

Federal and State Financial Assistance Programs

City of Arlington, Texas

September 30, 2018

City of Arlington, Texas

Federal and State Financial Assistance Programs

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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*

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, 2018, 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 18, 2019.

Our report includes a reference to other auditors who audited the financial statements of the Arlington Housing Authority, the Arlington Tourism Public Improvement District, 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. and the Arlington Tourism Public Improvement District, 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. and the Arlington Tourism Public Improvement District.

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.



Dallas, Texas
March 18, 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS *UNIFORM GRANT MANAGEMENT STANDARDS*

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

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 Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* (UGMS) that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2018. 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, 2018 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 Compliance Supplement* and the UGMS.

Management’s responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and

the State of Texas *Uniform Grant Management Standards* (UGMS). Those standards, the Uniform Guidance, and the UGMS 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 qualified and unmodified opinions on compliance for major federal and state programs. However, our audit does not provide a legal determination of the City's compliance.

Basis for qualified opinion on Hazard Mitigation Grant Program

As described in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding CFDA 97.039 Hazard Mitigation Program as described in finding number 2018-001 for Reporting. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified opinion on Hazard Mitigation Grant Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Hazard Mitigation Grant Program paragraph, 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 Hazard Mitigation Grant Program for the year ended September 30, 2018.

Unmodified opinion on each of the other major federal and state programs

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 other major federal and state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2018.

The City's response to the noncompliance findings identified in our audit, 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 establishing 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 the Uniform Guidance and the *Uniform Grant Management Standards*, 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 and therefore, material weaknesses or significant deficiencies 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 2018-001, that we consider to be a material weakness in the City's internal control over compliance.

The City's response to the findings on internal control over compliance identified in our audit, 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 the Uniform Guidance and the *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.



Dallas, Texas
March 18, 2019

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS
UNIFORM GRANT MANAGEMENT STANDARDS**

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and our report thereon dated March 18, 2019, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Texas *Uniform Grant Management Standards*, 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.



Dallas, Texas
March 18, 2019

City of Arlington, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

September 30, 2018
(Amounts in thousands)

<u>Federal Grantor/Pass-through Granter/Program Title</u>	<u>Grant Award Number</u>	<u>Federal CFDA Number</u>	<u>Federal & State Expenditures</u>	<u>Pass-Through to Sub-Recipients</u>
FEDERAL AWARDS				
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs:				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	B-14-MC-48-0008	14.218	\$ 1,029	\$ -
Community Development Block Grants/Entitlement Grants	B-16-MC-48-0008	14.218	935	
Community Development Block Grants/Entitlement Grants	B-17-MC-48-0008	14.218	1,554	358
Community Development Block Grants/Entitlement Grants	B-18-MC-48-0008	14.218	375	121
Neighborhood Stabilization Program	B-08-MN-48-0001	14.218	<u>173</u>	<u></u>
Total CDBG - Entitlement Grants Cluster			4,066	479
Emergency Solutions Grants Program (2017)	E-17-MC-48-0009	14.231	209	193
Emergency Solutions Grants Program (2018)	E-18-MC-48-0009	14.231	<u>87</u>	<u>84</u>
Total Emergency Solutions Grants Program			296	277
Home Investment Partnerships Program (2016)	M-16-MC-48-0212	14.239	442	
Home Investment Partnerships Program (2017)	M-17-MC-48-0212	14.239	407	
Home Investment Partnerships Program (2018)	M-18-MC-48-0212	14.239	<u>63</u>	
Total Home Investment Partnerships Program			<u>912</u>	
Total Department of Housing and Urban Development			<u>5,274</u>	<u>756</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Pass-through Workforce Solutions for Tarrant County:				
Temporary Assistance for Needy Families (Adult Education and Literacy 2017)	17-SPC-AEL-002	93.558	27	
Temporary Assistance for Needy Families (Adult Education and Literacy 2018)	18-SPC-AEL-002	93.558	<u>3</u>	
Total Department of Health and Human Services			<u>30</u>	
DEPARTMENT OF EDUCATION				
Pass-through Workforce Solutions for Tarrant County:				
Adult Education - Basic Grants to States (Adult Education and Literacy 2017)	17-SPC-AEL-002	84.002	166	
Adult Education - Basic Grants to States (Adult Education and Literacy 2018)	18-SPC-AEL-002	84.002	<u>28</u>	
Total Department of Education			<u>194</u>	
ENVIRONMENTAL PROTECTION AGENCY				
Pass-through Texas Water Development Board:				
Drinking Water State Revolving Fund Cluster				
Capitalization Grants for Drinking Water State Revolving Funds (Drinking Water Loan 2018)	62750	66.468	2,489	
Clean Water State Revolving Fund Cluster:				
Capitalization Grants for Clean Water State Revolving Funds (Clean Water Loan 2017)	73752	66.458	1,950	
Capitalization Grants for Clean Water State Revolving Funds (Clean Water Loan 2016)	73723	66.458	1,796	
Capitalization Grants for Clean Water State Revolving Funds (Clean Water Loan 2010)	72313	66.458	<u>60</u>	
			<u>3,806</u>	
Total Texas Water Development Board			<u>6,295</u>	
Total Environmental Protection Agency			<u>6,295</u>	

See Notes to Schedule of Expenditures of Federal Awards

City of Arlington, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - Continued

September 30, 2018
(Amounts in thousands)

<u>Federal Grantor/Pass-through Granter/Program Title</u>	<u>Grant Award Number</u>	<u>Federal CFDA Number</u>	<u>Federal & State Expenditures</u>	<u>Pass-Through to Sub- Recipients</u>
EXECUTIVE OFFICE OF THE PRESIDENT				
Direct Programs:				
High Intensity Drug Trafficking Areas Program (HIDTA)	Not Specified	95.001	\$ 12	
DEPARTMENT OF JUSTICE				
Direct Programs:				
Public Safety Partnership and Community Policing Grants (Cops Hiring Program 2015)	2015-UL-WX-0026	16.710	685	
Public Safety Partnership and Community Policing Grants (Cops Hiring Program 2016)	2016-YL-WX-0011	16.710	673	
Public Safety Partnership and Community Policing Grants (Cops Hiring Program 2017)	2017-UL-WX-0015	16.710	136	
Public Safety Partnership and Community Policing Grants (Cops Development Program)	2015-CK-WX-0019	16.710	<u>75</u>	
Total Public Safety Partnership and Community Policing Grants			<u>1,569</u>	
Asset Forfeiture - Equitable Sharing	None	16.922	<u>58</u>	
Total Direct from the Department of Justice			<u>1,627</u>	
Pass-through Office of the Governor - Criminal Justice Division:				
Crime Victim Assistance (Response Team Counselor 16)	VA-19291-09	16.575	(1)	
Crime Victim Assistance (Response Team Counselor 18-19)	VA-19291-10	16.575	160	
Crime Victim Assistance (Family Violence Intervention and Prevention 16)	VA-20362-09	16.575	<u>289</u>	
Total Crime Victim Assistance			448	
Pass-through Office of the Governor - Criminal Justice Division:				
Edward Byrne Memorial Justice Assistance Grant Program (Cartridge Print Project)	3112401	16.738	2	
Edward Byrne Memorial Justice Assistance Grant Program (Traffic Forensic Mapping System)	3385601	16.738	25	
Pass-through City of Fort Worth:				
Edward Byrne Memorial Justice Assistance Grant Program (Justice Assistance Grant 16)	2016-DJ-BX-0716	16.738	<u>76</u>	
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>103</u>	
Pass-through City of Dallas:				
Missing Children's Assistance (Internet Crimes Against Children 17)	2016-MC-FX-K034	16.543	<u>13</u>	
Total Department of Justice			<u>2,191</u>	
DEPARTMENT OF TRANSPORTATION				
Federal Transit Cluster				
Direct Programs:				
Federal Transit Formula Grants (Handitran - Capital/Capital Maintenance)	TX-90-Y139	20.507	275	
Federal Transit Formula Grants (Handitran - Capital Maintenance)	TX-2016-040	20.507	312	
Federal Transit Formula Grants (Handitran - Capital Maintenance)	TX-2018-026	20.507	114	
Federal Transit Formula Grants (Handitran - Operating)	TX-2019-008	20.507	842	
Federal Transit Formula Grants (Metro Arlington Express (MAX) and Ride Share)	TX-2016-040	20.507	240	
Federal Transit Formula Grants (Ride Share)	TX-2018-026	20.507	<u>363</u>	
Subtotal Federal Transit Cluster			<u>2,146</u>	

See Notes to Schedule of Expenditures of Federal Awards

City of Arlington, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - Continued

September 30, 2018
(Amounts in thousands)

<u>Federal Grantor/Pass-through Granter/Program Title</u>	<u>Grant Award Number</u>	<u>Federal CFDA Number</u>	<u>Federal & State Expenditures</u>	<u>Pass-Through to Sub- Recipients</u>
Commercial Vehicle Information Systems and Networks (Commercial Motor Vehicle Safety 17)	FM-MHP-0303-17-01-00	20.237	\$ 187	
Motor Carrier Safety Assistance (Commercial Motor Vehicle Safety 16)	FM-MHP-0261-16-01-00	20.218	____(1)	
Total Direct from the Department of Transportation			<u>2,332</u>	
Pass-through Texas Department of Transportation:				
Highway Safety Cluster State and Community Highway Safety (STEP Comprehensive)	2017-Arlingto-S-1YG-0036	20.600	____214	
Total Highway Safety Cluster			<u>214</u>	
Highway Planning and Construction Cluster				
Pass-through Texas Department of Transportation - Federal Highway Administration:				
Highway Planning and Construction (Gateway Monument and Landscaping)	CSJ 1068-02-144	20.205	2	
Highway Planning and Construction (Lynn Creek Linear Park Trail Extension)	CSJ 0902-90-025	20.205	20	
Highway Planning and Construction (River Legacy Park Hike/Bike Trail)	CSJ 0902-90-024	20.205	702	
Highway Planning and Construction (Green Ribbon 303 Median Landscaping)	CSJ 2208-01-068	20.205	241	
Highway Planning and Construction (South Cooper St Safe School Crossing)	CSJ 0747-04-073	20.205	191	
Highway Planning and Construction (SH180 Bike/Pedestrian Trail)	CSJ 0008-07-034	20.205	<u>129</u>	
Total Highway Planning and Construction Cluster			<u>1,285</u>	
Total Department of Transportation			<u>3,831</u>	
DEPARTMENT OF HOMELAND SECURITY - FEDERAL EMERGENCY MANAGEMENT AGENCY				
Direct Program:				
Countering Violent Extremism Grant Program	2017-V6-B113-P410- -4101-D	97.132	____6	
Cooperating Technical Partners	2014-CA-K00273-S01	97.045	<u>1</u>	
			<u>7</u>	
Homeland Security Cluster				
Pass-through Texas Office of the Governor - Homeland Security Grants Division:				
Homeland Security Grant Program (UASI 15 Management & Administration)	2978901	97.067	(9)	
Homeland Security Grant Program (UASI 15 Law Enforcement Training)	2978801	97.067	8	
Homeland Security Grant Program (UASI 15 Law Enforcement Tactical Sustainment)	2978701	97.067	1	
Homeland Security Grant Program (UASI 15 Law Enforcement Crisis Consequence)	2978401	97.067	3	
Homeland Security Grant Program (UASI 15 Law Enforcement Critical Infrastructure/Key Resources)	2978301	97.067	138	
Homeland Security Grant Program (UASI 15 Hazardous Materials Sustainment)	2978201	97.067	38	
Homeland Security Grant Program (UASI 15 Fire Department Training and Exercise)	2978101	97.067	4	
Homeland Security Grant Program (UASI 15 Fire Department Planning)	2978001	97.067	(32)	
Homeland Security Grant Program (UASI 15 Crisis Consequence)	2977801	97.067	877	

See Notes to Schedule of Expenditures of Federal Awards

City of Arlington, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - Continued

September 30, 2018
(Amounts in thousands)

<u>Federal Grantor/Pass-through Granter/Program Title</u>	<u>Grant Award Number</u>	<u>Federal CFDA Number</u>	<u>Federal & State Expenditures</u>	<u>Pass-Through to Sub- Recipients</u>
Homeland Security Grant Program (UASI 15 Critical Infrastructure/ Key Resources)	2977701	97.067	\$ 14	
Homeland Security Grant Program (UASI 15 Law Enforcement Fusion)	2978501	97.067	66	
Homeland Security Grant Program (UASI 16 Management & Administration)	2978902	97.067	29	
Homeland Security Grant Program (UASI 16 Fire Planning)	2978002	97.067	80	
Homeland Security Grant Program (UASI 16 EOD Sustainment)	2944302	97.067	177	
Homeland Security Grant Program (UASI 16 Critical Infrastructure/ Key Resources)	2978302	97.067	5	
Homeland Security Grant Program (UASI 16 Hazardous Materials Sustainment)	2978202	97.067	18	
Homeland Security Grant Program (UASI 16 EOC and Command)	2977802	97.067	46	
Homeland Security Grant Program (UASI 16 Special Response Team)	2978402	97.067	170	
Homeland Security Grant Program (UASI 16 Law Enforcement Planning)	2978602	97.067	47	
Homeland Security Grant Program (UASI 16 Intelligence Sustainment)	2978502	97.067	74	
Homeland Security Grant Program (UASI 16 Tactical Sustainment)	2978702	97.067	414	
Homeland Security Grant Program (UASI 17 Special Response Team)	2978403	97.067	100	
Homeland Security Grant Program (UASI 17 EOD Sustainment)	2944303	97.067	53	
Homeland Security Grant Program (UASI 17 First Responder)	2977803	97.067	29	
Homeland Security Grant Program (UASI 17 Intelligence Sustainment)	2978503	97.067	61	
Homeland Security Grant Program (UASI 17 Management & Administration)	2978903	97.067	65	
Homeland Security Grant Program (UASI 17 Law Enforcement Planning)	2978603	97.067	169	
Homeland Security Grant Program (UASI 17 Fire Planning)	2978003	97.067	213	
Homeland Security Grant Program (UASI 17 Special Ops Sustainment)	2978203	97.067	3	
Homeland Security Grant Program (UASI 17 Tactical Sustainment)	2978703	97.067	111	
Homeland Security Grant Program (2015 SHSP - Ballistic Blankets)	3319001	97.067	<u>3</u>	
Total Homeland Security Cluster			<u>2,975</u>	
Pass-through Texas Department of Public Safety - Division of Emergency Management:				
Emergency Management Performance Grants (Emergency Management Assistance SLA-50)	06-TX-EMPG-004	97.042	51	
Emergency Management Performance Grants (Disaster Assistance Hurricane Harvey)	FEMA-4332-DR	97.042	(1)	
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Disaster Flood Relief)	FEMA-4223-DR	97.036	(19)	
Hazard Mitigation Grants (Hazard Mitigation Flood Relief)	DR-4223-052	97.039	<u>737</u>	
Total pass-through Texas Dept. of Public Safety-Division of Emergency Management			<u>3,743</u>	
Total Department of Homeland Security - Federal Emergency Management Agency			<u>3,750</u>	
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Pass-through Texas State Library and Archives Commission:				
Grants to States (Library Impact 1 2018)	475-18001	45.310	9	
Grants to States (Library Impact 2 2018)	475-18007	45.310	10	
Grants to States (Library Impact 3 2018)	475-18013	45.310	10	
Grants to States (Library Cooperation 2018)	479-18002	45.310	73	
Grants to States (Texas Reads 2018)	451-18002	45.310	4	
Grants to States (Interlibrary Loan Lending)	LS-00-17-0044-17	45.310	<u>2</u>	
Total Institute of Museum and Library Services			<u>108</u>	
DEPARTMENT OF TREASURY				
Asset Forfeiture - Equitable Sharing	None	21.016	<u>42</u>	
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$21,727</u>	<u>\$ 756</u>

See Notes to Schedule of Expenditures of Federal Awards

City of Arlington, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - Continued

September 30, 2018
(Amounts in thousands)

<u>Federal Grantor/Pass-through Granter/Program Title</u>	<u>Grant Award Number</u>	<u>Federal CFDA Number</u>	<u>Federal & State Expenditures</u>	<u>Pass-Through to Sub- Recipients</u>
STATE AWARDS				
TEXAS DEPARTMENT OF TRANSPORTATION:				
Routine Airport Maintenance Program 18	M1802ARLN	N/A	\$ 50	
Handitran Operating	51309010217	N/A	<u>342</u>	
			<u>392</u>	
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS				
Homeless Housing and Services Program 2018	63180002755	N/A	<u>209</u>	
OFFICE OF THE GOVERNOR - CRIMINAL JUSTICE DIVISION				
Pass-through City of North Richland Hills:				
Texas Anti-Gang	2848903	N/A	<u>5</u>	
TEXAS WORKFORCE COMMISSION				
Pass-through Workforce Solutions for Tarrant County				
Adult Education and Literacy 2017			<u>26</u>	
TEXAS DEPARTMENT OF PUBLIC SAFETY				
Tarrant County Auto Theft Task Force 2019	608-19-2200000	N/A	14	
Tarrant County Auto Theft Task Force 2018	608-18-2200000	N/A	<u>170</u>	
			<u>184</u>	
TOTAL EXPENDITURES OF STATE AWARDS			<u>816</u>	
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$22,543</u>	

See Notes to Schedule of Expenditures of Federal Awards

City of Arlington, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

September 30, 2018

(1) Basis of Accounting

The Schedule of Expenditures of Federal and State Awards (the "Schedule") is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *Uniform Grant Management Standards* (UGMS).

The City of Arlington, Texas (the "City") has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

(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. 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 the Uniform Guidance 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 and State Financial Reports

Grant expenditures reports as of September 30, 2018, 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) 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, 2018 was \$10,007. Two loans totaling \$94,456 were written off. There were no new loans receivable in the current year.

The City has outstanding loan commitments 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, 2018, the outstanding loans payable balance was as follows:

TWDB Series 2008 \$19,000,000.

TWDB Series 2018 \$11,445,000.

City of Arlington, Texas

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

September 30, 2018

(4) Outstanding Loans - Continued

The City has outstanding loan commitments 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, 2018, the outstanding loans payable balance was as follows:

TWDB Series 2010 \$8,330,000
TWDB Series 2014 \$2,730,000
TWDB Series 2016 \$1,870,000
TWDB Series 2017 \$4,520,000
TWDB Series 2018 \$4,650,000

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

Intergovernmental revenues per statement of revenues, expenditures, and changes in fund balances - governmental funds	\$20,345
Plus Texas Water Development Board Loan	6,295
Plus Forfeiture	100
Less intergovernmental awards from sources other than federal and state awards	<u>(4,197)</u>
Total expenditures per schedule of expenditures of federal and state awards	<u>\$22,543</u>

(6) 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, 2018

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? Yes
- 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 for all major programs except for Hazard Mitigation Grant Program, which was Qualified

Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the Uniform Guidance? Yes

State Awards

Internal controls over major programs:

- 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 section .510(a) of the State of Texas *Uniform Grant Management Standards*? No

City of Arlington, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

Year ended September 30, 2018

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:

14.239	HOME Investment Partnerships Program
97.039	Hazard Mitigation Grant Program
97.067	Homeland Security Grant Program
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Major State Program:

63180002755	Homeless Housing and Services Program
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Dollar threshold used to distinguish between type A and type B programs:	\$750,000 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, 2018

SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Finding #: 2018-001
CFDA Number: 97.039
Federal Title: Hazard Mitigation Grant Program
Federal Agency: U.S. Department of Homeland Security
Federal Award Number: DR-4223-052
Program Year: 2017 - 2018
Compliance Requirement: Reporting
Type of Finding: Material Weakness and Material Noncompliance

Criteria:

Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Per review of the Grant Terms and Conditions, the City is required to complete quarterly reports, which are due on April 15th, July 15th, October 15th and January 15th.

Condition:

We noted that there was a lack of appropriate and sufficient review and understanding of program requirements, which caused required reporting of financial performance to be filed late, or not filed at all. We noted that Q1 and Q2 reports were not submitted, and Q3 and Q4 reports were submitted after the stated due date.

Cause:

Program supervisors failed to provide appropriate and sufficient review of all aspects of the program terms and conditions to ensure compliance with program reporting requirements.

Effect:

Failure to timely and adequately report program expenditures could result in a failure to appropriately monitor program performance and outcomes, and tracking of progress of program costs by the City, which could result in the ultimate reduction of the award by the granting agency.

City of Arlington, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

Year ended September 30, 2018

Questioned Costs:

None.

Identification of a repeat finding:

This is not a repeat finding from the immediate previous audit.

Recommendation:

We recommend that program management have appropriate and sufficient controls in place to ensure the timely and accurate completion of required reporting of financial performance, that the required reports include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements. Additionally, we recommend that stronger internal controls be implemented to make certain a detailed supervisory review of program reports is performed prior to submission to the grantor.

View of Responsible Officials:

Public Works and Transportation concurs with the recommendations above. A detailed process will be documented to ensure appropriate and sufficient controls are in place for future awards.