

OMB Circular A-133 Single Audit - Federal and State Awards

**City of Arlington, Texas**

September 30, 2012



**Report of Independent Certified Public Accountants on  
Internal Control Over Financial Reporting and on Compliance and Other Matters**

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The Honorable Mayor, City Council and City Manager  
The City of Arlington, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington, Texas (the "City") as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 27, 2013. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Arlington Housing Authority and the Arlington Convention and Visitors Bureau, Inc., which are discretely presented component units which represent 7%, 6%, and 50%, respectively, of assets, net assets, and revenues of the aggregate discretely presented component units as described in our report on the City's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Arlington Convention and Visitors Bureau, Inc., audited by other auditors were not audited in accordance with *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 an 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 express no such opinion.

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

Our consideration of internal control would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the City's internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

### **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*.

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

GRANT THORNTON LLP

Dallas, Texas  
February 27, 2013



**Report of Independent Certified Public Accountants on Compliance Related to  
Major Programs (OMB Circular A-133 and State of Texas Single Audit Circular)  
and on Internal Control Over Compliance**

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The Honorable Mayor, City Council and City Manager  
The 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 *Single Audit Circular* that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2012. The City’s major federal and state programs are identified in the summary of auditor’s 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.

The City’s basic financial statements include the operations of the Arlington Housing Authority which expended \$25,998,264 in federal awards which are not included in the Schedule of Expenditures of Federal and State Awards during the year ended September 30, 2012. Our audit, described below, did not include the operations of the Arlington Housing Authority because the component units engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State of Texas *Single Audit Circular* (SAC). Those standards, OMB Circular A-133 and SAC 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 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 of the City’s compliance with those requirements.

In our opinion, the City of Arlington, Texas complied, in all material respects, with the 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, 2012. However, the results of our audit procedures disclosed instances of noncompliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1, 2012-2, 2012-3, and 2012-4 that are required to be reported in accordance with OMB Circular A-133 and the State of Texas *Single Audit Circular*.

## Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program as a basis for designing audit procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of the City's internal control over compliance. Accordingly, we express no such opinion.

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 is a deficiency, or a 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 or state program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the City's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Our audit was also not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies. A significant deficiency 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, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1, and 2012-3 that we consider to be significant deficiencies in the City's internal control over compliance.

We did not audit the City's written response to the matters described in the accompanying Schedule of Findings and Questioned Costs and accordingly, we express no opinion on it.

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

GRANT THORNTON LLP

Dallas, Texas  
February 27, 2013



**Report of Independent Certified Public Accountants  
On Supplementary Information**

The Honorable Mayor, City Council and City Manager  
The City of Arlington, Texas

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We have audited, in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington, Texas as of and for the year ended September 30, 2012, and our report dated February 27, 2013, expressed an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on these financial statements that collectively comprise the City's financial statements.

The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas *Single Audit Circular*, and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the Schedule of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

GRANT THORNTON LLP

Dallas, Texas  
February 27, 2013

**City of Arlington, Texas**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

September 30, 2012  
(Amounts in thousands)

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Grant Award Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>FEDERAL AWARDS</b>			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Programs:			
Community Development Block Grant Entitlement Grants Cluster			
Comm Dev Block Grant - 36th year	B-10-MC-48-0008	14.218	\$ 1,021
Comm Dev Block Grant - 37th year	B-11-MC-48-0008	14.218	1,659
Comm Dev Block Grant - 38th year	B-12-MC-48-0008	14.218	611
Comm Dev Block Grant - ARRA	B-09-MY-48-0008	14.253	<u>25</u>
Total Community Development Block Grant Entitlement Grants Cluster			3,316
Emergency Shelter Grant 10	S-10-MC-48-0009	14.231	2
Emergency Shelter Grant 11	E-11-MC-48-0009	14.231	103
Emergency Shelter Grant 12	E-12-MC-48-0009	14.231	<u>56</u>
Total Emergency Shelter Grants Program			161
Home Investment Partnership 09	M-09-MC-48-0212	14.239	(148)
Home Investment Partnership 10	M-10-MC-48-0212	14.239	344
Home Investment Partnership 11	M-11-MC-48-0212	14.239	1,020
Home Investment Partnership 12	M-12-MC-48-0212	14.239	<u>144</u>
Total Home Investment Partnerships Program			1,360
Homeless Prevention and Rapid Rehousing Program - ARRA	S-09-MY-48-0009	14.257	176
HUD Special Projects Economic Development	B-05-SP-TX-0646	14.251	<u>248</u>
Total Department of Housing and Urban Development			<u>5,261</u>
ENVIRONMENTAL PROTECTION AGENCY			
Direct Program:			
Brownfields Petroleum Assessment	BF-00F21601-0	66.818	56
Brownfields Hazardous Substances Assessment	BF-00F22201-0	66.818	<u>54</u>
Total Brownfields Grants			110
Pass-through Texas Water Development Board:			
Drinking Water Loan 2008	61442	66.468	1,400
Clean Water Loan 2010	72313	66.458	<u>2,233</u>
Total Environmental Protection Agency			<u>3,743</u>

**City of Arlington, Texas**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

September 30, 2012  
(Amounts in thousands)

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Grant Award Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
DEPARTMENT OF JUSTICE			
Direct Programs:			
High Intensity Drug Trafficking Areas	Not Specified	95.001	\$ 29
North Texas Anti-Trafficking Team	2011-VT-BX-K007	16.320	101
COPS - Child Sexual Predator Program	2011-CS-WX-0018	16.710	190
COPS Hiring - ARRA	2009-RJ-WX-0081	16.710	<u>2,219</u>
Total Public Safety Partnership and Community Policing Grants			<u>2,409</u>
Southern Border - ARRA	2009-SS-B9-0028	16.809	274
Weed & Seed 09	2009-WS-QX-0037	16.595	(1)
Weed & Seed 10	2010-WS-QX-0038	16.595	<u>105</u>
Subtotal Weeds & Seed			<u>104</u>
Total Direct from the Department of Justice			<u>2,917</u>
Pass-through Office of the Governor - Criminal Justice Division:			
Family Violence Intervention and Prevention 12	WF-20362-04	16.588	65
Hispanic Outreach Counselor 12	VA-21071-03	16.575	61
Hispanic Outreach Counselor 13	VA-21071-04	16.575	6
Response Team Counselor 12	VA-19291-05	16.575	36
Response Team Counselor 13	VA-19291-06	16.575	<u>3</u>
Subtotal CFDA 16.575			<u>106</u>
Pass-through City of Fort Worth:			
JAG Program Cluster			
Justice Assistance Grant 10	2010-DJ-BX-0164	16.738	11
Justice Assistance Grant 09 - ARRA	2009-SB-B9-1479	16.804	<u>475</u>
Total JAG Program Cluster			<u>486</u>
Pass-through City of Dallas:			
Internet Crimes Against Children 11	2010-MC-CX-K037	16.543	6
Pass-through Partnership for Drug-Free America:			
PACT360	2009-SC-B9-K001	16.751	<u>5</u>
Total Department of Justice			<u>3,585</u>

**City of Arlington, Texas**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

September 30, 2012  
(Amounts in thousands)

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Grant Award Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>DEPARTMENT OF TRANSPORTATION</b>			
Direct Programs:			
Handitran - Operating/Capital - ARRA	TX-90-X303	20.507	\$ 140
Handitran - Operating/Capital	TX-90-X808	20.507	18
Handitran - Operating/Capital	TX-90-X865	20.507	10
Handitran - Operating/Capital	TX-90-X989	20.507	<u>990</u>
Total Direct from Department of Transportation			<u>1,158</u>
Pass-through Texas Department of Transportation:			
STEP Click it or Ticket	2011-Arlington-CIOT-00002	20.600	7
STEP Comprehensive	2011-Arlington-S-1YG-0055	20.600	<u>166</u>
Subtotal CFDA 20.600			<u>173</u>
Center to Center Communication System	CSJ0902-48-758	20.205	58
Airport Wildlife Assessment	1202ARNGT	20.106	12
West Taxiway Design	1102ARLNG	20.106	134
West Taxiway Construction	1202ARLNG	20.106	5,928
Terminal Apron Construction	0902ARLNG	20.106	<u>94</u>
Subtotal CFDA 20.106			<u>6,168</u>
Pass-through North Central Texas Council of Governments:			
Job Access/Reverse Commute (Ride 2 Work)	n/a	20.516	110
Pass-through Texas Parks and Wildlife Division:			
Crystal Canyon Trail	RT-000901	20.219	<u>128</u>
Total Department of Transportation			<u>7,795</u>
<b>DEPARTMENT OF HOMELAND SECURITY - FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
Direct Programs:			
SAFER Assistance for Firefighters	EMW-2008-FF-00489	97.044	<u>44</u>
Total Direct from Department of Homeland Security			<u>44</u>
Pass-through Texas Department of Public Safety-Division of Emergency Management:			
Homeland Security Cluster			
Homeland Security Grant Program UASI 08	2008-GE-T8-0034	97.008	(38)
Homeland Security Grant Program UASI 09	2009-SS-T9-0064	97.008	757
Homeland Security Grant Program UASI 10	2010-SS-T0-0008	97.008	1,915
Homeland Security Grant Program UASI 11	2011-SS-00019	97.067	23
Homeland Security Grant Program CCP 10	2010-SS-T0-0008	97.053	3
Homeland Security Grant Program MMRS 09	2009-SS-T9-0064	97.071	237
Homeland Security Grant Program MMRS 10	2010-SS-T0-0008	97.071	293
Homeland Security Grant Program SHSP 09	2009-SS-T9-0064	97.073	19
Homeland Security Grant Program SHSP 10	2010-SS-T0-0008	97.073	<u>63</u>
Total Homeland Security Cluster			<u>3,272</u>
Emergency Management Assistance SLA-50	06-TX-EMPG-004	97.042	<u>37</u>
Total Pass-through Texas Department of Public Safety-Division of Emergency Management			<u>3,309</u>
Total Department of Homeland Security - Federal Emergency Management Agency			<u>3,353</u>

**City of Arlington, Texas**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

September 30, 2012  
(Amounts in thousands)

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Grant Award Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
DEPARTMENT OF ENERGY			
Direct Programs:			
Energy Efficiency and Conservation Block Grant - ARRA	DE-EE0000959	81.128	\$ <u>1,884</u>
Pass-through Texas Department of Housing and Community Affairs: Weatherization Assistance Program - ARRA	16090000746	81.042	<u>253</u>
Total Department of Energy			<u>2,137</u>
DEPARTMENT OF COMMERCE - NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY			
Pass-through Texas State Library and Archives Commission: Broadband Technology Opportunity - ARRA	461-11001	11.557	<u>128</u>
Total Department of Commerce - National Institute of Standards and Technology			<u>128</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
Pass-through Texas State Library and Archives Commission:			
Library Special Projects (Links) 11	478-11006	45.310	2
Library Special Projects (Links) 12	478-12001	45.310	25
Library Cooperation 12	479-12001	45.310	<u>47</u>
Total Institute of Museum and Library Services			<u>74</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>26,076</u>

**City of Arlington, Texas**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

September 30, 2012  
(Amounts in thousands)

<u>State Grantor/Program Title</u>	<u>Grant I.D. Number</u>	<u>State Expenditures</u>
<b>STATE AWARDS</b>		
TEXAS DEPARTMENT OF TRANSPORTATION:		
Routine Airport Maintenance Program 12	AM2012ARLNG	\$ 50
Handitran Operating	51202F7041	<u>244</u>
		294
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS		
Homeless Housing and Services Program	63100000772	78
Homeless Housing and Services Program Housing Trust	66120001327	176
Homeless Housing and Services Program BMIR Admin	65120001379	<u>31</u>
		285
CRIMINAL JUSTICE DIVISION		
Crime Reduction Strategy 12	SF-11-A10-23519-02	<u>32</u>
		32
TEXAS DEPARTMENT OF PUBLIC SAFETY		
Tarrant County Auto Theft Task Force 12	SA-T01-10065-12	146
Tarrant County Auto Theft Task Force 13	SA-T01-10065-13	<u>12</u>
		158
TOTAL EXPENDITURES OF STATE AWARDS		<u>769</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS		<u>\$26,845</u>

**City of Arlington, Texas**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

September 30, 2012

**(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 (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining whether Certain Organizations Are Component Units- an amendment of GASB Statement No. 14*. 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, 2012, 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)	\$444,095
Community Development Block Grant - ARRA (CFDA #14.253)	\$4,902
Homelessness Prevention and Rapid Re-Housing - ARRA (CFDA #14.257)	28,220
Emergency Shelter Grant (CFDA #14.231)	122,926
Home Investment Partnership (CFDA #14.239)	<u>39,312</u>
	<u>\$639,455</u>

**City of Arlington, Texas**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS -  
CONTINUED

September 30, 2012

**(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, 2012 was \$268,895. There were no new loans receivable in the current year.

The City has an outstanding loan commitment under the Drinking Water State Revolving Loan Fund from the Texas Water Development Board, as a pass through agency for the Environmental Protection Agency (CFDA #66.468). As of September 30, 2012, the outstanding loan payable balance was: TWDB Series 2008 \$26,860,000.

The City has an outstanding loan commitment under the Clean Water State Revolving Loan Fund from the Texas Water Development Board, as a pass through agency for the Environmental Protection Agency (CFDA #66.458). As of September 30, 2012, the outstanding loan payable balance was: TWDB Series 2010 \$12,500,000.

**(6) Federal and State Awards Reconciliation (in thousands)**

Intergovernmental revenues per statement of revenues, expenditures, and changes in fund balances - governmental funds	\$25,361
Plus Texas Water Development Board Loan	3,633
Plus adjustment of local share on older grants	25
Less intergovernmental awards from sources other than federal and state awards	<u>(2,174)</u>
Total expenditures per schedule of expenditures of federal and state awards	<u>\$26,845</u>

**(7) Relationship of Expenditures**

The negative expenditures primarily represent a reallocation of grant expenditures between grant program years or reimbursements of grant expenditures by the General Fund resulting from grant budget overruns in the fiscal year after the year of expenditure recognition.

**City of Arlington, Texas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended September 30, 2012

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

*Federal and State Awards*

Internal controls over major program:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

**City of Arlington, Texas**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2012

**SECTION I - SUMMARY OF AUDITOR'S RESULTS - Continued**

Identification of major programs:

<u>CFDA/Grant Number/State Identification Number</u>	<u>Name of Federal and State Program or Cluster</u>
<b>Major Federal Programs:</b>	
14.239	Home Investment Partnership
16.710	Public Safety Partnership and Community Policing Grants (COPS) - ARRA
16.738, 16.804	Justice Assistance Grant (JAG) Program Cluster
16.809	Southern Border - ARRA
66.458	Clean Water Loan
66.468	Drinking Water Loan
81.042	Weatherization Assistance Program - ARRA
81.128	Energy Efficiency and Conservation Block Grant - ARRA
97.008, 97.053, 97.067, 97.071, 97.073	Homeland Security Cluster
<b>Major State Programs:</b>	
63100000772/66120001327/65120001379	Homeless Housing and Services Program
SA-T01-10065	Tarrant County Auto Theft Task Force
Dollar threshold used to distinguish between type A and type B programs:	\$782,280 for federal programs \$300,000 for state programs
Auditee qualified as low-risk auditee-Federal?	No
Auditee qualified as low-risk auditee-State?	Yes

**City of Arlington, Texas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

Year ended September 30, 2012

**SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

The audit disclosed no findings required to be reported.

**SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AND STATE AWARDS**

**Finding #:** 2012-1

**CFDA Title:** Homeland Security Cluster

**CFDA Numbers:** 97.008/97.053/97.067/97.071/97.073

**Federal Award Numbers:** 2008-GE-T8-0034/2009-SS-T9-0064/2010-SS-T0-0008/2011-SS-00019

**Federal Agency:** Department of Homeland Security

**Pass-through Entity:** Texas Department of Public Safety

**Compliance Requirement:** Equipment and Real Property Management

**Type of Finding:** Significant deficiency and Non-Compliance

**Criteria:** Per the A-102 Common Rule (§.32) equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

**Condition:** The City's Emergency Management Division provided inventory listings of assets acquired with grant funds. However, there was no evidence that physical observations had been conducted for all assets listed to verify the existence and condition of those assets.

**Questioned Costs:** None

**Effect:** The absence of documented physical inventories at least once every two years could result in lost, damaged or destructed inventory going undetected in a timely manner. Lack of documented physical inventory observations could also result in the City not identifying equipment for reutilization, upgrades, repairs, or disposal in a timely manner.

City of Arlington, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2012

**SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AND STATE AWARDS - Continued**

Cause: Management indicated in the prior fiscal year that their interpretation of the requirements was that inventories had to be conducted at least once every two years, but not necessarily documented. As a result, management implemented procedures to ensure that physical observation inventories are taken annually; however, the observations were not completed for all inventories purchased with grant funds and included in the inventory listing. In addition, the equipment listing did not include adequate documentation to determine the status of the inventory observations.

Recommendation: We recommend that the City schedule adequate time to complete the performance of a physical inventory of all equipment at least once every two years, which would include an inventory list of fixed assets acquired with grant funds and adequate documentation of the results of the physical inventory.

Views of Responsible  
Officials and Planned  
Corrective Action:

The original inventory finding in the 2011 Single Audit was communicated to management in February 2012. The Office of Emergency Management (OEM) responded immediately with the development of an inventory program fully in compliance with Federal guidelines. The OEM Inventory Control Plan, updated for compliance on February 16, 2012, includes an annual inventory and retention of all inventory documentation. Implementation of the Inventory Control Plan was delayed to accommodate emergency response to the April 2012 tornado. The Inventory Control Plan inventories were started in September 2012, and were partially complete at the time of the 2012 Single Audit in October 2012. Management anticipates full compliance for fiscal year 2013.

**City of Arlington, Texas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

Year ended September 30, 2012

**SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AND STATE AWARDS - Continued**

**Finding #:** 2012-2

**CFDA Title:** Homeland Security Cluster

**CFDA Numbers:** 97.008/97.053/97.067/97.071/97.073

**Federal Award Numbers:** 2008-GE-T8-0034/2009-SS-T9-0064/2010-SS-T0-0008/2011-SS-00019

**Federal Agency:** Department of Homeland Security

**Pass-through Entity:** Texas Department of Public Safety

**Compliance Requirement:** Procurement, Suspension and Debarment

**Type of Finding:** Control deficiency

**Criteria:** Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. When a nonfederal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR Section 180.300).

**Condition:** For three out of 19 procurement transactions tested, the City could not provide documentation indicating that they verified that the entity was not suspended or debarred. Although audit testing indicated that the City's contracted vendors were not debarred or suspended, there was no evidence that City staff verified suspension and debarment prior to procuring services from these vendors.

**Questioned Costs:** None

City of Arlington, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2012

**SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AND STATE AWARDS - Continued**

Effect: There is the potential that the City may be contracting with individuals or subcontractors that are suspended or debarred, thus causing the City to be ineligible to receive federally reimbursed funds due to a lack of adherence to policies surrounding suspension and debarment.

Cause: According to the City's Financial Management and Resources management, the requirement to document the review for suspension and debarment was established with State Administrative Agency (SAA) Information Bulletin 12-03, dated June 29, 2012. As the expenditures in question were made prior to this date, management believes it only had a requirement to have a policy in place to check for suspension and debarment, but not a requirement to document that review.

Recommendation: We recommend that the City include a clause in all vendor contracts for vendors to certify that they are not suspended or debarred. The City should designate a specific individual to perform EPLS verification and include the documentation of the search results in the vendor's file and provide adequate training to all purchasing personnel in regard to this requirement to enforce procedures and ensure compliance with this requirement.

Views of Responsible Officials and Planned Corrective Action:

Prior to the Texas Department of Public Safety State Administrative Agency (SAA) Information Bulletin No. 12-003 of June 29, 2012, management was not aware that grant guidelines required that the City maintain documentation of a negative result of a search of the Excluded Parties Listing Systems database for vendor debarment status. Management had procedures in place that included checking the database for all new vendors; however, the requirement did not specify retention of a negative response. SAA Information Bulletin No. 12-003 clarified Federal guidance for vendor debarment status verification, including requiring written policy and procedures. In response, management issued OEM Grant Memo 2012-004.1 requiring retention of negative search results for all vendors receiving grant funding through the Department of Homeland Security. With the implementation of OEM Grant Memo 2012-004.1, all OEM grants will be in compliance with Federal debarment guidelines for fiscal year 2013.

**City of Arlington, Texas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

Year ended September 30, 2012

**SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AND STATE AWARDS - Continued**

**Finding #:** 2012-3

**CFDA Title:** Public Safety Partnership and Community Policing Grants (COPS) - ARRA

**CFDA Number:** 16.710

**Federal Award Numbers:** 2009-CX-WX-0018/2011-RJ-WX-0081

**Federal Award Years:** 2009, 2011

**Federal Agency:** U.S. Department of Justice

**Pass-through Entity:** N/A

**Compliance Requirement:** Equipment and Real Property Management

**Type of Finding:** Significant deficiency and Non-Compliance

**Criteria:** Per A-102 Common Rule (§\_.32), equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

**Condition:** The City's Fire Department staff provided inventory listings of assets acquired with grant funds, however, the Department has not established property records that contain the following information about the equipment: description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, condition, and any ultimate disposition data including the date of disposal and sales price or method used to determine current fair market value. In addition, there was no evidence that physical observations had been conducted to verify the existence and condition of those assets.

**City of Arlington, Texas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

Year ended September 30, 2012

**SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AND STATE AWARDS - Continued**

Questioned Costs:	None
Effect:	The absence of documented physical inventories at least once every two years could result in lost, damaged or destructed inventory going undetected in a timely manner. Lack of documented physical inventory observations could also result in the City not identifying equipment for reutilization, upgrades, repairs, or disposal in a timely manner.
Cause:	The City's Fire Department staff was not aware of all information and documentation required for proof of inventory.
Recommendation:	We recommend the City have controls in place to ensure that physical inventories are conducted and properly documented at least once every two years and that an inventory record is maintained that includes the information required by federal regulations.
Views of Responsible Officials and Planned Corrective Action:	Management responsible for the COPS grants put an Inventory Management Plan in place after the initial inventory finding in the 2011 Single Audit was communicated in February 2012. The new procedures require annual inventory, verified and signed by two parties, be retained for audit review. Inventories were not complete as of the end of fiscal year 2012; however, management is in the process of completing all inventories and anticipates full compliance with Federal guidelines for fiscal year 2013.

City of Arlington, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2012

**SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AND STATE AWARDS - Continued**

**Finding #:** 2012-4

**CFDA Title:** Energy Efficiency and Conservation Block Grant (EECBG) - ARRA

**CFDA Number:** 81.128

**Federal Award Number:** DE-EE0000959

**Federal Award Year:** 2011

**Federal Agency:** Department of Energy

**Pass-through Entity:** N/A

**Compliance Requirement:** Cash Management

**Type of Finding:** Control deficiency and Non-Compliance

**Criteria:** The Department of Energy's *Guidance for State Energy Program and Energy Efficiency and Conservation Block Grant Recipients on Payment Procedures* states that "State Grantees should not draw down funds on ASAP unless they anticipate disbursing the funds (e.g., payments to sub-grantees or sub-recipients) within 3 working days of draw down. Non-State Grantees (for EECBG) should also minimize the time elapsing between draw down and disbursement of funds, and that time period should not exceed 30 calendar days. Grantees and sub-grantees shall promptly, but at least quarterly, remit to the federal agency interest earned on advances drawn in excess of disbursement needs..."

**Condition:** It was noted that the City requested reimbursement for construction expenditures to include amounts for retainage that were not disbursed within the 30 calendar day requirement. The City requested reimbursement for the entire costs of construction to include retainage, but did not disburse the amounts for retainage until over 30 calendar days after the reimbursement request.

**Questioned Costs:** None

City of Arlington, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2012

**SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AND STATE AWARDS - Continued**

Effects: The City is not in compliance with Department of Energy (DOE) and federal cash management requirements which could result in the City's non-compliance with interest earnings requirements, without being detected and/or could result in the City being denied future grant funding.

Cause: Reimbursement requests were based on amounts recorded as expenditures (which included retainage amount) in the general ledger instead of amounts actually disbursed (excluded retainage).

Recommendation: We recommend the City ensure controls are in place to ensure that cash draws are either based on actual disbursements or that disbursements are made within 30 calendar days of the request of funds, as required by the grant.

Views of Responsible  
Officials and Planned  
Corrective Action:

Management respectfully disagrees with finding 2012-004.

Public Works and Transportation standard operating procedures emphasize that staff administering grant funds should be familiar with the terms and conditions of the particular grant to ensure funding is correctly handled. In this case, grant administrators worked directly with U.S. Department of Energy (DOE) personnel to ensure compliance with agency requirements. Management requested reimbursement for 100% of contractor invoices, and withheld 10% retainage from payment pending completion and final inspection of the project. Documented communication with DOE personnel indicated that retainage was not disallowed by ARRA/EECBG guidance and over the life of the grant, at no time was the City in possession of an excess of grant funds relative to expenditures.

Nevertheless, the Public Works and Transportation Department is committed to compliance with all Federal grant guidelines and will no longer request grant reimbursement for 100% of construction invoices.

City of Arlington, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2012

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS**

**Finding #:** 2011-1

**CFDA Titles:** Edward Byrne Memorial Justice Assistance Formula Program (JAG Program Cluster)

**CFDA Numbers:** 16.738/16.804

**Federal Award Numbers:** 2007-DJ-BX-1199/2009-DJ-BX-1379/2010-DJ-BX-0164/  
2009-SB-B9-1479

**Federal Award Year:** 2011

**Federal Agencies:** U.S. Department of Justice

**Pass-through Entity:** City of Fort Worth, Texas

**Compliance Requirement:** Cash Management

**Type of Finding:** Significant Deficiency and Noncompliance

**Criteria:** Per OMB Circular A-133, *Compliance Supplement*, “when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government”.

**Condition:** For three (3) of thirty-five (35) expenditures (10 of which were non-payroll transactions, which represent 100% of the non-payroll population) selected for testing, the City requested reimbursement prior to payment of expenditure with City funds.

**Questioned Costs:** None

**Effect:** The City is not in compliance with cash management requirements which could result in the City being denied future grant funding.

**Cause:** Management considered seven and twelve days reasonable, as management considered that there would be some time delay between when the City’s reimbursement request was sent to the City of Fort Worth, and when the City of Fort Worth requested funds from the granting agency.

**Recommendation:** We recommend that the City have controls in place to ensure that reimbursement requests are not submitted prior to actual payment disbursement to vendors.

City of Arlington, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2012

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS - Continued**

**Prior Year Views of  
Responsible Officials and**

**Planned Corrective Action:** The Police Department has requested that Finance schedule all vendors associated with grants for immediate payment to eliminate the timing variance of the actual payment and general ledger posting.

Contact Department/Person: Steve Evans, Management Services Director,  
Police Department

**Status of Corrective Prior  
Year Corrective Action:**

Corrective action implemented.

**Finding #:**

2011-2

**CFDA Titles:**

Public Safety Partnership and Community Policing Grants (COPS) - ARRA

**CFDA Numbers:**

16.710

**Federal Award Numbers:**

2009-RJ-WX-0081/2006-CK-WX-0358/2009-CK-WX-0055

**Federal Award Year:**

2009

**Federal Agencies:**

U.S. Department of Justice

**Pass-through Entity:**

N/A

**Compliance Requirement:**

Equipment and Real Property Management

**Type of Finding:**

Significant Deficiency and Noncompliance

**Criteria:**

Per OMB Circular A-133, *Compliance Supplement*, "Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained..."

**Condition:**

Fire and Police Department staff provided inventory listings of assets acquired with grant funds. However, there was no evidence that physical observations had been conducted to verify the existence and condition of those assets.

**City of Arlington, Texas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

Year ended September 30, 2012

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS - Continued**

Questioned Costs: None

Effect: The absence of a documented physical inventory observation of equipment occurring at least once every two years could result in lost, damaged or destructed equipment going undetected in a timely manner. Lack of documented physical inventory of equipment could also result in the City not identifying equipment for reutilization, upgrades, repairs, or disposal in a timely manner.

Cause: Transition of staff within the Fire Department resulted in staff not realizing that physical inventories were required at least once every two years.

Recommendation: We recommend that the City revise its equipment and real property management policies and procedures to include the performance of a physical inventory of equipment at least once every two years, which includes adequate documentation of the results of the physical inventory. We also recommend that the City provide adequate training to all personnel responsible for equipment management in regard to this requirement to enforce procedures and ensure compliance with this requirement.

**Prior Year Views of  
Responsible Officials and  
Planned Corrective Action:**

The Fire and Police Departments have been inventorying the equipment associated with the COPS Technology grants annually but were not aware of the requirement for signed documentation that is required for proof of that inventory. The Fire and Police Departments will continue the annual inventory schedule and will be incorporating a document that will be signed by two parties acknowledging the inventory. That document will be kept with the grant files and will be available for audit reviews.

Contact Department/person: Rhonda Shipp, Communications Manager,  
Fire Department

**Status of Prior Year  
Corrective Action:**

Management is in the process of completing all inventories and anticipates full compliance with Federal guideline for fiscal year 2013.

City of Arlington, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2012

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS - Continued**

<b>Finding #:</b>	2011-3
<b>CFDA Titles:</b>	Energy Efficiency and Conservation Block Grant (EECBG) - ARRA
<b>CFDA Numbers:</b>	81.128
<b>Federal Award Numbers:</b>	DE-EE0000959
<b>Federal Award Year:</b>	2009
<b>Federal Agencies:</b>	Department of Energy
<b>Pass-through Entity:</b>	N/A
<b>Compliance requirement:</b>	Cash Management
<b>Type of Finding:</b>	Significant Deficiency and Noncompliance
<b>Criteria or Specific Requirement:</b>	The Department of Energy's <i>Guidance for State Energy Program and Energy Efficiency and Conservation Block Grant Recipients on Payment Procedures</i> states that "State Grantees should not draw down funds on ASAP unless they anticipate disbursing the funds (e.g., payments to sub-grantees or sub-recipients) within 3 working days of draw down. Non-State Grantees (for EECBG) should also minimize the time elapsing between draw down and disbursement of funds, and that time period should not exceed 30 calendar days. Grantees and sub-grantees shall promptly, but at least quarterly, remit to the federal agency interest earned on advances drawn in excess of disbursement needs..."
<b>Condition:</b>	It was noted that for five out of eleven cash draws, judgmentally, selected for testing, the cash draws were requested more than 30 days prior to actual disbursement of funds by the City. The number of days between the draw down request and the City's actual disbursement of funds, or subsequent correction to erroneous cash draws, ranged from 63 to 188 days.
<b>Questioned Costs:</b>	None

**City of Arlington, Texas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

Year ended September 30, 2012

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS - Continued**

Effect: The City is not in compliance with cash management requirements which could result in the City's non-compliance with interest earnings requirements, without being detected and/or could result in the City being denied future grant funding.

Cause: Management indicated that the City chose to request grant funds within 60 days of the anticipated expenditure and that subsequently, contractual delays resulted in projects not being completed as anticipated. As a result, actual expenditures were delayed beyond the initial 60-day projection.

Recommendation: We recommend that the City ensure controls are in place to ensure that cash draws are either based on actual disbursements or that disbursements are made within 30 calendar days of the request of funds, as required by the grant.

**Prior Year Views of Responsible Officials and Planned Corrective Action:**

A new grant administrator for EECBG was assigned as of January 1, 2011. The current administrator reconciled amounts drawn down and expenses and eliminated all cash on hand March 31, 2011. Since then she has requested draws only after an invoice has been approved for payment or (for non-invoice items like salary) expenses show in the City's financial system. The administrator is the only person requesting draws. Draw requests are reviewed by the Senior Financial Accountant before submission.

Contact Department/person: Carol Griffith, Operations Analyst, Public Works

**Status of Corrective Prior Year Corrective Action:**

Corrective action implemented.

City of Arlington, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2012

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS - Continued**

**Finding #:** 2011-4

**CFDA Titles:** Homeland Security Grant Cluster

**CFDA Numbers:** 97.008/97.071/97.073

**Federal Award Years:** 2007-GE-T7-0024/2008-GE-T8-0034/2009-SS-T9-0064/  
2010-SS-T0-0008

**Federal Award Years:** 2007-2010

**Federal Agencies:** Department of Homeland Security

**Pass-through Entity:** Texas Department of Public Safety - Division of Emergency Management

**Compliance Requirement:** Equipment and Real Property Management

**Type of Finding:** Significant Deficiency and Noncompliance

**Criteria:** Per OMB Circular A-133, *Compliance Supplement*, "Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained..."

**Condition:** The Emergency Management Division provided inventory listings of assets acquired with grant funds. However, there was no evidence that physical observations had been conducted to verify the existence and condition of those assets.

**Questioned Costs:** None

**Effect:** The absence of documented physical inventories at least once every two years could result in lost, damaged or destructed equipment going undetected in a timely manner. Lack of documented physical inventory observations could also result in the City not identifying equipment for reutilization, upgrades, repairs, or disposal in a timely manner.

**Cause:** Since grant guidelines do not specifically state that inventory observations have to be documented, management indicated that their interpretation of the requirements was that inventories had to be conducted at least once every two years, but not necessarily documented.

**City of Arlington, Texas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

Year ended September 30, 2012

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS - Continued**

**Recommendation:** We recommend that the City revise its equipment and real property management policies and procedures to include the performance of a physical inventory of equipment at least once every two years, which includes adequate documentation of the results of the physical inventory. We also recommend that the City provide adequate training to all personnel responsible for equipment management in regard to this requirement to enforce procedures and ensure compliance with this requirement.

**Prior Year Views of Responsible Officials and Planned Corrective Action:**

The Arlington Fire Department's (AFD) Office of Emergency Management (OEM) will retain documentation of all completed inventories of HSGP grant funded equipment as directed. Going forward, the OEM will meet grant guidance by maintaining comprehensive inventory control records for each physical inventory conducted on a minimum bi-annual basis.

Additionally, OEM will coordinate an annual physical inventory to ensure all grant funded equipment is accounted for. This annual physical inventory will exceed the grant guidance recommendation of a physical inventory every two years. OEM has created an inventory control plan that includes directions for the annual physical inventory as well as AFD management review of the inventory's findings.

Contact Department/person: Irish Hancock, Emergency Management Administrator, Fire Department

**Status of Prior Year Corrective Action:**

Implementation of the Inventory Control Plan was delayed to accommodate emergency response to the April 2012 tornado. The inventories were started in September 2012 and Management anticipates full compliance for fiscal year 2013.

**City of Arlington, Texas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

Year ended September 30, 2012

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS - Continued**

<b>Finding #:</b>	2011-5
<b>CFDA Titles:</b>	Clean Water Loan
<b>CFDA Numbers:</b>	66.458
<b>Federal Award Numbers:</b>	L090035
<b>Federal Award Year:</b>	2010
<b>Federal Agencies:</b>	U. S. Environmental Protection Agency
<b>Pass-through Entity:</b>	Texas Water Development Board
<b>Compliance Requirement:</b>	Reporting
<b>Type of Finding:</b>	Significant Deficiency and Noncompliance
<b>Criteria:</b>	Rule 375.92 of the Texas Administrative Code (Title 31, Part 10) states that applicants shall submit outlay reports, in a form determined by the executive administrator, as follows: (1) at loan closing for incurred costs; (2) for financial assistance for planning, acquisition and design, quarterly; and (3) for financial assistance for construction, monthly.
<b>Condition:</b>	<p>City construction for the Reclaimed Water Systems Expansion project began in May 2010. The City did not submit monthly required reports to the Texas Water Development Board (TWDB) as required. The TWDB submitted a letter to the City, dated December 10, 2010, regarding non-compliance with TWDB's monthly reporting requirements. Within that letter, TWDB emphasized monthly reporting requirements, even if funds are not being requested.</p> <p>The City began submitting reports: however, they did not submit them for each month, as required.</p>
<b>Questioned Costs:</b>	None
<b>Effect:</b>	Failure to submit required reports results in noncompliance with reporting requirements and could affect the City's ability to receive funding.

**City of Arlington, Texas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

Year ended September 30, 2012

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS - Continued**

**Cause:** Since the period of fund availability did not begin until November 2010, management did not deem it necessary to submit outlay reports for costs incurred as of the beginning of construction. Management also indicated that there was a TWDB policy change to require monthly reporting, even if funds were not being requested.

**Recommendation:** We recommend that the City have controls in place to ensure required reports are submitted on a monthly basis, even if funds are not being requested. We recommend that the City designate an individual responsible for completing monthly reports and ensure they are aware of the reporting requirements.

**Prior Year Views of  
Responsible Officials and  
Planned Corrective Action:**

The Water Utilities department does not have any record of receiving the December 10, 2010 notification from the TWDB.

The Water Utilities department did receive the letter, dated November 11, 2011, from the TWDB notifying the City of the failure to provide monthly outlay reports. The department quickly addressed the issue and submitted outlay reports for all months missing. Since November 2011, the department has submitted the monthly outlay reports on time and according to the TWDB requirements.

In order to ensure continued compliance with the TWDB, the department has created several processes. First, a staff member has been designated with the responsibility to ensure compliance. The staff member has created a monthly recurring appointment for the 9<sup>th</sup> of each month to begin preparation of that month's outlay report. His manager has also setup a monthly recurring appointment for the 15<sup>th</sup> of each month to review the status of that month's report.

Contact Department/person: Brad Franklin, Utilities Engineering Manager, Water Department

**Status of Corrective Prior  
Year Corrective Action:**

Corrective action implemented.

**City of Arlington, Texas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

Year ended September 30, 2012

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS - Continued**

<b>Finding #:</b>	2011-6
<b>CFDA Titles:</b>	Weatherization Assistance Program - ARRA
<b>CFDA Numbers:</b>	81.042
<b>Federal Award Numbers:</b>	16090000746
<b>Federal Award Year:</b>	2011
<b>Federal Agencies:</b>	Department of Energy
<b>Pass-through Entity:</b>	Texas Department of Housing and Community Affairs
<b>Compliance Requirement:</b>	Cash Management
<b>Type of Finding:</b>	Control Deficiency and Noncompliance
<b>Criteria:</b>	Section 6 of the City's contract with the Texas Department of Housing and Community Affairs states that the subrecipients request for advances shall be limited to the minimum amount needed to perform contractual obligations and timed to be in accordance with actual, immediate cash requirements of the subrecipient in carrying out the purpose of the contract. The timing and amount of cash advances shall be as close as administratively feasible, not to exceed a 30-day projection of the actual disbursements by the subrecipient to direct program costs and the proportionate share of any allowable indirect costs.
<b>Condition:</b>	The City made 12 monthly cash draws. Five of the 12 cash draws were included in our testing. Although amounts requested by the City represented the actual, immediate cash requirements needed to pay for approved invoices on work already performed, the City made cash draws over 30 days prior to the actual disbursements for a portion of two of the five cash draws selected for testing. A \$95,912.72 cash draw included 16 expenditures totaling \$76,548.29 that were 43 days prior to the actual disbursement, while a \$195,733.05 cash draw included five expenditures totaling \$13,632.42 that ranged between 47 and 63 days prior to the actual disbursement.
<b>Questioned Costs:</b>	None
<b>Effect:</b>	The City is not in compliance with cash management requirements which could result in the City's noncompliance with interest earnings requirements, without being detected and/or could result in the City being denied future grant funding.

**City of Arlington, Texas**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2012

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS - Continued**

Cause: Requests for reimbursements were based on the City's projection of work that had been completed and was expected to be paid within 30 days.

Recommendation: We recommend that the City have controls in place to ensure that draw downs are either based on actual disbursements or disbursements that will be made within 30 calendar days of the draw down request, as required by the grant.

**Prior Year Views of  
Responsible Officials and  
Planned Corrective Action:**

Management respectfully disagrees with this finding.

The City's contract with the Texas Department of Housing and Community Affairs in Section 6, B, Method of Payment/Cash Balances, limits advances to the minimum amount needed to perform contractual obligations and timed to be in accordance with actual, immediate cash requirements of the subrecipient. With regard to the subject finding, the "Condition" noted above acknowledges that the amount requested by the City represented the actual, immediate cash requirements needed to pay for approved invoices on work already performed, in full compliance with the contract.

The contract requires the timing and amount of cash advances to be as close as administratively feasible, not to exceed a 30 day **projection** of the actual disbursements by the subrecipient. By definition, a projection is a prediction or an estimate. Draws from the funding agency represent actual invoices from the preceding month and the amount of the subrecipient's **projected** disbursements within the 30 days following the draw.

The contract addresses the timing of draws; the contract does not address the timing of payments. The subject finding is based upon the timing of the payment, which is not stipulated by the contract.

Both Management and its funding agency deem its performance to be in compliance with the requirements of the Weatherization Assistance Program contract and that this should not rise to the level of a finding.

The Weatherization Assistance Payments program contract ended February 28, 2012. The City is closing out the grant in compliance with the contract and state close out procedure guidance.

Contact Department/Person: David Zappasodi, Assistant Director of Community Services, Community Development and Planning

**City of Arlington, Texas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

Year ended September 30, 2012

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS - Continued**

**Status of Prior Year**

**Corrective Action:** As noted above in the Views of Responsible Officials and Planned Corrective Action, management disagreed with the finding. However, the Weatherization Assistance Payments program contract ended February 28, 2012 and the City is in the process of closing out the grant in accordance with grant agreement.

**Finding #:** 2011-7

**CFDA Titles:** Public Safety Partnership and Community Policing Grants (COPS) - ARRA

**CFDA Numbers:** 16.710

**Federal Award Numbers:** 2009-RJ-WX-0081/2006-CK-WX-0358/2009-CK-WX-0055

**Federal Award Year:** 2009

**Federal Agencies:** U.S. Department of Justice

**Pass-through Entity:** N/A

**Compliance requirement:** Allowable Costs

**Type of Finding:** Control Deficiency and Noncompliance

**Criteria or Specific Requirement:** Funding under the COPS Hiring Recovery Program grant requires that grant funds be used for the payment of approved full-time entry-level salaries and fringe benefits.

**Condition:** It was noted that two of 25 payroll transactions judgmentally selected for testing included language pay costs, which are unallowable costs. Upon further review of the remaining payroll charges, it was noted that total language pay charged to the grant totaled \$969.

**Questioned Costs:** \$969

**Effect:** Requesting reimbursement for unallowable costs results in noncompliance and questioned costs and could result in the granting agency's denial of future grant funding.

**City of Arlington, Texas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

Year ended September 30, 2012

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS - Continued**

**Cause:** Three officers funded by the COPS grant requested, tested, and were granted language pay for skills being utilized in their current assignments during the period of 11/10 - 9/11. The officers were eligible for the incentive pay under City policy but the expense is not allowable under the grants final funding document. The language pay expense should have been transferred out of the grant account to the general fund account of the officer's assignment.

**Recommendation:** We recommend that the City ensure controls are in place to ensure unallowable costs are not charged to the grant.

**Prior Year Views of Responsible Officials and Planned Corrective Action:**

Staff will review all expenditures and transfer any unallowable costs out of the grant to the general fund account of the officer's assignment prior to preparing quarterly reports and requesting reimbursement.

Contact Department/Person: Steve Evans, Management Services Director, Arlington Police Department

**Status of Corrective Prior Year Corrective Action:**

Corrective action implemented.

**Finding #:** 2011-8

**CFDA Titles:** Broadband Technology Opportunities (BTOP) - ARRA

**CFDA Numbers:** 11.557

**Federal Award Numbers:** 48-42-B10534

**Federal Award Year:** 2011

**Federal Agencies:** U.S. Department of Commerce

**Pass-through Entity:** Texas State Library and Archives Commission

**Compliance Requirement:** Cash Management

**Type of Finding:** Control Deficiency and Noncompliance

**City of Arlington, Texas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

Year ended September 30, 2012

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS - Continued**

**Criteria:** Section IV.E. of the BTOP grant states that the Grantee is restricted to one of two methods for requesting funds from the Grantor. The Grantee may request reimbursement of actual expenditures for the Grantee's normal billing cycle, or advance payment for estimated expenditures to be incurred for the upcoming 30 days. Only Grantees providing documentation to demonstrate lack of sufficient working capital and the ability to minimize the time elapsing between transfer of funds from Grantor and disbursement of grant funds will be allowed to request advance payments.

**Condition:** For two of three payroll transactions judgmentally selected for testing, the City requested reimbursement for 100% of an employee's payroll expense for the pay period, when fewer hours were documented on the employee's timesheets as allocated to the program. The payroll transactions tested represented 100% of payroll costs.

It was also noted for one of two reimbursement requests selected for testing, the City requested reimbursement for expenditures prior to the City's actual payment to the vendor. This represents 100% of the population of reimbursement requests.

**Questioned Costs:** None

**Effect:** The City is not in compliance with cash management requirements which could result in the City's noncompliance with interest earnings requirements, without being detected and/or could result in the City being denied future grant funding.

**Cause:** An employee did not detail the timesheet correctly. Time worked on another grant project was included in the hours reported for the BTOP grant. These hours should have been reported separately. The error was discovered during a subsequent discussion about the form and was corrected on a subsequent reimbursement request.

**Recommendation:** We recommend the City have controls in place to ensure that reimbursement requests are based on actual disbursements.

**Prior Year Views of  
Responsible Officials and  
Planned Corrective Action:**

The timesheet format has been expanded to allow the employee to include all grant related hours on a single sheet. The file location and instructions have been reviewed with the supervisor and the employee. The employee will update the spreadsheet daily. The employee's supervisor will review for timeliness and accuracy. The report preparer will review the timesheet monthly to ensure data is available and correct at the time any future reimbursement requests and reports are complete and filed.

**City of Arlington, Texas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

Year ended September 30, 2012

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS - Continued**

Prior to submitting request for reimbursement, the preparer will verify the date of actual invoices, verify that a payment has been issued, and include check number and date issued in all reports.

Contact Department/Person: Lee Shqeir

**Status of Corrective Prior  
Year Corrective Action:**

Corrective action implemented.