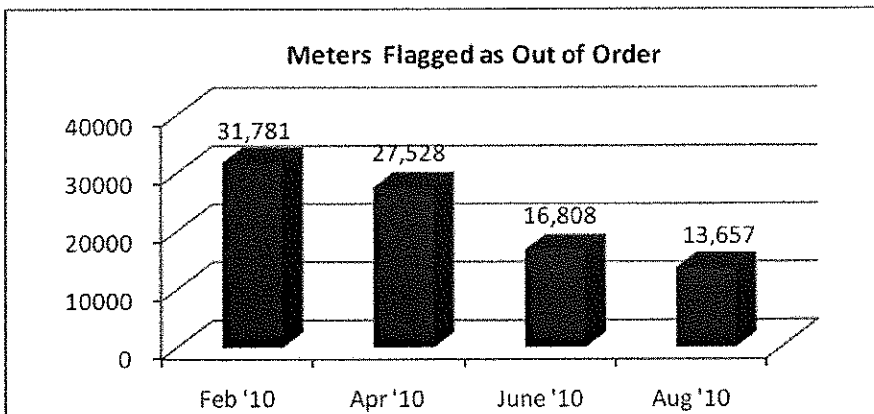
While historical usage patterns are an acceptable method of estimating usage and limiting the maximum number of estimated bills is reasonable, the high volume of out-of-order accounts and accounts receiving estimated bills increases the risk that a large number of customers may not receive bills starting in early 2010. This may also result in a subjective billing process when ascertaining the actual usage in a given year and applying the proper rate in effect at that time.

We recommend 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.

Division of Water's Response

Out-of-Order Meter Reduction Plan Update – 8/25/10

The Division of Water has developed a comprehensive response to reduce the number of flagged Out-of-Order meters reported in the CC&B Billing System. In February 2010 the total number of meters flagged as Out-of-Order was 31,781. As of August 25, 2010, the total number of flagged out-of-order meters was 13,788. It is our goal to reduce the number of Out-of-Order meters to 5,000 by December 31, 2010. Our progress is depicted below:



The *Out of Order Meter Reduction Effort* continues, and data is reported on a weekly basis. As of 8/25/10, there has been a 57% reduction in Out-of-Order Meters since February 2010. Whereas at the beginning of the year the number of out-of-order meters represented 7% of all accounts, today the percentage has decreased to 3.2%. DOW's goal is to reduce the number of out-of-order meters to 5,000 by the end of 2010, which would be 1.2% of all meters. There is an acknowledgement that there will always be a number of meters that will become inoperable during a year.

Please note that meters flagged as Out of Order can include:

1. Meters that are not progressing due to low usage or malfunctions;
2. Field staff input errors in hand-held devices;
3. Meters in abandoned or vacant homes;
4. Incomplete work (system flags not removed yet after field work is completed).

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 FOR THE YEAR ENDED DECEMBER 31, 2009
 (CONTINUED)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2009-001
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(Continued)

These tasks are part of our Out-of-Order Meter Procedures:

- Scripts are now scheduled to run weekly by the CWD IT Group to remove the Out-of-Order flags for completed work.
- Check daily report for possible data entry errors in hand-held devices by D&M Meter Installers. Errors are corrected and Installer is advised of errors. The importance of correct procedures is reinforced and Installers with continual errors are subject to disciplinary action.
- Installers are assigned a route of accounts to investigate and change the meter if it is out of order. These routes are tracked on the Out-of-Order Meters spreadsheet.

As part of our continual efforts to improve service to our customers, we have made more appointment times available to them. DOW has been successful in making administrative scheduling adjustments in CC&B so that Meter Installers can be scheduled in specific work zones each day, allowing them to accommodate more customer appointment requests. This effort is similar to the Clean Cleveland initiative, where installers can blitz a specific area, reducing fuel expense and travel time. As a result of this scheduling adjustment, more open appointment times are available for customers to schedule appointments for meter changes.

For non-meter changes, scanned work order cards are saved in a shared file for Customer Accounts Services (CAS) Customer Service Reps to check daily and review the account to see if:

- Meter read is advancing
- There are data entry errors in hand-held devices by Meter Reading field personnel
- Account is a vacant lot or abandoned property

Appropriate adjustments in CC&B are then made by Customer Service Reps for non-meter changes.

Estimated Bills

The Division of Water has developed and implemented a monitoring process that will assure that accounts that meet the estimated bill parameter will be investigated and resolved prior to the next billing cycle. The DOW has hired additional field personnel to augment the meter reading field activities. DOW has also instituted an aggressive campaign to focus on inaccessible meters that have been one of the causes of excessive estimates. As a result of these efforts, DOW has been able to read more meters and achieve bills based on actual reads for 96% of all accounts.

In addition, DOW has been working strategically to review its current structure, core services, functions, and processes in key areas in order to improve the delivery of excellent services to its customers. The team's primary goals are to establish metrics, benchmarks, quality controls, policies, and procedures to assure that these core services are delivered in a timely manner. DOW has instituted a monitoring process that utilizes account queries on CC&B and a daily scorecard that gives staff the ability to track accounts that were billed on actual versus estimated consumption.

DOW staff actively review the scorecard and take remedial actions as necessary. We are confident that this monitoring process will help us to steadily reduce the number of customer bills that are based on estimates in favor of high-quality, reliable, actual meter readings conducted in a timely manner.

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(CONTINUED)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2009-002
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Significant Deficiency - Monitoring Issues Related to Customer Accounts

At year end, DOW identified numerous issues related to customer accounts. These issues related to accounts in a "pending" status and the To Do entry process.

During the transition from the old system to the new system, when a field activity was generated to turn off water services because of non-payment, the service agreements were suspended. The accounts were flagged for review and placed in a "pending" status by an automated process. The accounts were no longer billed, although they should have continued to be billed for the customer service fee and minimum sewer charges. DOW was unable to determine the dollar value and the number of these accounts at December 31, 2009 and were not able to assure revenues were recognized for services rendered.

When events occur that can only be resolved manually, the CC&B application creates an e-mail like message that describes the event. CC&B refers to these events as To Do entries. There are numerous examples of events that trigger the creation of To Do entries including bill segment errors, exceeding tolerance levels and accounts without bill cycles. These To Do entries display in a To Do list, which is generated nightly during batch processing. There are several hundred To Dos generated each day that require follow-up.

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 value of the To Dos.

Upon conversion to the new system, several factors contributed to a rapidly increasing list of To Do entries. Because policies and procedures had not been developed to address the various types of To Do entries, how they should be resolved, and how they should be monitored, a backlog of thousands of To Do entries was experienced by year end.

Some of the factors that contributed to the backlog of To Do entries include:

- The lack of reports which quantified the number and dollar value of the accounts.
- The flow or dissemination of To Do entries to the appropriate departments and an understanding of the various types of To Do entries had not been fully developed.
- A high number of To Do entries were related to accounts being out of the tolerance range for acceptable reads. When these To Do entries were not resolved within seven business days, the account received an estimated bill.
- Backlog of data entry of meter exchanges and final meter readings (start/stops at cutover).
- A high number of out of order meters, no reads, and vacant premises.
- The parameter setting for the maximum number of estimated bills before an actual read must occur was set to two and near the end of the calendar year, some accounts reached this threshold.

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 (CONTINUED)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2009-002
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(Continued)

Without effective monitoring and performance controls in place and the inability of management to quantify the number of accounts in question, there is an increased risk the To Do entries process may not be operating as management intends. To Do entries may not be worked in a timely manner and customer account issues may go uninvestigated and/or unresolved.

We recommend 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.

Division of Water's Response

DOW has greatly improved the To-Do processes and procedures since the audit period. A complete analysis was performed which identified the departmental assignment for each To-Do type and that has identified the To-Do types that are critical due to their impacts on billing. It is important to note that not all To-Do types have a material impact on billing; hence the analysis identified the To-Do types that must be worked and those that the system can automatically clear. Target time-frames for resolution of critical To-Do types have been established.

CC&B provides a user interface that shows counts for all To-Do types and which allows To-Dos to be assigned to employees. In addition, management currently receives daily reports that quantify the number and type of To-Dos that have been identified as critical and that must be worked. Procedures for how to work each critical To-Do type have been established and staff has received additional training.

We are currently working to establish exceptions and operational management reports that will be used to manage the performance of staff responsible to work To-Dos.

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 FOR THE YEAR ENDED DECEMBER 31, 2009
 (CONTINUED)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2009-003
CFDA Title and Number	Community Development Block Grant, CFDA # 14.218
Federal Award Number / Year	2009
Federal Agency	Department of Housing and Urban Development
Pass-Through Agency	Direct

Questioned Cost - Activities Allowed or Unallowed

24 CFR Part 570.201(n) states that "CDBG funds may be used to provide direct home-ownership assistance to low or moderate income households in accordance with section 105(a) of the Act".

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, we noted eight instances in which second mortgage assistance was provided and the applicant was not at or below 80 percent 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.

We recommend that CDBG develop procedures to ensure compliance with the income eligibility requirements for second mortgage assistance.

Based on the above facts, a questioned cost is being issued for \$75,000.

City's Response

The intent of the Afford-A-Home Program has been to address blighted houses and encourage full rehabilitation, followed by sale to a homebuyer. For this reason, we have viewed it as an eligible slum and blight activity. While creating homeownership opportunities has always been an additional benefit of the program, it has not been the primary motivation.

Use of the program has always been limited to blighted vacant structures. Buyers that did not qualify as lower income were restricted to purchasing only in designated blighted neighborhoods. Prior to the rehabilitation of a property, the developer received a commitment from the City that upon satisfactory completion and inspection of all required work to rehabilitate the property to program standards, the home could be marketed with a buyer incentive of a deferred second mortgage from the City. The developers only moved forward on the rehabilitation work pursuant to the understanding that the buyer assistance would be made available.

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(CONTINUED)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number

2009-003

(Continued)

City's Response (Continued)

While our clear intention was to eliminate the blighting influence caused by deteriorated vacant houses, we now understand that because the program was structured to have the actual financial assistance disbursed to the homebuyer, rather than to the developer undertaking the rehabilitation, HUD has characterized this activity as homebuyer assistance. Consequently, assistance to households above 80% of median income has been determined not to be eligible. As of July, 2009, Cleveland notified developers, community development corporations and potential homebuyers that it will no longer provide second mortgage loans to homebuyers with incomes that exceed the HUD low and moderate income standard. This action applied to all of our CDBG funded activities, including the Afford-A-Home Program.

The City is working with the U. S. Department of Housing and Urban Development to resolve this issue.