

# **City of El Paso, Texas**

Single Audit Reports

Year Ended August 31, 2015

**City of El Paso, Texas**  
**Year Ended August 31, 2015**

**Contents**

<b>Schedule of Expenditures of Federal and State Awards.....</b>	<b>1</b>
<b>Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> and the State of Texas <i>Uniform Grant Management Standards</i> .....</b>	<b>10</b>
<b>Report on Compliance for Each Major Federal and State Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 – Independent Auditor’s Report .....</b>	<b>12</b>
<b>Schedule of Findings and Questioned Costs.....</b>	<b>16</b>
<b>Summary Schedule of Prior Audit Findings.....</b>	<b>26</b>

**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended August 31, 2015**

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
Special Supplemental Nutrition Program for Women, Infants, and Children	U.S. Department of Agriculture/Texas Department of State Health Services	10.557	G4113AD0	\$ 1,443
			G4114AD	557,057
			G4115AD	4,018,258
			G4114BF	87,246
			G4114NE	155,860
			G4115NE	1,399,620
			G4115BF	<u>558,912</u>
			<u>6,778,396</u>	
	<b>Total U.S. Department of Agriculture</b>			<b><u>6,778,396</u></b>
Community Development Block Grants/Entitlement Grants	U.S. Department of Housing and Urban Development	14.218	Various	7,235,357
Emergency Solutions Grants Program	U.S. Department of Housing and Urban Development	14.231	Various	555,938
HOME Investment Partnerships Program	U.S. Department of Housing and Urban Development	14.239	Various	5,838,123
Housing Opportunities for Persons with AIDS	U.S. Department of Housing and Urban Development	14.241	Various	358,678
Empowerment Zones Program	U.S. Department of Housing and Urban Development	14.244	G71EZBOF	<u>466,988</u>
	<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>14,455,084</u></b>
Byrne JAG County Lead	U.S. Department of Justice	16.067	Various	219,318
Organized Crime Enforcement	U.S. Department of Justice	16.111	GF15OCDETF	31,175
Missing Children's Assistance	U.S. Department of Justice/Office of the Attorney General	16.543	GS1557024	11,853
Crime Victim Assistance	U.S. Department of Justice/Texas Office of the Attorney General	16.575	CJD2592802 CJD2592803	1,119 <u>111,542</u> 112,661
Edward Byrne Memorial Justice Assistance Grant Program	U.S. Department of Justice/County of El Paso & Texas Office of the Governor - Criminal Justice Division	16.738	GSCJD64901	11,099
	<b>Total U.S. Department of Justice</b>			<b><u>386,106</u></b>

**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended August 31, 2015**

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
Airport Improvement Program	U.S. Department of Transportation	20.106	Various	\$ 7,678,150
<i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction	U.S. Department of Transportation	20.205	Various	<u>330,200</u>
<i>Total Highway Planning and Construction Cluster</i>				<u>330,200</u>
<i>Federal Transit Cluster</i>				
Federal Transit – Capital Investment Grants	U.S. Department of Transportation	20.500	Various	3,210,516
Federal Transit – Formula Grants	U.S. Department of Transportation	20.507	Various	14,096,709
Bus and Bus Facilities Formula Program	U.S. Department of Transportation	20.526	Various	<u>537,329</u>
<i>Total Federal Transit Cluster</i>				<u>17,844,554</u>
Metropolitan Transportation Planning	U.S. Department of Transportation	20.505	Various	383,406
<i>Transit Services Programs Cluster</i>				
Enhanced Mobility for Seniors and Individuals with Disabilities	U.S. Department of Transportation	20.513	G531020140	37,379
Job Access and Reverse Commute Program	U.S. Department of Transportation	20.516	Various	1,131,578
New Freedom Program	U.S. Department of Transportation	20.521	Various	<u>352,450</u>
<i>Total Transit Services Programs Cluster</i>				<u>1,521,407</u>
Public Transportation Research, Technical Assistance, and Training	U.S. Department of Transportation	20.514	TX260017	22,089
Travel Demand Model	U.S. Department of Transportation/New Mexico Department of Transportation	20.515	G781504040	15,385
Clean Fuels	U.S. Department of Transportation	20.519	Various	46,632
<i>Highway Safety Cluster</i>				
Traffic Safety	Texas Department of Transportation	20.600	GS15STEP07 GSCIO515	<u>114,692</u> <u>2,796</u>
<i>Total Highway Safety Cluster</i>				<u>117,488</u>
National Infrastructure Investments	U.S. Department of Transportation	20.933	TX79003	392,396
<b>Total U.S. Department of Transportation</b>				<b><u>28,351,707</u></b>
Local Artist Workshops and Guggenheim Series	National Endowment on the Arts (NEA)	45.024	G15C454101 G5415A20	15,000 <u>20,000</u>
<b>Total National Endowment on the Arts (NEA)</b>				<b><u>35,000</u></b>

**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended August 31, 2015**

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
Museums for America	Institute of Museum and Library Services	45.301	MA04110136 G5415A20	\$ 9,733 <u>47,260</u>
	<b>Total Institute of Museum and Library Services</b>			<b><u>56,993</u></b>
Air Pollution Control Program Support	Environmental Protection Agency	66.001	G341418	(1,425)
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	Environmental Protection Agency/Texas Commission on Environmental Quality	66.034	G341421 G341521 G341621	(639) 52,981 <u>134</u> 52,476
Performance Partnership Grants	Environmental Protection Agency/Texas Commission on Environmental Quality	66.605	G341416 G341516 G341524 G341616 G341624 G341424	(1,305) 83,396 36,439 459 194 <u>(308)</u> <u>118,875</u>
	<b>Total Environmental Protection Agency</b>			<b><u>169,926</u></b>
Public Health Emergency Preparedness	Department of Health and Human Services/Texas Department of State Health Services	93.069	Various	852,326
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Department of Health and Human Services/Texas Department of State Health Services	93.116	G411402 G411502	188 <u>298,626</u> 298,814
Abstinence Education Program	Department of Health and Human Services	93.235	G411436 G411536	10,305 <u>136,709</u> 147,014
Drug-Free Communities Support Program	Department of Health and Human Services	93.276	G2112140	677
NACCHO Grant	National Association of County and City Health Officials	93.524	G201211120	6,103
National Bioterrorism Hospital Preparedness Program	Department of Health and Human Services	93.889	G411414	236
HIV Prevention Activities - Health Department Based	Department of Health and Human Services/Texas Department of State Health Services	93.940	G411420 G411520	(42) <u>160,222</u> 160,180

**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended August 31, 2015**

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
HIV Survey Fed	Department of State Health and Human Services	93.944	G411523	\$ 58,263
Maternal and Child Health Services Block Grant to the States	Department of Health and Human Services/Texas Department of State Health Services	93.994	G4109130 G4113130 G411413 G411513	20,131 2,371 4,045 <u>209,589</u> <u>236,136</u>
<b>Total U.S. Department of Health and Human Services</b>				<b><u>1,759,749</u></b>
Retired and Senior Volunteer Program	Corporation for National and Community Service/Texas Department of Aging and Disability Services	94.002	G7114RSDR G7115RSDR	57,853 <u>35,505</u> 93,358
<i>Foster Grandparent/Senior Companion Cluster</i>				
Foster Grandparent Program	Corporation for National and Community Service/Texas Department of Aging and Disability Services	94.011	G7110FGDR G7114FGDR G7115FGDR G7116FGDR	3,250 84,679 348,400 42,673
<i>Total Foster Grandparent/Senior Companion Cluster</i>				<u>479,002</u>
<b>Total Corporation for National and Community Service</b>				<b><u>572,360</u></b>
High Intensity Drug Trafficking Areas Program	Executive Office of the President	95.001	Various	<u>2,383,088</u>
<b>Total Executive Office of the President</b>				<b><u>2,383,088</u></b>
Emergency Management Performance Grants	U.S. Department of Homeland Security/ Texas Department of Public Safety	97.042	G2214010 G2215010	6,644 <u>288,696</u> 295,340
Homeland Security Grant Program	U.S. Department of Homeland Security	97.067	Various	1,856,569
National Explosives Detection Canine Team Program	U.S. Department of Homeland Security	97.072	G6298120 G629814 G629815 G629816	79 4,184 347,531 <u>2,374</u> 354,168
Staffing for Adequate Fire and Emergency Response	Department of Homeland Security	97.083	EMW2011FH5	836,741
Homeland Security Biowatch Program	Department of Homeland Security	97.091	G341419 G341519 G341619 G4113BIOWA G4114BW G4115BW	37,919 159,131 1,694 18,865 9,155 <u>7,531</u> <u>234,295</u>
<b>Total U.S. Department of Homeland Security</b>				<b><u>3,577,113</u></b>
<b>Total Federal Awards Expended</b>				<b><u>\$ 58,525,522</u></b>

**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended August 31, 2015**

Granting Agency/Grant Program	Grant or Identifying Number	Amount Expended
<b>Texas Department of State Health Services</b>		
Tuberculosis Prevention and Control	Various	\$ 369,168
Area Info Center	Various	246,856
Immunization - Locals	Various	<u>571,631</u>
<b>Total Texas Department of State Health Services</b>		<u>1,187,655</u>
<b>Texas Commission on the Arts</b>		
TCA ECA EPMA Exhibition Operational Support	Various	15,500
TCA Operation	G15C454102	14,000
TCA Sub Granting	G15C454106	28,000
TCA EPMA Education Program Support	Various	6,873
TCA CAD Cultural Program Support	G15C454104	750
TCA CAD Program Support	Various	6,750
Animating the Kress Collection	G14A454106	<u>19,564</u>
		<u>91,437</u>
<b>Total Texas Commission on the Arts</b>		<u>91,437</u>
<b>Texas Department of Housing and Community Affairs</b>		
Homeless Housing and Services Program (HHSP)	G71HHSPGR4	119,825
Homeless Housing and Services Program (HHSP) 5th Round	G71HHSPGR5	<u>439,060</u>
		<u>558,885</u>
<b>Total Department of Housing and Community Affairs</b>		<u>558,885</u>

**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended August 31, 2015**

Granting Agency/Grant Program	Grant or Identifying Number	Amount Expended
<b>Humanities Texas</b>		
HTX EPMH Education Program Support	G20134438	\$ (132)
<b>Texas Juvenile Justice Department</b>		
Juvenile Diversion Program	G2012_0176	457
<b>Texas Government Code 434.01 Veterans Assistance Commission</b>		
Veterans Court Program	GSVET15	25,477
<b>Texas Auto Burglary and Theft Prevention Authority</b>		
Auto Burglary and Theft Prevention Program	Various	1,234,194
<b>Texas Department of Public Safety</b>		
Local Border Security Program	Various	387,237
<b>U.S. Marshals Services</b>		
Lone Star Fugitive Task Force	GFJLEOFY14	23,222
<b>El Paso County</b>		
Juvenile Offender	G15MUNTJPD	46,806
<b>Texas Commission on Environmental Quality</b>		
Bike Share Program	5821111176	271,660
Air Quality Program	G582144047	154,048
Local Air Program	Various	276,724
Texas Natural Gas Vehicle Grant Program	GS34CL0001	<u>150,000</u>
<b>Total Texas Commission on Environmental Quality</b>		<u>852,432</u>
<b>TXDOT</b>		
Operation	CIOT00018	(2,244)



**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended August 31, 2015**

Granting Agency/Grant Program	Grant or Identifying Number	Amount Expended
<b>Department of State Health Services (DSHS)</b>		
HIV Screening	Various	\$ 399,923
HIV Survey – Fed	G411423	837
IDCU/Foodborne Assoc Infection	G7115FGAT	67,222
RLSS-LPHS-DSHS	Various	154,240
Zoonosis Control-Sterilization	GS34AS0002	170,024
Infectious Disease Control	G411516	4,737
		<u>796,983</u>
<b>Total Department of State Health Services (DSHS)</b>		<u>796,983</u>
<b>Corporation for National &amp; Community Service (CNCS)</b>		
Foster Grandparents	G7114FGAT	4,774
<b>United States Department of Justice</b>		
Juvenile Justice and Delinquency Prevention	OAG1450394	<u>(11)</u>
<b>Texas Department of Aging and Disability Services</b>		
Retired and Senior Volunteer Program	Various	<u>48,580</u>
<b>Total State Awards Expended</b>		<u>5,255,752</u>
<b>Total Federal and State Awards Expended</b>		<u>\$ 63,781,274</u>

**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended August 31, 2015**

**Notes to Schedule**

1. The accompanying schedules of expenditures of federal and state awards include the federal and state award activity of the City of El Paso, Texas (City) under programs of the federal and state government for the year ended August 31, 2015. The information in these schedules are presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas *Uniform Grant Management Standards* issued by the Governor's Office of Budget and Planning. Because the schedules present only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.
2. Expenditures reported on the schedules of expenditures of federal and state awards are reported on the accrual basis of accounting. Federal expenditures are recognized following, as applicable, either the cost principles in OMB A-87, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.
3. Of the federal and state expenditures presented in this schedule, the City provided federal and state awards to subrecipients as follows:

<b>Program</b>	<b>CFDA Number</b>	<b>Subrecipient</b>	<b>Amount Provided</b>
<b>Federal Subrecipient Awards</b>			
<i>CDBG – Entitlement Grants Cluster</i>			
Community Development Block			
Grants/Entitlement Grants	14.218	Various	\$ 1,197,730
Emergency Shelter Grants Program	14.231	Various	512,469
Housing Opportunities for		International	
Persons with AIDS	14.241	AIDS Empowerment	347,593
Empowerment Zones Program	14.244	Various	<u>301,048</u>
<b>Total Federal Subrecipient Awards</b>			<u><u>\$ 2,358,840</u></u>

**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended August 31, 2015**

Program	CFDA Number	Subrecipient	Amount Provided
<b>State Subrecipient Awards</b>			
Homeless Housing and Services Program (HHSP)	N/A	Various	\$ 538,647
<b>Total State Subrecipient Awards</b>			<u>\$ 538,647</u>

4. The City administers federal loan programs. These programs are initiated with a grant of federal funds and are sustained after the original money is distributed in loans by using principal payments for subsequent loans to qualified borrowers. The interest received is considered to be program income and is used to pay administrative costs associated with the programs as well as for subsequent loans. As of August 31, 2015, outstanding principal balances of these loans were as follows:

Federal Grantor/Program Title	CFDA Number	Loans Receivable Principal
Department of Housing and Urban Development:		
Community Development Block Grants/Entitlement Grants	14.218	\$ 9,348,561
HOME Investment Partnerships Program	14.239	33,663,543
Empowerment Zones Program	14.244	<u>1,242,671</u>
Total revolving loans		<u>\$ 44,254,775</u>

5. During fiscal year ended August 31, 1992, the City received a \$3,000,000 federal loan for construction work on the International Zaragoza Bridge. The balance of the loan at August 31, 2015 is \$650,000.
6. The accompanying schedule reflects certain adjustments resulting from fiscal adjustments to closed grants and transfers between grants. As a result, certain grants show negative expenditures.
7. Federal and state financial assistance programs are reported in the City's financial statements primarily in the Community Development Block Grants and Nonmajor Governmental Funds. Certain programs are included in the enterprise funds, of which certain grants are reported as capital contributions in the Income (Loss) Before Capital Contributions and Transfers section of the Statement of Revenues, Expenses, and Changes in Fund Net Assets (Deficit) Proprietary Funds.

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based on an  
Audit of the Financial Statements Performed in Accordance with  
Government Auditing Standards and the State of Texas Uniform Grant  
Management Standards**

The Honorable Mayor and Members of the City Council  
City of El Paso, Texas  
El Paso, 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 and the State of Texas *Uniform Grant Management Standards*, issued by the Governor's Office of Budget and Planning, 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 El Paso, Texas (the City), as of and for the year ended August 31, 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 March 30, 2016, which contained an Emphasis of Matter paragraph regarding a change in accounting principle. Our report includes a reference to other auditors who audited the financial statements of the El Paso Water Utilities, a discretely presented component unit of the City, and the El Paso City Employees' Pension Fund, a fiduciary fund included within the aggregate remaining fund information, as described in our report on the City's financial statements. This report does not include the results of the other auditor's 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 El Paso Firemen and Policemen's Pension Fund, a component unit included in the financial statements of the aggregate discretely presented component units, were not audited in accordance *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards*.

***Internal Control Over Financial Reporting***

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the City's internal control to determine the 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 the City's 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 and therefore, material weakness or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency in internal control.

#### ***Compliance and Other Matters***

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

#### ***The City's Response to Findings***

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we reported to the City's management in a separate letter dated March 30, 2016.

#### ***Purpose of this Report***

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* and the State of Texas *Uniform Grant Management Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Dallas, Texas  
March 30, 2016

**Report on Compliance for Each Major Federal and  
State Program; Report on Internal Control Over Compliance; and  
Report on Schedule of Expenditures of Federal Awards Required by  
OMB Circular A-133**

**Independent Auditor's Report**

The Honorable Mayor and Members of the City Council  
City of El Paso, Texas  
El Paso, Texas

**Report on Compliance for Each Major Federal and State Program**

We have audited the City of El Paso, Texas's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 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.

The City's basic financial statements include operations of the Public Service Board – El Paso Water Utilities (EPWU), a discretely presented component unit of the City, which received less than \$500,000 in federal awards for the year ended February 28, 2015, which are not included in the schedule during the year ended August 31, 2015. Our audit, described below, did not include the operations of the EPWU because the component unit did not require an audit in accordance with OMB Circular A-133.

***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas *Uniform Grant Management Standards*. Those standards, OMB Circular A-133 and the State of Texas *Uniform Grant Management Standards* 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 on the City's compliance.

### ***Basis for Qualified Opinion on HOME Investment Partnerships (HOME) Program***

As described in item 2015-003 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding Special Tests and Provisions – Housing Quality Standards for its HOME program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

### ***Qualified Opinion on HOME Investment Partnerships (HOME) Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion 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 HOME for the year ended August 31, 2015.

### ***Unmodified Opinion on Each of the Other Major Federal and State Program***

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its 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 August 31, 2015.

### ***Other Matters***

The City's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the 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 requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 *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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, there can be no assurance that all material weaknesses or significant deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-002 to be a significant deficiency.

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the 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 *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.



***Report on Schedule of Expenditures of Federal and State Awards***

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of El Paso, Texas as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 30, 2016, which contained an unmodified opinion on those financial statements, an Emphasis of Matter paragraph regarding a change in accounting principle, and a reference to the reports of other auditors. 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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the State of Texas *Uniform Grant Management Standards*, and is not a required part of the basic financial statements. Such 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 financial statements and certain additional procedures, including comparing and reconciling such 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.

**BKD, LLP**

Dallas, Texas  
April 21, 2016

**City of El Paso, Texas**  
**Schedule of Findings and Questioned Costs**  
**Year Ended August 31, 2015**

**Summary of Auditor's Results**

1. The opinions expressed in the independent auditor's report were:  
 Unmodified       Qualified       Adverse       Disclaimer
  
2. The independent auditor's report on internal control over financial reporting disclosed:  

Significant deficiency(ies)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None reported
Material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
  
3. Noncompliance considered material to the financial statements was disclosed by the audit?  
 Yes       No

**Federal Awards**

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:  

Significant deficiency(ies)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None reported
Material weakness(es)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
  
5. The opinions expressed in the independent auditor's report on compliance for major federal awards were:  

<input checked="" type="checkbox"/> Unmodified	<input checked="" type="checkbox"/> Qualified	<input type="checkbox"/> Adverse	<input type="checkbox"/> Disclaimer
WIC – 10.557; Airport Improvement Program – 20.106; HIDTA – 95.001	Home Investment Partnerships Programs – 14.239		
  
6. The audit disclosed findings required to be reported by OMB Circular A-133?  
 Yes       No

**City of El Paso, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2015**

7. The City's major federal programs were:

Cluster/Program	CFDA Number
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557
Home Investment Partnerships Program	14.239
Airport Improvement Program	20.106
High Intensity Drug Trafficking Areas Program	95.001

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$1,755,766.

9. The City qualified as a low-risk auditee as that term is defined in OMB Circular A-133?  Yes  No

**State Awards**

10. The independent auditor's report on internal control over compliance for major state awards programs disclosed:

Significant deficiency(ies)?  Yes  None reported

Material weakness(es)?  Yes  No

11. The opinions expressed in the independent auditor's report on compliance for major state awards were:

Unmodified  Qualified  Adverse  Disclaimer

12. The audit disclosed findings required to be reported by the State of Texas *Uniform Grant Management Standards*:  Yes  No

**City of El Paso, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2015**

13. The City's major state programs were:

**Cluster/Program**

---

Auto Burglary and Theft Prevention Program  
Local Border Security Program

14. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the State of Texas *Uniform Grants Management Standards* was \$300,000.
15. The City qualified as a low-risk auditee as that term is defined in the State of Texas *Uniform Grant Management Standards*?  Yes  No

**City of El Paso, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2015**

***Findings Required to be Reported by Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>
2015-001	<p><b><i>Criteria or Specific Requirement:</i></b>  Management is responsible for the timely preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP.)</p> <p><b><i>Condition</i></b>  The City's year-end closing procedures were not adequately performed.</p> <p><b><i>Context</i></b>  Year-end closing procedures were not adequately performed which resulted in initial errors in year-end balances and required several audit adjustments and delayed audit issuance.</p> <p><b><i>Effect</i></b>  Significant adjustments to numerous accounts were necessary in order to correct the financial statements, which delayed audit issuance.</p> <p><b><i>Cause</i></b>  Internal controls and review processes were not in place or were not followed to ensure all year-end close related activity was completed timely.</p> <p><b><i>Recommendation</i></b>  We suggest that the City develop an accounting policies and procedures manual that indicates all items to be completed during the year-end close and the individuals responsible for each item. In addition, monthly reconciliations play a key role in proving the accuracy of accounting data and information included in interim financial statements. In order to provide more accurate and timely accounting information, we recommend the City establish a more effective review and reconciliation policies. This would involve monthly reconciliations of general ledger accounts and providing interim reports to both management and the City Council throughout the year.</p> <p><b><i>Views of Responsible Officials and Planned Corrective Actions</i></b>  Agree.</p> <p><b><i>Corrective Action Planned</i></b>  The City acknowledges the difficulty in the closing process for FY15. Year-end procedures are being developed and will include staff assignments for the fiscal close.</p>

**City of El Paso, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2015**

Reference Number	Finding	Questioned Costs
2015-001 (Continued)	<p><b><i>Corrective Action Planned (Continued)</i></b></p> <p>The City has initiated a monthly review of the general ledger accounts by fund to ensure the financial records are prepared for the financial audit, and reconciliations are being completed as necessary. City Management and the Council are currently receiving interim reports including monthly financial reports and quarterly budget reports. Staff turnover has contributed to the problem of year-end closing. In response to staff turnover, the City has restructured the accounting department and has added another Accountant to help with the workload.</p> <p><b><i>Contact Person Responsible for Corrective Action:</i></b>  Pat Degman, Comptroller</p> <p><b><i>Anticipated Completion Date:</i></b>  August 31, 2016</p>	

**City of El Paso, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2015**

***Findings Required to be Reported by OMB Circular A-133***

Reference Number	Finding	Questioned Costs
2015-002	<p><b><i>Federal Program:</i></b> Home Investment Partnerships Program  <b><i>CFDA No.:</i></b> 14.239  <b><i>Agency:</i></b> Department of Housing and Urban Development (HUD)  <b><i>Federal Compliance Requirement:</i></b> Eligibility  <b><i>Finding Type:</i></b> Significant deficiency in internal control over compliance for major program</p> <p><b><i>Criteria or Specific Requirement:</i></b>            In accordance with the OMB 2015 Compliance Supplement, City management is required to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. HOME-assisted units in a rental housing project must be occupied only by households that are eligible as low-income families and must meet certain limits on the rents that can be charged.</p> <p><b><i>Condition</i></b>            The City’s internal controls and policies established surrounding HOME-assisted rental housing projects tenant eligibly require the City to monitor HOME-assisted properties to ensure that they comply with the HOME eligibly requirements that apply throughout the period of affordability. Of the eight housing projects selected for testing, the City did not verify eligibility information for three housing projects within the past fiscal year. In addition, the City did not maintain and was unable to provide the tenant application files for one housing project, and therefore we were unable to verify the tenants’ eligibility and rent being charged to the tenant.</p> <p><b><i>Context</i></b>            The City is responsible for Federal compliance for the eligibility determination, as HOME benefits are paid by the City. Moreover, the City shows the benefits paid as Federal awards expended on the City’s Schedule of Expenditures of Federal Awards. Therefore, the City is responsible for meeting the internal control and compliance audit objectives for eligibility.</p> <p><b><i>Effect</i></b>            Subsequent review of the housing projects tenant files determined the tenants to be eligible in accordance with the compliance requirements of HOME. In addition, grant personnel performed the required eligibility determinations and that all individuals were determined to be eligible in accordance with the compliance requirements of HOME.</p>	None

**City of El Paso, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2015**

Reference Number	Finding	Questioned Costs
2015-002 (Continued)	<p><b><i>Cause</i></b>            The City’s internal controls and review processes did not operate timely to ensure all HOME-assisted properties comply with the HOME eligibly requirements that apply throughout the period of affordability.</p> <p><b><i>Recommendation</i></b>            Management should review its current internal control policies and procedures to ensure that HOME-assisted rental housing projects requirements are monitored in accordance with the HOME eligibly requirements that apply throughout the period of affordability</p> <p><b><i>Views of Responsible Officials and Planned Corrective Actions</i></b>            Agree.</p> <p><b><i>Corrective Action Planned</i></b>            The City agrees that internal controls over compliance were not operating effectively. The City’s HOME Program will develop and enforce compliance reviews to ensure rent monitoring is conducted annually.</p> <p><b><i>Contact Person Responsible for Corrective Action:</i></b>            Verónica R. Soto, Community Development Director</p> <p><b><i>Anticipated Completion Date:</i></b>            August 31, 2016</p>	



**City of El Paso, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2015**

Reference Number	Finding	Questioned Costs
2015-003	<p><b>Federal Program:</b> Home Investment Partnerships Program  <b>CFDA No.:</b> 14.239  <b>Agency:</b> Department of Housing and Urban Development (HUD)  <b>Federal Compliance Requirement:</b> Special Tests and Provisions –  Housing Quality Standards  <b>Finding Type:</b> Noncompliance having a direct and material effect on  a major program and material weakness in internal control over  compliance for major program</p> <p><b>Criteria or Specific Requirement:</b>  The <i>Code of Federal Regulations</i> (24 CFR sections 92.209(i),  92.251(f), and 92.504(d)) requires that during the period of  affordability for HOME assisted rental housing, the participating  jurisdiction (<i>i.e.</i>, the City) must perform on-site inspections of  HOME assisted rental housing to determine compliance with the  property standards of §92.251 and to verify the information  submitted by the owners in accordance with the requirements of  §92.252. The on-site inspections must occur within 12 months  after project completion and at least once every three years  thereafter during the period of affordability.</p> <p><b>Condition</b>  Of the nine housing projects selected for testing, the City did not  perform inspections of units as required on four housing projects  during fiscal year 2015. In addition, the City did not have adequate  internal controls or procedures in place to ensure compliance  relating to housing quality standards. Audit procedures performed  to ensure the propriety of the City’s Housing Quality Standards  inspection tracking document revealed multiple instances in which  the tracking spreadsheet did not project the correct “Next  Inspection Due” date.</p> <p><b>Context</b>  The City is responsible for meeting the federal internal control and  compliance audit objectives for housing quality standards.</p> <p><b>Effect</b>  HOME did not meet the required compliance requirement relating  to housing quality standards. Failure to ensure the propriety of the  housing quality standards inspection document could result in  nonperformance of the required inspections, and failure to ensure  the required inspections are performed could result in violations of  housing quality standards.</p>	

**City of El Paso, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2015**

Reference Number	Finding	Questioned Costs
2015-003 (Continued)	<p><b><i>Cause</i></b>            The City's did not have adequate controls and procedures in place to ensure the required housing quality inspections were performed at least once every three years.</p> <p><b><i>Recommendation</i></b>            Management should review its current internal control procedures to ensure the housing quality standards inspection document is properly prepared and that housing quality standards inspections are conducted in compliance with federal regulations for the HOME Investment Partnerships Program.</p> <p><b><i>Views of Responsible Officials and Planned Corrective Actions</i></b>            Agree.</p> <p><b><i>Corrective Action Planned:</i></b>            The City agrees that housing quality standards inspections were not completed timely nor documented fully. The HOME Program has developed a compliance review plan which is currently in use to ensure inspections are conducted as required.</p> <p><b><i>Contact Person Responsible for Corrective Action:</i></b>            Verónica Soto, Community Development Director</p> <p><b><i>Anticipated Completion Date:</i></b>            August 31, 2016</p>	

**City of El Paso, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2015**

***Findings Required to be Reported by the State of Texas Uniform Grant Management Standards***

No matters are reportable.

**City of El Paso, Texas**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended August 31, 2015**

***Findings Required to be Reported by Government Auditing Standards***

Reference Number	Finding	Status
2014-001	<p><b><i>Criteria or Specific Requirement:</i></b>  Management is responsible for establishing and maintaining effective internal controls over the Schedule of Expenditures of Federal Awards (SEFA) and Schedule of Expenditures of State Awards (SESA).</p> <p><b><i>Condition</i></b>  The SEFA and SESA contained numerous errors including misclassifications between federal and state programs, instances of the grant match being incorrectly included on the SEFA and SESA schedules, and instances where the total amount of grant expenditures were incorrectly reported.</p> <p><b><i>Context</i></b>  An accurate SEFA and SESA is critical to determining proper major programs and to ensure that the proper ending balances are reported on its annual audited financial statements and year-end SEFA and SESA schedules.</p> <p><b><i>Effect</i></b>  The City’s SEFA and SESA could be reporting inaccurate federal and state expenditures. In addition, the schedules may be incomplete due to incorrectly reported awards. An inaccurate SEFA and/or SESA could result in major programs not being properly tested each year. In addition, these circumstances caused significant delays in the audit timing and made the process exceptionally costly.</p> <p><b><i>Cause</i></b>  The City’s controls regarding the preparation, review and approval of the SEFA and SESA did not operate timely. In addition, there was an overall lack of understanding in the area of grant accounting on the part of the current accounting staff.</p>	Resolved

**City of El Paso, Texas**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**Year Ended August 31, 2015**

Reference Number	Finding	Status
2014-001 (Continued)	<p><b><i>Recommendation</i></b></p> <p>We recommend the year-end SEFA and SESA be reviewed and approved prior to submitting to the independent auditor. We also recommend that the City maintain a current summary schedule of its grants, which should include the amount, term, dates of receipt, reporting requirements, any restrictions, and other pertinent information, so that SEFA and SESA are kept up to date year round, and not just reconciled at year-end. We also suggest that personnel receive training on the preparation of the SEFA and SESA. This training will lead to employees who are more efficient, effective, and communicative with regard to accounting and financial matters.</p> <p><b><i>Views of Responsible Officials and Planned Corrective Actions</i></b>            Agree.</p> <p><b><i>Corrective Action Planned:</i></b>            The Grant Management Staff have implemented an internal process to reconcile Grant Expenditure, Grant Match and Grant Program Income as part of the monthly close process to be performed in the normal course of the financial statement process. We are also implementing a change to the GASB34 Spreadsheet to include items which will assist in reconciling the Financials, General Ledger and SEFA schedule on a monthly basis. We are implementing internal processes which include, standardizing the grant numeration and naming process and meeting with each department utilizing grant funds for internal training and review procedures. Our plan is to get formal training for all City grants staff from BKD relating specifically to the Single Audit and the importance of timely and accurate reports prior to year end.</p> <p><b><i>Contact Person Responsible for Corrective Action:</i></b>            Elizabeth Briones, Grants Accounting Manager            Charles Lino, CPA, Financial Reporting Coordinator</p> <p><b><i>Anticipated Completion Date:</i></b>            July 20, 2015</p>	

**City of El Paso, Texas**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**Year Ended August 31, 2015**

***Findings Required to be Reported by OMB Circular A-133***

Reference Number	Finding	Status
2014-002	<u>Clean Fuels</u> <u>CFDA No. 20.519</u> <u>Department of Transportation</u> <u>Allowable Costs/Cost Principles</u>	Resolved

***Criteria or Specific Requirement:***

Pursuant to the FTA C 5010.1D and the grant agreement, to be allowable costs under a grant program, costs must be net of all applicable credits.

***Condition***

Out of 25 expenditures selected for testing, 5 were identified as not being net of all applicable credits. It was further determined that the credits were being taken to another federal program.

***Context***

Expenditures were not net of all applicable credits in accordance with federal requirements.

***Effect***

Expenditures are not allowable costs pursuant to the FTA C 5010.1D and the grant agreement and therefore are considered questioned costs.

***Cause***

City staff lacked sufficient training and instruction regarding the administration of this grant.

**City of El Paso, Texas**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**Year Ended August 31, 2015**

Reference Number	Finding	Status
2014-002 (Continued)	<p><b><i>Recommendation</i></b></p> <p>The City should develop and implement policies and procedures to ensure credits are being applied to the corresponding grant where the expenditure was incurred.</p> <p><b><i>Views of Responsible Officials and Planned Corrective Actions</i></b></p> <p>Agree.</p> <p><b><i>Corrective Action Planned:</i></b></p> <p>Sun Metro in conjunction with appropriate Grant Development Services' staff will update and implement appropriate policies and procedures to ensure compliance with FTA C 5010.1D specifically in regards to grant expenditures being net of all applicable credits. Sun Metro will also ensure all grant related personnel is aware of updated PnP.</p> <p><b><i>Contact Person Responsible for Corrective Action:</i></b></p> <p>Raul Escobedo, AD-Finance, Mass Transit Dept.</p> <p><b><i>Anticipated Completion Date:</i></b></p> <p>July 12, 2015</p>	

**City of El Paso, Texas**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**Year Ended August 31, 2015**

Reference Number	Finding	Status
2014-003	<u>Clean Fuels</u> <u>CFDA No. 20.519</u> <u>Department of Transportation</u> <u>Allowable Costs/Cost Principles</u>	Resolved

***Criteria or Specific Requirement:***

Pursuant to the grant agreement, eligible activities consists of purchasing or leasing clean fuels buses, construction or leasing clean fuel bus facilities, and projects relating to clean fuel buses that exhibit equivalent or superior emission reductions to existing clean fuel or hybrid electric technologies. Funds made available under this program cannot be used to fund operating expenses or preventative maintenance.

***Condition***

The City transferred expenditures that were incurred several years ago by another federal program to Clean Fuels during fiscal year 2014. The transfer of these expenditures are not allowable costs as these expenditures were related to maintenance, training, and fire suppression and methane detection system components and installation for passenger buses purchased several years prior.

***Context***

Allowable costs conforming with the allowability of cost provisions of applicable cost principles, or limitations or exclusions in the program agreement, program regulations or program statute were required to meet grant requirements.

***Effect***

Expenditures are not allowable costs pursuant to the grant agreement and therefore are considered questioned costs.

***Cause***

City staff lacked sufficient training and instruction regarding the administration of this grant.



**City of El Paso, Texas**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**Year Ended August 31, 2015**

Reference Number	Finding	Status
2014-003 (Continued)	<p><b><i>Recommendation</i></b>  The City should develop and implement policies and procedures to ensure expenditures are being charged to the appropriate grant.</p> <p><b><i>Views of Responsible Officials and Planned Corrective Actions</i></b>  Agree.</p> <p><b><i>Corrective Action Planned:</i></b>  Sun Metro in conjunction with appropriate Grant Development Services' staff will update and implement appropriate policies and procedures to ensure compliance with finding in regards to ensuring eligible expenditures are being charged to the appropriate grant. Sun Metro will also ensure all grant related personnel is aware of updated PnP.</p> <p><b><i>Contact Person Responsible for Corrective Action:</i></b>  Raul Escobedo, AD-Finance, Mass Transit Department</p> <p><b><i>Anticipated Completion Date:</i></b>  July 12, 2015</p>	

**City of El Paso, Texas**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**Year Ended August 31, 2015**

Reference Number	Finding	Status
2014-004	<u>Airport Improvement Program</u> <u>CFDA No. 20.106</u> <u>Department of Transportation</u> <u>Matching</u>	Resolved

***Criteria or Specific Requirement:***

Pursuant to the grant agreement, the Federal Aviation Administration agrees to pay 90% of the allowable costs incurred by the City, thus leaving a 10% matching requirement.

***Condition***

Out of 10 reimbursement requests selected for testing, 1 requested 100% reimbursement.

***Context***

A 10% matching requirement is required under the grant agreement.

***Effect***

The requirements of the grant agreement were not met.

***Cause***

The City did not have adequate controls or procedures in place to ensure matching requirements were being met in accordance with the grant agreement.

**City of El Paso, Texas**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**Year Ended August 31, 2015**

Reference Number	Finding	Status
2014-004 (Continued)	<p><b><i>Recommendation</i></b>            The City should develop and implement policies and procedures to ensure matching requirements are being met on reimbursement requests.</p> <p><b><i>Views of Responsible Officials and Planned Corrective Actions</i></b>            Agree.</p> <p><b><i>Corrective Action Planned:</i></b>            The El Paso International Airport Accounting and Planning and Development management team will implement additional review and monitoring processes and procedures to ensure compliance with the mandated 90/10 matching requirement on Airport Improvement Program grants and to ensure grant expenditures are properly reviewed and approved.</p> <p><b><i>Contact Person Responsible for Corrective Action:</i></b>            Cesar L. Martinez, Administrative Services Manager</p> <p><b><i>Anticipated Completion Date:</i></b>            June 1, 2015</p>	

**City of El Paso, Texas**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**Year Ended August 31, 2015**

Reference Number	Finding	Status
2014-005	<u>Airport Improvement Program</u> <u>CFDA No. 20.106</u> <u>Department of Transportation</u> <u>Reporting</u>	Resolved

***Criteria or Specific Requirement:***

Pursuant to the grant agreement and the OMB Circular A-133 Compliance Supplement for the Airport Improvement Program, the City is required to file the following financial reports:

- SF-270, *Request for Advance or Reimbursement* or SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* – due quarterly
- SF-425, *Federal Financial Report* – due quarterly
- FAA Form 5100-127, *Operating and Financial Summary* (OMB No. 2120-0557) – due annually
- FAA Form 5100-126, *Financial Government Payment Report* (OMB No. 2120-0557) – due annually

***Condition***

The City did not timely file 9 out of 10 required financial reports applicable to the Airport Improvement Program for the fiscal year ended August 31, 2014.

***Context***

The quarterly reports listed above are required to be submitted no later than January 15, April 15, July 15, and October 15 and the annual reports are required to be submitted within 120 days of the airport’s fiscal year end.

***Effect***

The reporting requirements of the grant agreement and OMB Circular A-133 Compliance Supplement were not followed.

***Cause***

The City did not have adequate controls or procedures in place to identify the applicable reporting requirement and ensure the reports were filed accurately and timely.

**City of El Paso, Texas**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**Year Ended August 31, 2015**

Reference Number	Finding	Status
2014-005 (Continued)	<p><b><i>Recommendation</i></b></p> <p>It is recommended that the City institute policies and procedures that stipulate the required reports must be filed by their respective due dates and ensure future completion is within the specified timeline as required by the grant agreement and OMB Circular A-133 Compliance Supplement.</p> <p><b><i>Views of Responsible Officials and Planned Corrective Actions</i></b></p> <p>Agree.</p> <p><b><i>Corrective Action Planned:</i></b></p> <p>During the time period in the testing range, management filled positions which were previously vacant within the accounting area and began the process of training the individual responsible for submitting the quarterly SF-425 reports. While the report submitted included multiple quarters, the reporting did not properly reflect the reporting requirements and this has been noted by management. Additional training will be provided to the responsible individual to ensure the quarterly reports are properly submitted.</p> <p>In addition, the El Paso International Airport has received an extension to submit all required reports under the Airport Improvement Program to the Federal Aviation Administration by May 15, 2015. Management will submit all required reports no later than this extended deadline.</p> <p><b><i>Contact Person Responsible for Corrective Action:</i></b></p> <p>Cesar L. Martinez, Administrative Services Manager</p> <p><b><i>Anticipated Completion Date:</i></b></p> <p>June 1, 2015</p>	

**City of El Paso, Texas**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**Year Ended August 31, 2015**

***Findings Required to be Reported by the State of Texas Uniform Grant Management Standards***

<b>Reference Number</b>	<b>Finding</b>	<b>Status</b>
No matters are reportable.		