

City of Arlington, Texas

Single Audit Reports
Year Ended September 30, 2010

CITY OF ARLINGTON, TEXAS

TABLE OF CONTENTS

	Page
Auditor-Prepared	
Independent Auditors' 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>	1-2
Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State of Texas Uniform Grant Management Standards	3-5
Schedule of Findings and Questioned Costs	6-8
Auditee-Prepared	
Schedule of Expenditures of Federal and State Awards	9-13
Notes to Schedule of Expenditures of Federal and State Awards	14-15
Corrective Action Plan	16
Status of Prior-Year Audit Findings	17

Independent Auditors' 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*

Mayor and City Council
City of Arlington, Texas

We have audited the basic financial statements of the City of Arlington, Texas (the "City") as of and for the year ended September 30, 2010, and have issued our report thereon dated March 4, 2011. We did not audit the financial statements of the Housing Authority of the City of Arlington, Texas or the Arlington Convention and Visitors Bureau, Inc., which statements reflect total assets constituting 10.51% and 0.63%, respectively, of total discrete component unit assets as of September 30, 2010, and total program revenues constituting 86.31% and 11.76%, respectively, of total discrete component unit program revenues for the year then ended. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Arlington, Texas, and the Arlington Convention and Visitors Bureau, Inc., is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Arlington Visitors and Convention Bureau, Inc. (a component unit of the City) were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

We noted certain matters that we reported to management of the City in a separate letter dated March 4, 2011.

This report is intended solely for the information and use of the City Council, the City management, and federal and state awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

March 4, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

Mayor and City Council
City of Arlington, Texas

COMPLIANCE

We have audited the compliance of the City of Arlington, Texas (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* and the *State of Texas Uniform Grants Management Standards ("UGMS")* that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2010. The City's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit. This report does not include the results of testing of compliance applicable to each major program or of internal control over compliance in accordance with OMB Circular A-133 for the Housing Authority of the City of Arlington, Texas, which was audited by other auditors and is reported on separately.

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* and the *State of Texas UGMS*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and/or state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

As described in item 10-01 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with the requirements regarding Davis-Bacon Act that are applicable to its Railroad Safety Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2010.

The results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 10-02.

The City's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the City's response and, accordingly, we express no opinion on it.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the entity's internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies 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 or state 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 reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 10-01 to be a material weakness.

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 or state 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 10-02 to be a significant deficiency.

The City's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the City's response and, accordingly, we express no opinion on it.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

We have audited the basic financial statements of the City as of and for the year ended September 30, 2010, and have issued our report dated March 4, 2011, which included a reference to other auditors. Our

audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State of Texas UGMS and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We did not audit the City of Arlington's responses in the corrective action plan, and accordingly we express no opinion on it.

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

Deloitte & Touche LLP

March 4, 2011

CITY OF ARLINGTON, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not consider to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal and State Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Type of auditor's report issued on compliance for major programs:	Unqualified, except for:
20.205 Railroad Safety, which was qualified for Davis-Bacon Act	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))?	Yes

Identification of Major programs:

Federal:

COPS Program (including ARRA) – CFDA 16.710
ARRA Southern Border – CFDA 16.809
Railroad Safety and I30 Corridor – CFDA 20.205
Handitran (including ARRA) - CFDA 20.507
ARRA Energy Efficiency and Conservation Block Grant – CFDA 81.128
ARRA Weatherization Assistance Program – CFDA 81.402

Homeland Security Cluster – CFDA 97.067 (including 97.008, 97.071, and 97.074)

State:

Handitran

Dollar threshold used to distinguish between type A and type B programs:

Federal: \$780,000

State: \$300,000

Auditee qualified as low-risk auditee? Yes

II. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

The audit disclosed no findings required to be reported.

III. FINDINGS AND QUESTIONED COSTS RELATED TO THE FEDERAL AND STATE AWARDS

Item 10-01 Material Weakness in Internal Controls and Material Non-Compliance – Railroad Safety Mainline - Davis Bacon Act

Program: Railroad Safety Mainline received from the U.S. Department of Transportation - CFDA 20.205

Criteria: Contracts with outside vendors used for construction projects funded with federal funds must have appropriate Davis-Bacon language included in the contract terms. In addition, it is mandatory for covered contractors and subcontractors performing work on Federally financed or assisted construction contracts to respond to the information collection requirements contained in 29 C.F.R. §§ 3.3, 5.5(a). The Copeland Act (40 U.S.C. § 3145) requires contractors and subcontractors performing work on Federally financed or assisted construction contracts to "furnish weekly a statement with respect to the wages paid each employee during the preceding week." U.S. Department of Labor (DOL) Regulations at 29 C.F.R. § 5.5(a)(3)(ii) require contractors to submit weekly a copy of all payrolls to the Federal agency contracting for or financing the construction project, accompanied by a signed "Statement of Compliance" indicating that the payrolls are correct and complete and that each laborer or mechanic has been paid not less than the proper Davis-Bacon prevailing wage rate for the work performed. DOL and federal contracting agencies receiving this information review the information to determine that employees have received legally required wages and fringe benefits. Contractors must be aware of Davis-Bacon wage requirements and ensure individual wage rates are set accordingly.

Condition and Context: The only contract for this program did not contain the required Davis-Bacon Act contract clause and the contractor has not been required to provide payroll wage submissions.

Questioned Costs: None.

Cause: According to the City Traffic Engineer, Union Pacific Railroad (UPR) required that only UPR crews would do work along and within its tracks due to the nature of the task and type of specialization required. Because of this unique, sole-source arrangement where UPR is acting as contractor with its own regular work force, the City Traffic Engineer's judgment led him to believe that this is not a typical

Davis-Bacon case, and therefore he did not require weekly payroll submittal by UPR. He believed that this requirement would have substantially increased the project cost. In addition, this contract was entered into in October of 2009, prior to the City's intensified efforts to ensure that Davis-Bacon provisions are included in all applicable contracts.

Effect: An absence of reporting could result in non compliance with the Davis Bacon Act occurring and going undetected.

Recommendation: The City should require that contractors submit proof of wages for employees on grant funded projects on a weekly basis in accordance with the Davis-Bacon Act requirements and a signed "Statement of Compliance". In addition, all contracts subject to Davis Bacon should contain the appropriate Davis Bacon contract terms.

View of Responsible Officials: See Corrective Action Plan

Item 10-02 Significant Deficiency in Internal Controls and Non-Compliance – ARRA Energy Efficiency and Conservation Block Grant - Reporting

Program: ARRA Energy Efficiency and Conservation Block Grant received from the Department of Energy - CFDA 81.128

Criteria: Quarterly progress reports are required to be prepared and submitted to the grantor under this program in addition to the quarterly ARRA reporting.

Condition and Context: One quarterly progress report for this program was filed ten days late.

Questioned Costs: None.

Cause: The procedures for the City's reporting requirements were not performed timely because of a change in assigned personnel.

Effect: Lack of timely reporting hinders the goal of full information provided to the grantor agency.

Recommendation: The City should review procedures that are in place and renew efforts to provide for timely reporting on all grants.

View of Responsible Officials: See Corrective Action Plan.

**CITY OF ARLINGTON, TEXAS
SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
AMOUNTS IN THOUSANDS**

Federal Grantor/Program Title	Grant I.D. Number	Federal CFDA Number	Expenditures Year Ended September 30, 2010
FEDERAL AWARDS			
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Home Investment Partnership/06	M-06-MC-48-0212	14.239	\$ 23
Home Investment Partnership/07	M-07-MC-48-0212	14.239	(15)
Home Investment Partnership/08	M-08-MC-48-0212	14.239	476
Home Investment Partnership/09	M-09-MC-48-0212	14.239	958
Home Investment Partnership/10	M-10-MC-48-0212	14.239	130
Comm Dev Block Grant - 30th year	B-04-MC-48-0008	14.218	2
Comm Dev Block Grant - 31st year	B-05-MC-48-0008	14.218	12
Comm Dev Block Grant - 33rd year	B-07-MC-48-0008	14.218	140
Comm Dev Block Grant - 34th year	B-08-MC-48-0008	14.218	958
Comm Dev Block Grant - 35th year	B-09-MC-48-0008	14.218	1,613
ARRA - Comm Dev Block Grant	B-09-MY-48-0008	14.253	136
Comm Dev Block Grant - 36th year	B-10-MY-48-0008	14.218	469
Neighborhood Stabilization Program	B-08-MN-48-0001	14.218	1,794
ARRA - Homeless Prevention and Rapid Rehousing	S-09-MY-48-0009	14.257	495
Emergency Shelter Grant	S-08-MC-48-0009	14.231	2
Emergency Shelter Grant	S-09-MC-48-0009	14.231	123
Emergency Shelter Grant	S-10-MC-48-0009	14.231	32
Total U.S. Department of Housing and Urban Development			7,348
U.S. DEPARTMENT OF THE INTERIOR:			
Pass-Through Texas Historical Commission			
Certified Local Government 04	TX-04-19345	15.904	2
Total Department of the Interior			2
U.S. ENVIRONMENTAL PROTECTION AGENCY:			
Direct Program			
Brownfields Petroleum Assessment	BF96658201-0	66.818	115
Brownfields Hazardous Assessment	BF96660901-0	66.818	78
			193
Pass-through Texas Water Development Board			
Drinking Water Loan	61442	66.468	7,083
			7,083
Total U.S. Environmental Protection Agency			7,276

**CITY OF ARLINGTON, TEXAS
SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
AMOUNTS IN THOUSANDS**

Federal Grantor/Program Title	Grant I.D. Number	Federal CFDA Number	Expenditures Year Ended September 30, 2010
FEDERAL AWARDS			
U.S. DEPARTMENT OF JUSTICE:			
Direct Programs			
DEA Task Force	Not Specified	16.729	16
ICE	Not Specified	16.729	3
HIDTA	Not Specified	16.729	30
FBI North Texas Joint Terrorism Task Force	Not Specified	16.729	17
US Marshalls	Not Specified	16.729	18
Asset Forfeiture Equitable Sharing	Not Specified	16.729	317
ARRA - COPS Hiring	2009-RJ-EX-0081	16.710	1,725
COPS Technology 2010	2009-CK-WX-0055	16.710	96
ARRA - Southern Border	2009-SS-B9-0028	16.809	486
Weed & Seed 09	2009-WS-QX-0037	16.595	21
			2,729
Pass-through Office of the Governor - Criminal Justice Division			
Family Violence Intervention and Prevention 10	WF-20362-02	16.575	92
Family Violence Intervention and Prevention 11	WF-20362-03	16.575	11
Hispanic Outreach Counselor 10	VA-21071-06	16.575	10
Hispanic Outreach Counselor 11	VA-21071-02	16.575	6
ARRA - Reducing Violent and Drug-related Crime	SU-09-A10-22512-01	16.803	108
Gang Initiative	2090201	16.738	19
			246
Pass-through City of Fort Worth			
Justice Assistance Grant 06	2006-DJ-BX-1180	16.738	11
Justice Assistance Grant 07	2007-DJ-BX-1199	16.738	11
Justice Assistance Grant 08	2008-DJ-BX-0637	16.738	71
Justice Assistance Grant 09	2009-DJ-BX-1379	16.738	2
ARRA - Justice Assistance Grant 09	2009-SB-B9-1479	16.804	40
			135
Pass-through City of Dallas			
Internet Crimes Against Children 09	2008-MC-CX-K024	16.543	13
Internet Crimes Against Children 10	Not specified	16.543	4
			17
Pass-through North Central Texas Council of Governments			
Project Safe Neighborhood 09	2009-GP-BX-0008	16.609	21
			21
Total Department of Justice			3,148

**CITY OF ARLINGTON, TEXAS
SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
AMOUNTS IN THOUSANDS**

Federal Grantor/Program Title	Grant I.D. Number	Federal CFDA Number	Expenditures Year Ended September 30, 2010
FEDERAL AWARDS			
U.S. DEPARTMENT OF TRANSPORTATION:			
Direct Programs			
ARRA - Handitran - Operating/Capital	TX-90-X303	20.507	268
Handitran - Operating/Capital	TX-90-X808	20.507	13
Handitran - Operating/Capital	TX90-X880	20.507	744
Handitran - Operating/Capital	TX-90-X865	20.507	320
			1,345
Pass-through Texas Department of Transportation			
STEP Click it or Ticket	09-Arl-CIOT-RFR-00045	20.600	18
STEP Comprehensive	589EGF6220	20.600	279
Fiber Optic Off System	CSJ0902-48-547	20.205	(11)
Fiber Optic On System	CSJ0902-48-578	20.205	(193)
I-30 Corridor On System	CSJ0902-48-546	20.205	33
I-30 Corridor Off System	CSJ0902-48-499	20.205	15
Railroad Safety Mainline	CSJ0902-48-655	20.205	974
Pavement Rehab	0702ARLNG-7X1AV053	20.106	396
Terminal Building 09	08TBARLNG	20.106	457
Terminal Apron Design	0802ARLNG	20.106	5
Terminal Apron Construction	0802ARLNG	20.106	582
			2,555
			3,900
FEDERAL EMERGENCY MANAGEMENT AGENCY:			
Direct Programs			
SAFER Assistance for Firefighters	EMW-2008-FF-00489	97.044	107
			107
Pass-through Texas Department of Public Safety-			
Division of Emergency Management			
Homeland Security Grant Program LETPP 06	2006-GE-T6-0068	97.074	(2)
Homeland Security Grant Program LETPP 07	2007-GE-T7-0024	97.074	6
Homeland Security Grant Program UASI 07	2007-GE-T7-0024	97.008	636
Homeland Security Grant Program UASI 08	2008-GE-T8-0034	97.008	1,131
Homeland Security Grant Program UASI 09	2009-SR-T9-0064	97.008	1,205
Homeland Security Grant Program MMRS 07	2007-GE-T7-0024	97.071	15
Homeland Security Grant Program MMRS 08	2008-GE-T8-0034	97.071	124
Homeland Security Grant Program MMRS 09	2009-SR-T9-0064	97.071	2
Homeland Security Grant Program SHSP 09	2009-SR-T9-0064	97.073	58
Homeland Security Grant Program BZPP 09	2009-BF-T9-0003	97.078	107

CITY OF ARLINGTON, TEXAS
SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
AMOUNTS IN THOUSANDS

Federal Grantor/Program Title	Grant I.D. Number	Federal CFDA Number	Expenditures Year Ended September 30, 2010
FEDERAL AWARDS			
Emergency Management Assistance SLA-50	06-TX-EMPG-004	97.042	43
			<u>3,325</u>
Total Federal Emergency Management Agency			<u>3,432</u>
DEPARTMENT OF ENERGY			
Direct Programs			
ARRA - Energy Efficiency and Conservation Block	DE-EE0000959	81.128	478
			<u>478</u>
Pass-through Texas Department of Housing and Community Affairs			
ARRA - Weatherization Assistance Program	16090000746	81.402	740
			<u>740</u>
Total Department of Energy			<u>1,218</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>26,324</u>
STATE AWARDS			
TEXAS DEPARTMENT OF TRANSPORTATION:			
Routine Airport Maintenance Program 10	AM2010ARLNG	N/A	50
Handitran Operating	51002F7043	N/A	244
			<u>294</u>
TEXAS PARKS AND WILDLIFE:			
Community Outdoor Outreach - Naturally Fun Outdoors		N/A	4
			<u>4</u>
TEXAS STATE LIBRARY AND ARCHIVES COMMISSION:			
Loan Star Libraries Grant 10	442-06020	N/A	89
			<u>89</u>
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS			
Homeless Housing and Services Program	63100000772	N/A	129
			<u>129</u>
CRIMINAL JUSTICE DIVISION			
Response Team Counselor 10	SF-1929103	N/A	32
Response Team Counselor 11	SF-1929104	N/A	1
			<u>33</u>

**CITY OF ARLINGTON, TEXAS
SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
AMOUNTS IN THOUSANDS**

Federal Grantor/Program Title	Grant I.D. Number	Federal CFDA Number	Expenditures Year Ended September 30, 2010
TEXAS DEPARTMENT OF PUBLIC SAFETY			
Tarrant County Auto Theft Task Force 10	SA-T01-10065-10	N/A	121
Tarrant County Auto Theft Task Force 11	SA-T01-10065-11	N/A	13
			<u>134</u>
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY			
Pass-through North Central Texas Council of Governments			
Solid Waste 10 - Surveillance Cameras	10-04-G18	N/A	26
			<u>26</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>709</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u><u>\$27,033</u></u>

See notes to the schedule of expenditures of federal and state awards.

CITY OF ARLINGTON, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2010

1. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal and State Awards (the "Schedule") is prepared on the modified accrual basis of accounting.

2. REPORTING ENTITY

The City of Arlington, Texas (the "City"), for purposes of the Schedule of Expenditures of Federal and State Awards includes all the funds of the primary government as defined by the Government Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. This report does not include the results of testing of compliance applicable to each major program or of internal control over compliance in accordance with OMB Circular A-133 for the Housing Authority of the City of Arlington, Texas, which was audited by other auditors and is reported on separately.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Grant expenditures reports as of September 30, 2010, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

4. SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

Community Development Block Grant (CFDA #14.218)	\$ 560,607
Homeless Prevention and Rapid Re-housing (CFDA #14.257)	453,856
Emergency Shelter Grant Program (CFDA #14.231)	138,829
Home Investment Partnership (CFDA #14.239)	<u>484,081</u>
	<u>\$ 1,637,373</u>

5. OUTSTANDING LOANS

In prior years, the City has provided loans through its various Community Development Block Grant programs (CFDA # 14.218). The outstanding balance of the loans receivable at September 30, 2010 was \$305,782. There were no new loans.

The City has an outstanding loan commitment under the Drinking Water State Revolving Loan Fund from the Texas Water Development Board ("TWDB"), as a pass through agency for the Environmental Protection Agency (CFDA #66.468). As of September 30, 2010, the outstanding loan payable balance, reflecting the balance of draw downs as of year end, was: TWDB Series 2008, \$26,095,000.

CITY OF ARLINGTON, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2010

6. FEDERAL AND STATE AWARDS RECONCILIATION (IN THOUSANDS)

Intergovernmental revenues per statement of revenues, expenditures, changes in fund balances – governmental funds	\$	23,773
Less deferred in prior year (not received within 60 days)		(3,430)
Plus Asset Forfeit Equitable Sharing in Special Revenue Funds		317
Plus Texas Water Development Board Loan		7,083
Less intergovernmental awards from sources other than federal and state awards		<u>(710)</u>
Total expenditures per schedule of expenditures of federal and state awards	\$	<u><u>27,033</u></u>

CITY OF ARLINGTON, TEXAS

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2010

Item 10-01 Significant Deficiency in Internal Controls and Non-Compliance – Railroad Safety Mainline - Davis Bacon Act

Contact Department/person:

Public Works & Transportation / Paul Iwuchukwu, City Traffic Engineer

Corrective Action Planned:

On any future grant project involving the railroad company, whether force account or non-force account, full compliance with the Davis-Bacon Act, including weekly payroll submittal, by the railroad company must be required unless a waiver is granted by the funding source.

Anticipated Completion Date:

Beginning immediately.

Item 10-02 Significant Deficiency in Internal Controls and Non-Compliance – ARRA Energy Efficiency and Conservation Block Grant - Reporting

Contact Department/person:

As of January 1, 2011, EECBG tracking and reporting is the responsibility of the Operations Analyst in the Public Works and Transportation Department: Carol Griffith, 817-459-6545

Corrective Action Planned:

All EECBG reporting dates have been entered on the outlook calendar of the Operations Analyst, with sufficient warning to prevent late reports.

Anticipated Completion Date:

Corrective action was completed January 15, 2011.

CITY OF ARLINGTON, TEXAS

STATUS OF PRIOR-YEAR FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2010

Item 09-01 Significant Deficiency in Internal Controls - Repetitive Flood Claims - Davis Bacon Act

Program: Repetitive Flood Claims received from the Federal Emergency Management Agency - CFDA 97.092

Criteria: Contracts with outside vendors used for construction projects funded with federal funds must have appropriate Davis-Bacon language included in the contract terms. In addition, it is mandatory for covered contractors and subcontractors performing work on Federally financed or assisted construction contracts to respond to the information collection requirements contained in 29 C.F.R. §§ 3.3, 5.5(a). The Copeland Act (40 U.S.C. § 3145) requires contractors and subcontractors performing work on Federally financed or assisted construction contracts to "furnish weekly a statement with respect to the wages paid each employee during the preceding week." U.S. Department of Labor (DOL) Regulations at 29 C.F.R. § 5.5(a)(3)(ii) require contractors to submit weekly a copy of all payrolls to the Federal agency contracting for or financing the construction project, accompanied by a signed "Statement of Compliance" indicating that the payrolls are correct and complete and that each laborer or mechanic has been paid not less than the proper Davis-Bacon prevailing wage rate for the work performed. DOL and federal contracting agencies receiving this information review the information to determine that employees have received legally required wages and fringe benefits. Contractors must be aware of Davis-Bacon wage requirements and ensure individual wage rates are set accordingly.

Condition Found: One contract for demolition work did not contain the appropriate Davis Bacon contract terms. The contractor has only been required to provide payroll wage submissions at time of contract award and as requested, and not weekly as required.

Question Costs: None.

Perspective: Although, the contractor was aware of Davis Bacon requirements and did submit reports periodically to show compliance, weekly reports were not submitted.

Effect: An absence of reporting could result in non compliance with the Davis Bacon Act occurring and going undetected.

Cause: The City's Public Works Department did not require contractors to submit weekly payroll wage reports and monitor such reports.

Recommendation: The City should require that contractors submit proof of wages for employees on grant funded projects on a weekly basis in accordance with the Davis-Bacon Act requirements and a signed "Statement of Compliance". In addition, all contracts subject to Davis Bacon should contain the appropriate Davis Bacon contract terms.

Status: Corrected for this program.