

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

**City of Arlington, Texas**

September 30, 2015

## 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***

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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, 2015, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated February 29, 2016.

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

February 29, 2016



**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***

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

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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, 2015. 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, 2015 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 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 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, 2015.

### **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.

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  
February 29, 2016



**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***

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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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and our report thereon dated February 29, 2016 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  
February 29, 2016

**City of Arlington, Texas**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

September 30, 2015  
(Amounts in thousands)

<u>Federal Grantor/Pass-through Granter/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:			
CDBG - Entitlement Grants Cluster			
Comm Dev Block Grant - 38th year	B-12-MC-48-0008	14.218	\$ 8
Comm Dev Block Grant - 39th year	B-13-MC-48-0008	14.218	10
Comm Dev Block Grant - 40th year	B-14-MC-48-0008	14.218	1,965
Comm Dev Block Grant - 41st year	B-15-MC-48-0008	14.218	<u>404</u>
Total CDBG - Entitlement Grants Cluster			2,387
Emergency Solutions Grant 13	E-13-MC-48-0009	14.231	7
Emergency Solutions Grant 14	E-14-MC-48-0009	14.231	159
Emergency Solutions Grant 15	E-15-MC-48-0009	14.231	<u>54</u>
Total Emergency Solutions Grant Program			220
Home Investment Partnership 08	M-08-MC-48-0212	14.239	(4)
Home Investment Partnership 12	M-12-MC-48-0212	14.239	93
Home Investment Partnership 13	M-13-MC-48-0212	14.239	545
Home Investment Partnership 14	M-14-MC-48-0212	14.239	366
Home Investment Partnership 15	M-15-MC-48-0212	14.239	<u>129</u>
Total Home Investment Partnerships Program			<u>1,129</u>
Total Department of Housing and Urban Development			<u>3,736</u>
ENVIRONMENTAL PROTECTION AGENCY			
Direct Program:			
Brownfields Petroleum Assessment	BF-00F21601-0	66.818	63
Brownfields Hazardous Substances Assessment	BF-00F22201-0	66.818	<u>85</u>
Total Brownfields Grants			148
Pass-through Texas Water Development Board:			
Drinking Water Loan 2008	61442	66.468	236
Clean Water Loan 2010	72313	66.458	1,191
Clean Water Loan 2014	73679	66.458	<u>818</u>
Total Texas Water Development Board			<u>2,245</u>
Total Environmental Protection Agency			<u>2,393</u>

**City of Arlington, Texas**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - Continued

September 30, 2015  
(Amounts in thousands)

<u>Federal Grantor/Pass-through Granter/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	\$ 19
N Texas Anti-Trafficking Team 2013	2013-VT-BX-K003	16.320	<u>242</u>
Total Direct from the Department of Justice			261
Pass-through Office of the Governor - Criminal Justice Division:			
Family Violence Intervention and Prevention 15	WF-20362-07	16.588	<u>67</u>
Subtotal CFDA 16.588			67
Hispanic Outreach Counselor 15	VA-21071-06	16.575	66
Response Team Counselor 15	VA-19291-08	16.575	58
Response Team Counselor 16	VA-19291-09	16.575	8
Family Violence Intervention and Prevention 16	VA-20362-08	16.575	<u>6</u>
Subtotal CFDA 16.575			138
JAG Program Cluster			
Pass-through City of Fort Worth:			
Justice Assistance Grant 13	2013-DJ-BX-0364	16.738	123
Justice Assistance Grant 12	2012-DJ-BX-1036	16.738	<u>137</u>
Total JAG Program Cluster			260
Pass-through City of Dallas:			
Internet Crimes Against Children 13	2013-MC-FX-K036	16.543	<u>8</u>
Total Department of Justice			734
DEPARTMENT OF TRANSPORTATION			
Direct Program:			
Handitran - Capital/Capital Maintenance	TX-90-Y139	20.507	136
Handitran - Capital/Capital Maintenance	TX-90-Y138	20.507	574
Metro Arlington Express (MAX)	TX-90-Y139	20.507	<u>39</u>
Pass-through North Central Texas Council of Governments:			
Handitran - Operating/Capital	TRN2355	20.507	<u>655</u>
Subtotal CFDA 20.507			1,404
Direct Program:			
Commercial Motor Vehicle Safety 14	FM-MHP-0184-14-01-00	20.218	215
Commercial Motor Vehicle Safety 15	FM-MHP-0229-15-01-00	20.218	<u>13</u>
			228

**City of Arlington, Texas**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - Continued

September 30, 2015  
(Amounts in thousands)

<u>Federal Grantor/Pass-through Granter/Program Title</u>	<u>Grant Award Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Pass-through Texas Department of Transportation:			
STEP Comprehensive	585EGF6015	20.600	\$ 275
STEP Impaired Driving Mobilization	585EGF6381	20.616	15
			<u>    290</u>
Highway Planning and Construction Grants			
Arlington Bikeway-Citywide	CSJ0902-48-467	20.205	121
Signal Timing	CSJ0902-48-835 & 836	20.205	264
			<u>    385</u>
Pass-through North Central Texas Council of Governments:			
Freeway Incident Management Equipment	TRN2131	20.205	175
Total Highway Planning and Construction Grants			560
Airport Wildlife Assessment Airport Improvement Program	1202ARNGT	20.106	3
Airport Development Plan Airport Improvement Program	1402ARLNG	20.106	130
Subtotal CFDA 20.106			<u>    133</u>
Pass-through North Central Texas Council of Governments:			
MAX Pilot Project	TX-37-X106-00	20.516	315
Job Access/Reverse Commute (Ride 2 Work)	n/a	20.516	31
Subtotal CFDA 20.516			<u>    346</u>
Total Department of Transportation			2,961
DEPARTMENT OF HOMELAND SECURITY - FEDERAL EMERGENCY MANAGEMENT AGENCY			
Direct Program:			
Cooperating Technical Partners	2014-CA-K00273-S01	97.045	2
			<u>    2</u>
Homeland Security Cluster			
Pass-through Texas Department of Public Safety-Division of Emergency Management:			
Homeland Security Grant Program UASI 13	2013-SS-00045	97.067	1,992
Homeland Security Grant Program UASI 14	2014-SS-00029	97.067	1,461
Total Homeland Security Cluster			3,453
Emergency Management Assistance SLA-50	06-TX-EMPG-004	97.042	48
Total pass-through Texas Department of Public Safety- Division of Emergency Management			<u>    3,501</u>
Total Department of Homeland Security - Federal Emergency Management Agency			3,503

**City of Arlington, Texas**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - Continued

September 30, 2015  
(Amounts in thousands)

<u>Federal Grantor/Pass-through Granter/Program Title</u>	<u>Grant Award Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
Pass-through Texas State Library and Archives Commission:			
Library Impact 15	475-15002	45.310	\$ 10
Edge Implementation Reimbursement Program	421-15051	45.310	10
Interlibrary Loan Lending Reimbursement	715-15233	45.310	2
Library Cooperation 15	479-15002	45.310	46
Texas Reads 15	451-15001	45.310	<u>3</u>
Total Institute of Museum and Library Services			71
NATIONAL ENDOWMENT OF THE ARTS			
Arts Engagement in American Communities – Creative Aging	12-5900-7130	45.024	8
Arts Engagement in American Communities - Creative Writing	13-5900-7046	45.024	<u>7</u>
Total National Endowment of the Arts			<u>15</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$13,413</u>
<b>STATE AWARDS</b>			
TEXAS DEPARTMENT OF TRANSPORTATION:			
Routine Airport Maintenance Program 15	M1502ARLN		\$ 50
Handitran Operating	51502F7045		<u>225</u>
			275
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS			
Homeless Housing and Services Program 2015	63150002039		<u>189</u>
TEXAS DEPARTMENT OF PUBLIC SAFETY			
Tarrant County Auto Theft Task Force 2015	SA-T01-10065-15		149
Tarrant County Auto Theft Task Force 2016	608-16-2200000		<u>12</u>
			161
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY			
Pass-through North Central Texas Council of Governments:			
Compost Education/Bins	14-04-G11		<u>15</u>
			<u>15</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>640</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$14,053</u>

**City of Arlington, Texas**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

September 30, 2015

**(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, 2015, 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)	\$465,315
Emergency Shelter Grant (CFDA #14.231)	200,808
Home Investment Partnership (CFDA #14.239)	<u>27,000</u>
	<u>\$693,123</u>

**City of Arlington, Texas**

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

September 30, 2015

**(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, 2015 was \$127,177. 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, 2015, the outstanding loan payable balance was: TWDB Series 2008 \$24,515,000.

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, 2015, the outstanding loan payable balance was: TWDB Series 2010 \$10,415,000.

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, 2015, the outstanding loan payable balance was: TWDB Series 2014 \$3,255,000.

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

Intergovernmental revenues per statement of revenues, expenditures, and changes in fund balances - governmental funds	\$12,700
Plus Texas Water Development Board Loan	2,245
Less intergovernmental awards from sources other than federal and state awards	<u>(892)</u>
Total expenditures per schedule of expenditures of federal and state awards	<u>\$14,053</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, 2015

**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?	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 Circular A-133?	No

*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, 2015

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

Identification of major programs:

CFDA/Grant Number/State Identification Number                      Name of Federal and State Program or Cluster

**Major Federal Programs:**

66.458	Clean Water Loan
97.067	Homeland Security Grant Program
14.239	HOME Investment Partnerships Program
20.516	MAX Pilot Project/Job Access/Reverse Commute (Ride 2 Work)

**Major State Program:**

SA-T01-10065-15	Tarrant County Auto Theft Task Force
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Dollar threshold used to distinguish between type A and type B programs:	\$402,390 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.

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

The audit disclosed no findings required to be reported.

**City of Arlington, Texas**

**SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

Year ended September 30, 2015

**SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

**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.

**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

**City of Arlington, Texas**

SUMMARY OF PRIOR YEAR AUDIT FINDINGS - CONTINUED

Year ended September 30, 2015

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

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.

Status of Prior Year Corrective Action: Corrective action implemented in FY2015.