

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

City of Arlington, Texas

September 30, 2014

City of Arlington, Texas

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

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Grant Thornton LLP
1717 Main Street, Suite 1800
Dallas, TX 75201-4667

T 214.561.2300
F 214.561.2370
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

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

We have audited, 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 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, 2014, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 2, 2015.

Our report includes a reference to other auditors who audited the financial statements of the Arlington Housing Authority and the Arlington Convention and Visitors Bureau, Inc., as described in our report on the City’s financial statements. 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. The financial statements of the Arlington Convention and Visitors Bureau, Inc., audited by other auditors were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Arlington Convention and Visitors Bureau, Inc.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (“internal control”) to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and other matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Intended purpose

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

GRANT THORNTON LLP

Dallas, Texas
March 2, 2015



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133 AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

Grant Thornton LLP
1717 Main Street, Suite 1800
Dallas, TX 75201-4667

T 214.561.2300
F 214.561.2370
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The Honorable Mayor, City Council and City Manager
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Report on compliance for each major federal and state program

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’s *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, 2014. 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.

Our audit of, and opinion on, the City’s compliance for each major federal and state program does not include the operations of the Arlington Housing Authority, (a discretely presented component unit), which received federal awards for the year ended September 30, 2014 that are not included in the accompanying Schedule of Findings and Questioned Costs. The Arlington Housing Authority engaged other auditors to audit its compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*.

Management’s responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the City’s federal and state programs.

Auditor’s responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal and state programs based on our audit of the types of compliance requirements referred to above. 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 *Single Audit Circular*.

The above-mentioned standards, OMB Circular A-133, and the State of Texas *Single Audit Circular* 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 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on each major federal and state program

In our opinion, the City complied, in all material respects, with the types of 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, 2014.

Instances of noncompliance

The results of our audit procedures disclosed an instance of noncompliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 that is required to be reported in accordance with OMB Circular A-133 and the State of Texas *Single Audit Circular*. Our opinion on each major federal and state program is not modified with respect to these matters.

City's response to findings

The City's response to our noncompliance finding, which is described in the accompanying Schedule of Findings and Questioned Costs, was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the City's response.

Report on internal control over compliance

Management of the City is responsible for designing, implementing, and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal and state program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas *Single Audit Circular*, 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.

As described in our Report on Compliance for Each Major Federal and State Program above, this Report on Internal Control Over Compliance does not include the results of the other auditors' testing of internal control over compliance that is reported on separately by those auditors.

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 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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 have not been identified.

We identified a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001, that we consider to be a significant deficiency in the City's internal control over compliance.

The City's response to our finding on internal control over compliance, which is described in the accompanying Schedule of Findings and Questioned Costs, was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the City's response.

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the State of Texas *Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

GRANT THORNTON LLP

Dallas, Texas
March 2, 2015



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
REQUIRED BY OMB CIRCULAR A-133 AND THE STATE OF TEXAS SINGLE
AUDIT CIRCULAR**

Grant Thornton LLP
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We have audited, 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 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and our report thereon dated March 2, 2015 expressed unmodified opinions on these financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements.

The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

GRANT THORNTON LLP

Dallas, Texas
March 2, 2015

City of Arlington, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

September 30, 2014
(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>
FEDERAL AWARDS			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Programs:			
Community Development Block Grant / Entitlement Grants			
Comm Dev Block Grant - 36th year	B-10-MC-48-0008	14.218	\$ 76
Comm Dev Block Grant - 38th year	B-12-MC-48-0008	14.218	384
Comm Dev Block Grant - 39th year	B-13-MC-48-0008	14.218	2,294
Comm Dev Block Grant - 40 th year	B-14-MY-48-0008	14.218	<u>468</u>
Total Community Development Block Grant / Entitlement Grants			3,222
Emergency Shelter Grant 11	E-11-MC-48-0009	14.231	5
Emergency Shelter Grant 12	E-12-MC-48-0009	14.231	3
Emergency Shelter Grant 13	E-13-MC-48-0009	14.231	140
Emergency Shelter Grant 14	E-14-MC-48-0009	14.231	<u>82</u>
Total Emergency Shelter Grants Program			230
Home Investment Partnership 12	M-12-MC-48-0212	14.239	3
Home Investment Partnership 13	M-13-MC-48-0212	14.239	808
Home Investment Partnership 14	M-14-MC-48-0212	14.239	<u>61</u>
Total Home Investment Partnerships Program			<u>872</u>
Total Department of Housing and Urban Development			<u>4,324</u>
ENVIRONMENTAL PROTECTION AGENCY			
Direct Program:			
Brownfields Petroleum Assessment	BF-00F21601-0	66.818	102
Brownfields Hazardous Substances Assessment	BF-00F22201-0	66.818	<u>50</u>
Subtotal 66.818			152
Pass-through Texas Water Development Board:			
Drinking Water Loan 2008	61442	66.468	604
Clean Water Loan 2010	72313	66.458	<u>3,779</u>
Total Texas Water Development Board			<u>4,383</u>
Total Environmental Protection Agency			<u>4,535</u>
DEPARTMENT OF JUSTICE			
Direct Programs:			
High Intensity Drug Trafficking Areas	Not Specified	95.001	15
North Texas Anti-Trafficking Team 2011	2011-VT-BX-K007	16.320	100
North Texas Anti-Trafficking Team 2013	2013-VT-BX-K003	16.320	<u>180</u>
Subtotal CFDA 16.320			280
COPS - Child Sexual Predator Program	2011-CS-WX-0018	16.710	<u>62</u>
Total Direct from the Department of Justice			357

City of Arlington, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - CONTINUED

September 30, 2014
(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-continued			
Pass-through Office of the Governor - Criminal Justice Division:			
Family Violence Intervention and Prevention 14	WF-20362-06	16.588	\$ 23
Family Violence Intervention and Prevention 15	WF-20362-07	16.588	<u>6</u>
Subtotal CFDA 16.588			<u>29</u>
Hispanic Outreach Counselor 14	VA-21071-05	16.575	54
Hispanic Outreach Counselor 15	VA-21071-06	16.575	6
Response Team Counselor 14	VA-19291-07	16.575	62
Response Team Counselor 15	VA-19291-08	16.575	<u>5</u>
Subtotal CFDA 16.575			<u>127</u>
JAG Program Cluster			
AFIS Crime Reduction Strategy 13	23519-03	16.738	1
Pass-through City of Fort Worth:			
Justice Assistance Grant 12	2010-DJ-BX-1036	16.738	1
Justice Assistance Grant 11	2011-DJ-BX-2923	16.738	<u>8</u>
Total JAG Program Cluster			<u>10</u>
Pass-through City of Dallas:			
Internet Crimes Against Children 13	2013-MC-FX-K036	16.543	5
Internet Crimes Against Children 11	2010-MC-CX-K037	16.543	<u>18</u>
Subtotal CFDA 16.543			<u>23</u>
Total Department of Justice			<u>546</u>
DEPARTMENT OF TRANSPORTATION			
Direct Program:			
Handitran - Operating/Capital	TX-90-X961	20.507	44
Handitran - Operating/Capital	TX-90-X989	20.507	5
Handitran - Operating/Capital	TX-90-X038	20.507	18
Handitran - Operating/Capital		20.507	431
Pass-through North Central Texas Council of Governments:			
Handitran - Operating/Capital	n/a	20.507	<u>655</u>
Subtotal CFDA 20.507			1,153
Direct Program:			
Commercial Motor Vehicle Safety	FM-MHP-0184-14-01-00	20.218	<u>11</u>
Pass-through Texas Department of Transportation:			
STEP Click it or Ticket	2014-Arlington-CIOT-00004	20.600	5
STEP Comprehensive	2014-Arlington-S-1YG-0057	20.600	<u>163</u>
Subtotal CFDA 20.600			<u>168</u>
Highway Planning and Construction Grants			
Arlington Bikeway-Citywide	CSJ0902-48-467	20.205	2
Railroad Ave E Wayside	CSJ0902-48-647 & 837	20.205	50
Intelligent Transportation System Field Devices	CSJ0902-48-759	20.205	<u>(26)</u>
			26
Pass-through Texas Department of Transportation - Federal			
Highway Administration			
Bowman Branch Linear Park Trail	CSJ0902-48-790	20.205	<u>209</u>
Subtotal CFDA 20.205			235

City of Arlington, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - CONTINUED

September 30, 2014
(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 TRANSPORTATION-continued			
Airport Wildlife Assessment	1202ARNGT	20.106	\$ 15
Airport Joint Seal	1402ARLIN	20.106	203
Airport Development Plan	1402ARLNG	20.106	<u>102</u>
Subtotal CFDA 20.106			320
Pass-through North Central Texas Council of Governments:			
MAX Pilot Project	TX-37-X106-00	20.516	350
Job Access/Reverse Commute (Ride 2 Work)	n/a	20.516	<u>87</u>
Subtotal CFDA 20.516			<u>437</u>
Total Department of Transportation			<u>2,324</u>
DEPARTMENT OF HOMELAND SECURITY - FEDERAL EMERGENCY MANAGEMENT AGENCY			
Direct Program			
SAFER Assistance for Firefighters	EMW-2008-FF-00489	97.044	<u>13</u>
			<u>13</u>
Homeland Security Grant Program			
Pass-through Texas Department of Public Safety-Division of Emergency Management:			
Homeland Security Grant Program UASI 11	2011-SS-00019	97.067	3,519
Homeland Security Grant Program UASI 12	2012-SS-00018	97.067	2,865
Homeland Security Grant Program UASI 13	2013-SS-00045	97.067	<u>502</u>
Total Homeland Security Grant Program			<u>6,886</u>
Emergency Management Assistance SLA-50	06-TX-EMPG-004	97.042	<u>50</u>
Total Pass-through Texas Department of Public Safety-Division of Emergency Management			<u>6,936</u>
Pass-through Texas Water Development Board			
Severe Repetitive Loss Project	1200011415	97.110	<u>19</u>
Total Department of Homeland Security - Federal Emergency Management Agency			<u>6,968</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
Pass-through Texas State Library and Archives Commission:			
Library Impact 14	475-14001	45.310	10
Library Special Projects (Links) 14	478-14001	45.310	73
Library Cooperation 14	479-14002	45.310	46
Interlibrary Loan Program	LS-00-13-0044-13	45.310	1
Texas Reads 14	451-14001	45.310	<u>3</u>
Total Institute of Museum and Library Services			<u>133</u>
NATIONAL ENDOWMENT OF THE ARTS			
Arts Education in American Communities - Poetry	12-5900-7130	45.024	6
Arts Engagement in American Communities - Creative Writing	12-5900-7046	45.024	<u>3</u>
Total National Endowment of the Arts			<u>9</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$18,839</u>

City of Arlington, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - CONTINUED

September 30, 2014
(Amounts in thousands)

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Grant Award Number</u>	<u>Final Expenditures</u>
STATE AWARDS		
TEXAS DEPARTMENT OF TRANSPORTATION:		
Routine Airport Maintenance Program 14	AM2014ARLNG	\$ 50
Handitran Operating	51302F7042	<u>239</u>
		289
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS		
Homeless Housing and Services Program BMIR Admin 2013	65130001607	2
Homeless Housing and Services Program 2014	63140001769	<u>287</u>
		289
TEXAS DEPARTMENT OF PUBLIC SAFETY		
Tarrant County Auto Theft Task Force 2014	SA-T01-10065-14	156
Tarrant County Auto Theft Task Force 2015	SA-T01-10065-13	<u>14</u>
		170
TOTAL EXPENDITURES OF STATE AWARDS		<u>748</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS		<u>\$19,587</u>

City of Arlington, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

September 30, 2014

(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*, GASB Statement No. 39, *Determining whether Certain Organizations Are Component Units- an amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. 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, 2014, 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)	\$508,016
Emergency Shelter Grant (CFDA #14.231)	213,805
Home Investment Partnership (CFDA #14.239)	<u>37,500</u>
	<u>\$759,321</u>

City of Arlington, Texas

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

September 30, 2014

(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, 2014 was \$133,323. 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, 2014, the outstanding loan payable balance was: TWDB Series 2008 \$26,180,000.

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, 2014, the outstanding loan payable balance was: TWDB Series 2010 \$11,110,000.

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, 2014, the outstanding loan payable balance was: TWDB Series 2014 \$3,430,000.

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

Intergovernmental revenues per statement of revenues, expenditures, and changes in fund balances - governmental funds	\$15,476
Plus Texas Water Development Board Loan	4,383
Less intergovernmental awards from sources other than federal and state awards	<u>(272)</u>
 Total expenditures per schedule of expenditures of federal and state awards	 <u>\$19,587</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, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal controls over major programs:	
• 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:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

State Awards

Internal controls over major program:	
• Material weakness identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with State of Texas <i>Single Audit Circular</i> ?	No

City of Arlington, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2014

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>
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Major Federal Programs:

14.218	Community Development Block Grant/ Entitlement Grants
97.067	Homeland Security Grant Program

Major State Program:

65130001607, 63140001769	Homeless Housing and Services Program
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Dollar threshold used to distinguish between type A and type B programs:	\$565,170 for federal programs \$300,000 for state programs
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Auditee qualified as low-risk auditee-Federal?	Yes
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Auditee qualified as low-risk auditee-State?	Yes
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SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS

The audit disclosed no findings required to be reported.

City of Arlington, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2014

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

Finding #: 2014-001

CFDA Title: Homeland Security Grant Program

CFDA Numbers: 97.067

Federal Award Numbers: 2011-SS-00019/2012-SS-0018/2013-SS-0045

Federal Agency: 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 Non-Compliance

Criteria: Per A-102 Common Rule (§.32), equipment records must 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.

A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.

City of Arlington, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2014

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

Condition: For four (4) out of 25 equipment items selected for testing, we noted issues related to tagging of items. These included one item not being tagged timely, two items having duplicate tags in which the tag was noted to be for a different item, and one item containing multiple asset tags, one of which was for a different item.

Questioned Costs: None

Effect: The failure to timely and properly tag property purchased with federal funds could result in incomplete or inaccurate property records. In addition, this could result in the failure to accurately perform the required inventory observations.

Cause: Homeland Security grant funded equipment has been distributed to the public safety personnel responsible for their operations in the field. This equipment is used frequently and as such the tagging labels can naturally fall off because of its use. Additionally, the replacement of these tags can be untimely due to management not being informed of the missing tag or it is discovered untagged during the annual inventory. Management's policy is to not tag equipment until reimbursement is complete, so newer equipment that was observed had not been tagged at the time of observation.

Recommendation: We recommend that the City ensure timely and accurate tagging of property purchased with grant funds, within 30 days of receipt of property, and inclusion in the master property system to ensure proper tracking and adequate safeguards of property, and timely physical inventory observation as required by federal guidelines.

Views of Responsible Officials and Planned Corrective Action:

The Office of Emergency Management (EOM) understands the importance of ensuring Homeland Security grant funded equipment is properly accounted for and tagged appropriately to identify the equipment as grant funded. Although there is no grant guidance detailing how quickly an item must be labeled once received by the City of Arlington, OEM will work with the receiving departments to ensure they are labeled within the recommended 30 days. Additionally, DHS grant guidance requires grant recipients to conduct an inventory of grant funded equipment every two years, Arlington OEM conducts this inventory annually and will make a focus to ensuring all equipment is tagged appropriately.

City of Arlington, Texas

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Year ended September 30, 2014

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Finding #: 2013-001

CFDA Title: Homeland Security Grant Program

CFDA Numbers: 97.067

Federal Award Numbers: 2011-SS-00019/2012-SS-00018/2013-SS-00045

Federal Agency: Department of Homeland Security

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

Compliance Requirement: Cash Management

Type of Finding: Significant Deficiency and Non-Compliance

Criteria: 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 forty (40) non-payroll expenditures judgmentally 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.

City of Arlington, Texas

SUMMARY OF PRIOR YEAR AUDIT FINDINGS - CONTINUED

Year ended September 30, 2014

SUMMARY OF PRIOR YEAR AUDIT FINDINGS - Continued

Cause: The reviewer/approver does not verify the date payment was issued to the vendor. In some cases the payment is scheduled out. The expense will show on the general ledger reports but there will be an Accounts Payable until the check is issued by the system according to the pay date set. Payment terms are set at the vendor level, not for individual invoices. Departments have been instructed to check in the system for the actual payment date. These must have been missed by the preparer.

Recommendation: We recommend that the City implement City-wide policies and procedures for all grant programs related to cash management and implement controls to ensure that reimbursement requests are not submitted prior to actual payment disbursement to vendors.

Views of Responsible Officials and Planned Corrective Action: Due to the new state documentation requirements, effective December 1, 2013, for requesting reimbursements, the ability to get reimbursed prior to a check being cut to the vendor will no longer be an issue. The state is requiring an accounting system print out that includes vendor name, invoice number, check number, date and amount paid, a copy of the cancelled check, or another form of official documentation that has these specific pieces of information on it. Prior to this guideline, the check number was not required by the state. The City will not be able to provide a check number if a check has not been issued, and without a check number, we will not be able to submit for a reimbursement.

Status of Corrective Prior Year Corrective Action: Corrective action implemented in FY2014.