



City of Scottsdale, Arizona
Single Audit Report
Year Ended June 30, 2023

**City of Scottsdale, Arizona
Single Audit Report
For the Year Ended June 30, 2023**

<u>Contents</u>	<u>Page</u>
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	7
Notes to the Schedule of Expenditures of Federal Awards	10
Schedule of Findings and Questioned Costs	11
Auditee Response	
Cover Letter	20
Corrective Action Plan	21
Summary Schedule of Prior Audit Findings	24

**Independent Auditor's 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 Scottsdale, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Scottsdale, Arizona, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Scottsdale, Arizona's basic financial statements, and have issued our report thereon dated October 26, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 26, 2023

**Independent Auditor’s Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Scottsdale, Arizona’s compliance with the types of compliance requirements identified as subject to the audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Scottsdale, Arizona’s major federal programs for the year ended June 30, 2023. City of Scottsdale, Arizona’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Scottsdale, Arizona 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 June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Scottsdale, Arizona and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Scottsdale, Arizona’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Scottsdale, Arizona's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion on City of Scottsdale, Arizona's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate it would influence the judgment made by a reasonable user of the report on compliance about City of Scottsdale, Arizona's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Scottsdale, Arizona's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Scottsdale, Arizona's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Scottsdale, Arizona's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002, 2023-003, 2023-004, 2023-005, and 2023-006. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on City of Scottsdale, Arizona's responses to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. City of Scottsdale, Arizona's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance, that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002, 2023-003, 2023-004, 2023-005, and 2023-006 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on City of Scottsdale, Arizona's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. City of Scottsdale, Arizona's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Scottsdale, Arizona as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Scottsdale, Arizona's basic financial statements. We issued our report thereon dated October 26, 2023, which contained unmodified opinions on those basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 26, 2023

CITY OF SCOTTSDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2023

Federal Grantor Agency/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor (See Notes)	Federal Grant/ Pass-Through Number	FY 22/23 Expenditures	Payments to Subrecipients	Total FY 22/23 Expenditures
Department of Agriculture						
Forest Service Schools and Roads Cluster:						
Forest Service: Schools and Roads - Grants to States	10.665	MCDEM	N/A	\$ 20,000	\$ -	\$ 20,000
Total Forest Service Schools and Roads Cluster:				20,000	-	20,000
Forest Service: State & Private Forestry Hazardous Fuel Reduction Program	10.697	ADFFM	NFHF 21-201	150,615	-	150,615
Total Department of Agriculture				\$ 170,615	\$ -	\$ 170,615
Department of Housing and Urban Development						
CDBG - Entitlement Grants Cluster:						
Assistant Secretary for Community Planning and Development: Community Development Block Grants/Entitlement Grants	14.218	N/A	B-20-MC-04-0503	\$ 96,217	\$ -	\$ 96,217
Assistant Secretary for Community Planning and Development: Community Development Block Grants/Entitlement Grants	14.218	N/A	B-21-MC-04-0503	206,423	-	206,423
Assistant Secretary for Community Planning and Development: Community Development Block Grants/Entitlement Grants	14.218	N/A	B-22-MC-04-0503	801,047	104,673	905,720
COVID-19 - Assistant Secretary for Community Planning and Development: Community Development Block Grants/Entitlement Grants	14.218	N/A	B-20-MW-04-0503	478,888	-	478,888
Total CDBG - Entitlement Grants Cluster:				1,582,575	104,673	1,687,248
Assistant Secretary for Community Planning and Development: Home Investment Partnerships Program	14.239	MCHSD	M-19-DC-04-0227	1,345	-	1,345
				1,345	-	1,345
Housing Voucher Cluster:						
Assistant Secretary for Public and Indian Housing: Section 8 Housing Choice Vouchers	14.871	N/A	AZ032AF	457,934	-	457,934
Assistant Secretary for Public and Indian Housing: Section 8 Housing Choice Vouchers	14.871	N/A	AZ032VO	6,274,403	-	6,274,403
Total Housing Voucher Cluster:				6,732,337	-	6,732,337
Assistant Secretary for Public and Indian Housing: Family Self-Sufficiency Program	14.896	N/A	FSS22AZ4463-01-00	44,666	-	44,666
Assistant Secretary for Public and Indian Housing: Family Self-Sufficiency Program	14.896	N/A	FSS23AZ5346-01-00	41,931	-	41,931
				86,597	-	86,597
Total Department of Housing and Urban Development				\$ 8,402,854	\$ 104,673	\$ 8,507,527
Department of the Interior						
Bureau of Reclamation: Reclamation States Emergency Drought Relief	15.514	N/A	R21AP10362-00	649,042	-	649,042
Total Department of the Interior				\$ 649,042	\$ -	\$ 649,042
Department of Justice						
Office of Justice Programs: Edward Byrne Memorial Justice Assistance Grant Program	16.738	COP	155788-0	28,988	-	28,988
Office of Justice Programs: Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	2020-DJ-BX-0279	64	-	64
				29,052	-	29,052
OJP Bureau Of Justice Assistance: DNA Backlog Reduction Program	16.741	N/A	15PBJA-21-GG-03085-DN	64,742	-	64,742
OJP Bureau Of Justice Assistance: DNA Backlog Reduction Program	16.741	N/A	2020-DN-BX-0136	141,219	-	141,219
				205,961	-	205,961
OJP Bureau Of Justice Assistance: Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	ACJC	CV 20-21-004	2,164	-	2,164
OJP Bureau Of Justice Assistance: Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	ACJC	CV-21-22-005	11,231	-	11,231
OJP Bureau Of Justice Assistance: Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	ACJC	CV-22-23-005	4,467	-	4,467
				17,862	-	17,862
Total Department of Justice				\$ 252,875	\$ -	\$ 252,875

CITY OF SCOTTSDALE, ARIZONA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2023

Federal Grantor Agency/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor (See Notes)	Federal Grant/ Pass-Through Number	FY 22/23 Expenditures	Payments to Subrecipients	Total FY 22/23 Expenditures
Department of Transportation						
Federal Aviation Administration: Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	N/A	3-04-0032-044-2022	\$ 3,194,661	\$ -	\$ 3,194,661
Federal Aviation Administration: Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	N/A	3-04-0032-045-2022	759,988	-	759,988
				<u>3,954,649</u>	<u>-</u>	<u>3,954,649</u>
Federal Highway Administration: Highway Planning and Construction	20.205	ADOT	SCT-0(233)D	2,295,975	-	2,295,975
Federal Highway Administration: Highway Planning and Construction	20.205	ADOT	SCT-0(237)D	634,972	-	634,972
				<u>2,930,947</u>	<u>-</u>	<u>2,930,947</u>
Federal Transit Cluster:						
Federal Transit Administration: Federal Transit Formula Grants	20.507	COP	AZ-2020-052	25,100	-	25,100
COVID-19 - Federal Transit Administration: Federal Transit Formula Grants	20.507	COP	AZ-2021-026	1,014,938	-	1,014,938
COVID-19 - Federal Transit Administration: Federal Transit Formula Grants	20.507	COP	AZ-2021-028	775,517	-	775,517
Federal Transit Administration: Federal Transit Formula Grants	20.507	COP	AZ-2022-003	211,160	-	211,160
Total Federal Transit Cluster:				<u>2,026,715</u>	<u>-</u>	<u>2,026,715</u>
Highway Safety Cluster:						
National Highway Traffic Safety Administration: State and Community Highway Safety	20.600	GOHS	2022-405d-061	21,921	-	21,921
National Highway Traffic Safety Administration: State and Community Highway Safety	20.600	GOHS	2022-PTS-060	33,614	-	33,614
National Highway Traffic Safety Administration: State and Community Highway Safety	20.600	GOHS	2023-AI-010	4,996	-	4,996
National Highway Traffic Safety Administration: State and Community Highway Safety	20.600	GOHS	2023-PTS-057	47,931	-	47,931
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2022-405d-043	535	-	535
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2022-405d-060	10,219	-	10,219
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2022-405d-061	32,881	-	32,881
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2022-405h-009	13,753	-	13,753
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2023-405c-006	16,960	-	16,960
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2023-405d-039	13,649	-	13,649
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2023-405d-040	100,000	-	100,000
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2023-405h-010	24,914	-	24,914
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2023-CIOT-023	8,000	-	8,000
Total Highway Safety Cluster:				<u>329,373</u>	<u>-</u>	<u>329,373</u>
Total Department of Transportation				<u>\$ 9,241,684</u>	<u>\$ -</u>	<u>\$ 9,241,684</u>
Department of the Treasury						
Department of the Treasury: Equitable Sharing	21.016	MCACAAR	N/A	\$ 1,067,274	\$ -	\$ 1,067,274
COVID-19 Departmental Offices: Emergency Rental Assistance Program	21.023	MCHSD	C-22-22-117-X-00	379,317	-	379,317
COVID-19 Departmental Offices: Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	N/A	14,622,353	-	14,622,353
Total Department of the Treasury				<u>\$ 16,068,944</u>	<u>\$ -</u>	<u>\$ 16,068,944</u>
Institute of Museum and Library Services						
Grants to States	45.310	ASTA	2021-0260-CITSCI-04	2,953	-	2,953
Grants to States	45.310	ASTA	2022-0170-C4	196	-	196
Grants to States	45.310	ASTA	2022-0340-S5	4,000	-	4,000
COVID-19 Grants to States	45.310	ASTA	2021-0810-MovFor-07	1,091	-	1,091
COVID-19 Grants to States	45.310	ASTA	2021-ARPA-50	4,774	-	4,774
Total Institute of Museum and Library Services				<u>\$ 13,014</u>	<u>\$ -</u>	<u>\$ 13,014</u>

CITY OF SCOTTSDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2023

Federal Grantor Agency/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor (See Notes)	Federal Grant/ Pass-Through Number	FY 22/23 Expenditures	Payments to Subrecipients	Total FY 22/23 Expenditures
Department of Health and Human Services						
Administration for Children and Families: Low-Income Home Energy Assistance	93.568	MCHSD	C-22-22-117-X-01	\$ 73,376	\$ -	\$ 73,376
Administration for Children and Families: Community Services Block Grant	93.569	MCHSD	C-22-23-083-X-00	25,000	-	25,000
Total Department of Health and Human Services				<u>\$ 98,376</u>	<u>\$ -</u>	<u>\$ 98,376</u>
Department of Homeland Security						
Federal Emergency Management Agency: Assistance to Firefighters Grant	97.044	N/A	EMW-2021-FG-00236	570,231	-	570,231
Federal Emergency Management Agency: Homeland Security Grant Program	97.067	AZDOHS	200821-03	38,896	-	38,896
Federal Emergency Management Agency: Homeland Security Grant Program	97.067	AZDOHS	210819-01	1,489	-	1,489
Federal Emergency Management Agency: Homeland Security Grant Program	97.067	AZDOHS	210819-02	14,371	-	14,371
Federal Emergency Management Agency: Homeland Security Grant Program	97.067	AZDOHS	210819-03	10,176	-	10,176
Federal Emergency Management Agency: Homeland Security Grant Program	97.067	AZDOHS	220211-01	12,000	-	12,000
Federal Emergency Management Agency: Homeland Security Grant Program	97.067	AZDOHS	220212-01	79,822	-	79,822
Federal Emergency Management Agency: Homeland Security Grant Program	97.067	AZDOHS	220822-01	39,963	-	39,963
Federal Emergency Management Agency: Homeland Security Grant Program	97.067	AZDOHS	220822-02	1,451	-	1,451
Federal Emergency Management Agency: Homeland Security Grant Program	97.067	AZDOHS	220823-02	9,703	-	9,703
				<u>207,871</u>	<u>-</u>	<u>207,871</u>
Federal Emergency Management Agency: Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	EMW-2018-FH-00238	49,050	-	49,050
Countering Weapons of Mass Destruction: Securing the Cities Program	97.106	MCDEM	C-15-22-001-X-03	73,847	-	73,847
Total Department of Homeland Security				<u>\$ 900,999</u>	<u>\$ -</u>	<u>\$ 900,999</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 35,798,403</u>	<u>\$ 104,673</u>	<u>\$ 35,903,076</u>

(See Notes to Schedule of Expenditures of Federal Awards)

**CITY OF SCOTTSDALE, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2023**

1. BASIS OF ACCOUNTING

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

2. THE REPORTING ENTITY

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

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

3. PASS-THROUGH GRANTOR'S REFERENCE

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

ACJC	Arizona Criminal Justice Commission
ADFFM	Arizona Department of Forestry and Fire Management
ADOT	Arizona Department of Transportation
ASTA	Arizona Secretary of State
AZDOHS	Arizona Department of Homeland Security
COP	City of Phoenix
GOHS	Governor's Office of Highway Safety
MCACAAR	Maricopa County Arizona, County Attorney's Office
MCDEM	Maricopa County Department of Emergency Management
MCHSD	Maricopa County Human Services Department

4. INDIRECT COST RATE

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

5. PRIOR YEAR NUMBERS

A balance disclosed in the Schedule of Expenditures of Federal Awards as of June 30, 2023, includes activity from the prior fiscal year that was not previously reported. This occurred due to the grant not being awarded until the current fiscal year; however the Airport Improvement Program (AIP) Handbook Section 11, 3-88 and Section 13, 3-101 states the following: Project formulation costs are costs that are incurred before the project starts and are eligible for reimbursement. Prior fiscal year expenditures totaling \$269,963 are included in Assistance Listing Number 20.106.

The City overstated HUD expenditures by \$255,749 due to a choice limiting action of failure to maintain an authority to use grant funds resulting in a repayment of funds. The expenditures were reported under Assistance Listing Number 14.218 on the FY20/21 and FY21/22 Schedule of Expenditures of Federal Awards.

The City overstated HUD expenditures by \$79,364 due to expending beyond the 20% administrative cap in FY15/16 and repaid the funds, but then was able to utilize them for housing rehabilitation programming as the expenses were not ineligible. The expenditures were reported under Assistance Listing Number 14.218 on the FY15/16 Schedule of Expenditures of Federal Awards.

**City of Scottsdale, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Programs or Clusters</u>
14.218	CDBG-Entitlement Grants Cluster
14.871	Housing Voucher Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$1,077,092

Auditee qualified as low-risk auditee: Yes

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

Findings and Questioned Costs Related to Federal Awards: Yes

Summary Schedule of Prior Audit Findings required to be reported: Yes

City of Scottsdale, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2023-001

Repeat Finding: No

Program Name/Assistance Listing Title: CBDG-Entitlement Grants Cluster

Assistance Listing Number: 14.218

Federal Agency: U.S. Department of Housing and Urban Development

Federal Award Numbers: B-20-MC-04-0503, B-21-MC-04-0503, B-22-MC-04-0503, and
B-20-MW-04-0503

Pass-Through Agency: N/A

Questioned Costs: \$0

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement: Reporting

Criteria

Under 2 CFR §200.303, the City is required to establish and maintain effective internal controls over Federal awards that provide reasonable assurance that the City is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. CBDG program regulations require the City to file financial reports throughout the year. First, the City is required to file accurate PR26-CDBG Financial Summary and the PR26-CDBG-CV Financial Summary Reports within 90 days after fiscal year end. Second, the City is also required to file PR29 – CDBG Cash on Hand and PR29 – CDBG-CV Cash On Hand Reports by the end of the month subsequent to each quarter end. 2 CFR Part 170 requires the City to submit subaward information through the FFATA Subaward Reporting System (FSRS) in compliance with the Federal Funding Accountability and Transparency Act by the end of the month subsequent to the award.

Condition

Reporting obligations were not completed timely or accurately.

Cause

The Community Assistance Office experienced turnover and vacancies in key positions responsible for reporting during fiscal year 2020-21. Training was needed for program employees to fully understand reporting responsibilities for the City. In some cases information was not retained and required recreation.

Effect

The City was not fully in compliance with reporting requirements.

City of Scottsdale, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2023-001

Context

We noted the following items when reviewing reports submitted for the CDBG program.

- The PR26 reports for the 2020 and 2021 program years contained inaccuracies in the beginning unexpended CDBG funds, program income, or expenditure activity for each year. The City corrected these inaccuracies to properly present information on the PR26 report for program year 2023.
- The City did not submit PR29 reports for both the CDBG and CDBG-CV programs quarterly. The last PR29 report submitted was for the quarter ended December 31, 2021 before the City completed all delinquent reporting in October 2023.
- The City was submitting the FFATA reporting annually rather than by the end of the month subsequent to an award.

Recommendation

The City should dedicate time and resources to allow individuals to resolve discrepancies in reporting within the Community Assistance Office.

Views Of Responsible Officials

See Corrective Action Plan.

City of Scottsdale, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2023-002

Repeat Finding: No

Program Name/Assistance Listing Title: CDBG-Entitlement Grants Cluster

Assistance Listing Number: 14.218

Federal Agency: U.S. Department of Housing and Urban Development

Federal Award Number: B-20-MC-04-0503

Pass-Through Agency: N/A

Questioned Costs: \$255,750

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement: Special Tests and Provisions

Criteria

24 CFR §58.22 requires Housing and Urban Development (HUD) to approve a request for release of funds (RROF) before the City can obligate or expend CDBG grant funds.

Condition

The City could not provide a HUD-approved RROF for one project funded with Program Year 2020 monies.

Cause

The Community Assistance Office experienced turnover and vacancies in key positions responsible for reporting during fiscal year 2021. Training was needed for program employees to fully understand reporting responsibilities for the City. In some cases information was not retained and required recreation.

Effect

The City was not in compliance with 24 CFR §58.22.

Context

HUD approval of the RROF for the Piute Splashpad project in fiscal year 2019-20 was not retained. The City was, therefore, required to remit to HUD the \$255,750 expended on the project. The funds were returned in June and July 2023. The sample was not intended to be, and was not, a statistically valid sample.

Recommendation

The City should dedicate time and resources to the Community Assistance Office to ensure that key compliance documents are maintained for the program.

Views of Responsible Officials

See Corrective Action Plan.

City of Scottsdale, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2023-003

Repeat Finding: No

Program Name/Assistance Listing Title: CDBG-Entitlement Grants Cluster

Assistance Listing Number: 14.218

Federal Agency: U.S. Department of Housing and Urban Development

Federal Award Number: B-21-MC-04-0503

Pass-Through Agency: N/A

Questioned Costs: \$0

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement: Program Income

Criteria

24 CFR §570.504 requires the City to accurately record the receipt and expenditure of program income as part of financial transactions of the CDBG program.

Condition

Program income on the PR26 – CDBG Financial Summary Report for Program Year 2021 was not reported.

Cause

The Community Assistance Office experienced turnover and vacancies in key positions responsible for reporting during fiscal year 2021. Training was needed for program employees to fully understand reporting responsibilities for the City. In some cases information was not retained and required recreation.

Effect

The City was not in compliance with 24 CFR §570.504. The City had to revise the PR26 for Program Year 2021.

Context

The City did not report program income of \$310,165 received during fiscal year 2021-22 on the PR26 – CDBG Financial Summary Report. The program income was properly reported in the City's financial records. The City revised the PR26 report for Program Year 2022 in October 2023 to correct the errors.

Recommendation

The Community Assistance Office should continue to review reports for accuracy and completeness prior to submission. The City should dedicate sufficient time and resources to ensure compliance.

Views of Responsible Officials

See Corrective Action Plan.

City of Scottsdale, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2023-004

Repeat Finding: No

Program Name/Assistance Listing Title: Housing Voucher Cluster

Assistance Listing Number: 14.871

Federal Agency: U.S. Department of Housing and Urban Development

Federal Award Number: AZ032VO

Pass-Through Agency: N/A

Questioned Costs: \$0

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement: Reporting

Criteria

24 CFR §908 requires public housing agencies to electronically submit the HUD-50058 form each time the agency completes a program admission, examination, or other change in the family unit. The information submitted should agree to a program participants file.

Condition

Information reported on the HUD-50058 forms was not always consistent with the program participant's file.

Cause

Every time there is an action to a housing choice voucher participant, the 50058 is updated in the Scottsdale Housing Choice Voucher software system by staff, and these updates are submitted on a monthly basis through the Real Estate Assessment Center. Cause is through human error.

Effect

The City was not in compliance with 24 CFR §908.

Context

Errors were noted on eight of 40 HUD-50058 forms reviewed. The errors included:

- Two forms listed incorrect birth dates for family members.
- One form listed an incorrect social security number listed for a family member.
- One form listed an incorrect family member name.
- One form listed the previous HQS inspection incorrectly.
- One form listed an incorrect birth date for a family member and listed an incorrect date of admission to the program.
- One form listed an incorrect date for admission to the program.
- One form reviewed did not have a social security card on file.

The sample was not intended to be, and was not, a statistically valid sample.

**City of Scottsdale, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2023-004

Recommendation

The Community Assistance Office should increase review procedures to ensure that each HUD-50058 form is reviewed prior to submission for accuracy.

Views of Responsible Officials

See Corrective Action Plan.

City of Scottsdale, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2023-005

Repeat Finding: No

Program Name/Assistance Listing Title: Housing Voucher Cluster

Assistance Listing Number: 14.871

Federal Agency: U.S. Department of Housing and Urban Development

Federal Award Number: AZ032VO

Pass-Through Agency: N/A

Questioned Costs: \$0

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement: Special Tests and Provisions

Criteria

24 CFR §982.405 requires a public housing agency to inspect units leased to determine if they meet Housing Quality Standards (HQS). If a unit fails an inspection, it must be repaired within 30 days if not a life-threatening condition.

Condition

Not all units that failed HQS inspections were repaired within the required 30-day window.

Cause

The Community Assistance Office, experienced turnover in the occupancy specialist position responsible for the inspections and while the position was in recruitment interim staff completed the inspections resulting in lack of documentation in the paper file regarding the extension for the installation of the microwave.

Effect

The City was not in compliance with 24 CFR §982.405.

Context

For one of six HQS failed inspections reviewed, the non-life-threatening repairs were not made within the 30-day window. An extension was granted but was not documented in the participant's file. Ultimately, the inspection was passed 40 days after the original failure with no HAP payments required to be abated.

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation

The City should update policies and procedures within the Community Assistance Office to ensure that any extensions for repairs related failed HQS inspections are adequately documented in participant files.

Views of Responsible Officials

See Corrective Action Plan.

City of Scottsdale, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2023-006

Repeat Finding: No

Program Name/Assistance Listing Title: Housing Voucher Cluster

Assistance Listing Number: 14.871

Federal Agency: U.S. Department of Housing and Urban Development

Federal Award Number: AZ032VO

Pass-Through Agency: N/A

Questioned Costs: \$0

Type of Finding: Significant Deficiency

Compliance Requirement: Special Tests and Provisions

Criteria

24 CFR §982.158 requires public housing agencies to maintain complete and accurate accounts including the balances of HAP and administrative fee equity.

Condition

The City's internal controls were not functioning to ensure equity balances were properly stated throughout the fiscal year.

Cause

The Community Assistance Office experienced turnover and vacancies in key positions responsible for reporting during fiscal year 2020-21. Training was needed for program employees to fully understand reporting responsibilities for the City. In some cases information was not retained and required recreation.

Effect

The City's HAP and administrative equity balances were not always properly stated.

Context

The City was not regularly reconciling HAP and administrative equity balances throughout the current and prior fiscal years. Record reviews were required back to fiscal year 2020-21 and reconciled moving forward through the end of fiscal year 2022-23 to ensure the program equity records were complete and accurate. The sample was not intended to be, and was not, a statistically valid sample.

Recommendation

The City should dedicate time and resources to allow individuals to resolve discrepancies in reporting within the Community Assistance Office.

Views of Responsible Officials

See Corrective Action Plan.



City Treasurer's Office

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October 26, 2023

To Whom It May Concern:

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

In addition, we have also prepared the accompanying Summary Schedule of Prior Audit Findings which includes the status of audit findings reported in the prior year's audit.

Sincerely,

Anna Henthorn
Accounting Director

City of Scottsdale, Arizona
Corrective Action Plan
Year Ended June 30, 2023

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2023-001

Program Name/Assistance Listing Title: CBDG-Entitlement Grants Cluster

Assistance Listing Number: 14.218

Contact Person: Mary Witkofski, Community Assistance Manager

Anticipated Completion Date: December 1, 2023

Planned Corrective Action: Complete all PR26 and PR29 for CDBG and CV by November 17, 2023. The Community Assistance Office met with Housing and Urban Development on a weekly basis to reconcile grant funds within the 2020-2025 Five-Year Consolidated Action Plan beginning June 9, 2023. Training was provided to Community Assistance Office staff through Housing and Urban Development and through Cloudburst Consulting to ensure key staff positions responsible for the completion of these reports is full trained.

Develop a Master Calendar for the Community Assistance Office with re-occurring reports to include the PR26, PR29 and including FFATA to ensure they are completed accurately and timely.

PR26 for CDBG and PR29 for CDBG and CDBG-CV have been submitted as of October 25, 2023, and the HUD concluded weekly meetings with the Scottsdale Community Assistance Office on October 20, 2023. PR26 for CDBG-CV will be completed and submitted by November 17, 2023.

Policies will be updated to reflect 2 CFR 170 requiring the City to submit subaward information through the Federal Funding Accountability and Transparency Act by the end of the month subsequent to an award.

Finding Number: 2023-002

Program Name/Assistance Listing Title: CBDG-Entitlement Grants Cluster

Assistance Listing Number: 14.218

Contact Person: Mary Witkofski, Community Assistance Manager

Anticipated Completion Date: January 2, 2024

Planned Corrective Action: The Community Assistance Office completed a Housing and Urban Development (HUD) Environmental Review audit on February 14, 2023, resulting in a Corrective Action Plan to pay back funding for a statutory and regulatory violation of failure to retain an Authority to Use Grant Funds. A Corrective Action Plan was submitted to HUD on March 10, 2023, that included the following most notable items: 1) Update environmental review policies to ensure compliance with 24CFR 58.22 with financial controls, retention, and the funding process, 2) Repayment of \$255,750 to the CDBG line of credit and ensure no future CDBG funds are used for this purpose and 3) Staff training and development.

**City of Scottsdale, Arizona
Corrective Action Plan
Year Ended June 30, 2023**

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2023-002

Community Development Block Grant staff, including the supervisor and manager complete a web-based instruction system for environmental reviews through the HUD Exchange as recommended by October 31, 2023. In September 2023 two staff members attended an in person Environmental Review Training in San Francisco, CA through the Office of Environment and Energy.

The \$255,750 was repaid to the line of credit in two installments in June 2023 and August 2023. These funds will be re-programmed for future eligible CDBG funding activities in the Annual Action Plan for FY 2024-2025.

Community Assistance Policies for financial controls, retention and the funding process will be updated and completed by January 1, 2024.

Finding Number: 2023-003

Program Name/Assistance Listing Title: CDBG-Entitlement Grants Cluster

Assistance Listing Number: 14.218

Contact Person: Mary Witkofski, Community Assistance Manager

Anticipated Completion Date: October 25, 2023

Planned Corrective Action: Program Income of \$310,165 was recognized during FY 2022-2023 through a substantial amendment to the Annual Action Plan adopted by the Mayor and City Council in January 2023. The Community Assistance Office followed the recommended guidelines of the Citizen Participation Plan to complete a substantial amendment as mandated. All program income was receipted correctly into the Integrated and Information Disbursement System (IDIS) for HUD. All program income funds have been reconciled through the Consolidated Action Plan 2020-2025 and accurate PR26 have been completed and submitted through weekly meetings with the assigned representative since June of 2023.

Finding Number: 2023-004

Program Name/Assistance Listing Title: Housing Voucher Cluster

Assistance Listing Number: 14.871

Contact Person: Mary Witkofski, Community Assistance Manager

Anticipated Completion Date: Completed June 2023

Planned Corrective Action: Housing and Urban Development uses an Inventory Management System to review and monitor information submitted by public housing authorities through the 50058 form which is the system of record.

**City of Scottsdale, Arizona
Corrective Action Plan
Year Ended June 30, 2023**

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2023-004

To assist Scottsdale Housing Agency, HUD has developed the Public Information Center (PIC) Error Dashboard that provides a summary analysis and overview of PIC errors. The PIC errors needing correction are updated on the first Tuesday of each month for Public Housing Agencies (PHA) to review and correct. The PIC errors identified were corrected in June 2023 through the monthly review and PIC submission. On average once corrections are submitted it takes 60-90 days for the correction to be recognized and removed from the system.

The Housing Choice Voucher Supervisor meets with the Housing Specialist monthly and resolves all PIC errors as a team effort.

Finding Number: 2023-005

Program Name/Assistance Listing Title: Housing Voucher Cluster

Assistance Listing Number: 14.871

Contact Person: Mary Witkofski, Community Assistance Manager

Anticipated Completion Date: Completed June 2023

Planned Corrective Action: Update policies and procedures for NSPIRE Inspections to ensure any extensions for repairs are adequately documented within the participant's files. (Paper and electronic)

Finding Number: 2023-006

Program Name/Assistance Listing Title: Housing Voucher Cluster

Assistance Listing Number: 14.871

Contact Person: Mary Witkofski, Community Assistance Manager

Anticipated Completion Date: August 2023

Planned Corrective Action: Grants Accountant received training from a certified public accountant / housing authority specialist to ensure the restricted net position (RNP) monthly reconciliation. All HAP and administrative equity balances are now properly stated.

**City of Scottsdale, Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023**

Status of Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding Number: FS-2022-001

Status: Fully corrected.