

# **City of El Paso, Texas**

Single Audit Reports

Year Ended August 31, 2014

**City of El Paso, Texas**  
**Year Ended August 31, 2014**

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**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended August 31, 2014**

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
Farmers' Market Promotion Program	U.S. Department of Agriculture	10.168	G12251639G	\$ 37,106
Special Supplemental Nutrition Program for Women, Infants, and Children	U.S. Department of Agriculture/Texas Department of State Health Services	10.557	G4113AD0 G4113BF0 G4113NE0 G4114AD G4114BF G4114NE G4115AD	305,727 62,085 98,564 4,241,504 590,550 1,385,791 <u>3,566</u> <u>6,687,787</u>
	<b>Total U.S. Department of Agriculture</b>			<b><u>6,724,893</u></b>
Trade Adjustment Assistance for Firms	Department of Commerce National Telecommunications and Information Administration	11.313	G72CAIP0	423,365
Broadband Technology Opportunities Program	Department of Commerce National Telecommunications and Information Administration	11.557	4842B10570	<u>40,940</u>
	<b>Total Department of Commerce</b>			<b><u>464,305</u></b>
<i>CDBG - Entitlement Grants Cluster</i> Community Development Block Grants/Entitlement Grants	U.S. Department of Housing and Urban Development	14.218	Various	<u>9,026,805</u>
	<i>Total CDBG - Entitlement Grants Cluster</i>			<u>9,026,805</u>
Emergency Shelter Grants Program	U.S. Department of Housing and Urban Development	14.231	Various	587,157
HOME Investment Partnerships Program	U.S. Department of Housing and Urban Development	14.239	Various	3,736,786

**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended August 31, 2014**

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
Housing Opportunities for Persons with AIDS	U.S. Department of Housing and Urban Development	14.241	Various	\$ 362,106
Empowerment Zones Program	U.S. Department of Housing and Urban Development	14.244	G71EZBOF	<u>284,680</u>
	<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>13,997,534</u></b>
Juvenile Accountability Block Grants	U.S. Department of Justice/Texas Office of the Governor - Criminal Justice Division	16.523	CJ2311103 G2112110	3,786 <u>(2,913)</u> 873
Crime Victim Assistance	U.S. Department of Justice/Texas Office of the Attorney General	16.575	CJ2592801 CJD2592802 G2112040	(2,434) 86,171 <u>(816)</u> 82,921
Public Safety Partnership and Community Policing Grants	U.S. Department of Justice	16.710	G2109150	91,922
<i>JAG Program Cluster</i>				
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	G2111190	<u>4,875</u>
	<i>Total JAG Program Cluster</i>			<u>4,875</u>
	<b>Total U.S. Department of Justice</b>			<b><u>180,591</u></b>
Airport Improvement Program	U.S. Department of Transportation	20.106	Various	7,624,826
<i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction	U.S. Department of Transportation	20.205	Various	<u>864,669</u>
	<i>Total Highway Planning and Construction Cluster</i>			<u>864,669</u>

**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended August 31, 2014**

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
<i>Federal Transit Cluster</i>				
Federal Transit - Capital Investment Grants	U.S. Department of Transportation	20.500	Various	\$ 18,007,241
Federal Transit - Formula Grants	U.S. Department of Transportation	20.507	Various	16,681,917
ARRA - Federal Transit - Formula Grants	U.S. Department of Transportation	20.507	TX-96-X035	<u>510,482</u>
<i>Total Federal Transit Cluster</i>				<u>35,199,640</u>
Metropolitan Transportation Planning	U.S. Department of Transportation	20.505	G781401010 G781402020	8,073 <u>359,720</u> 367,793
<i>Transit Services Programs Cluster</i>				
Enhanced Mobility for Seniors and Individuals with Disabilities	U.S. Department of Transportation	20.513	G531020140	20,254
Job Access and Reverse Commute Program	U.S. Department of Transportation	20.516	Various	1,726,117
New Freedom Program	U.S. Department of Transportation	20.521	Various	<u>212,554</u>
<i>Total Transit Services Programs Cluster</i>				<u>1,958,925</u>
Clean Fuels	U.S. Department of Transportation	20.519	TX580005 TX580009 TX580010	1,599,000 1,271,835 <u>1,121,078</u> <u>3,991,913</u>
<b>Total U.S. Department of Transportation</b>				<u><b>50,007,766</b></u>

**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended August 31, 2014**

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	\$ 13,908
	<b>Total Institute of Museum and Library Services</b>			<b><u>13,908</u></b>
Air Pollution Control Program Support	Environmental Protection Agency	66.001	G_341318 G341418	(768) <u>41,258</u> 40,490
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	G_341321 G3411210 G341421	(533) (996) <u>56,411</u> 54,882
Performance Partnership Grants	Environmental Protection Agency/Texas Commission on Environmental Quality	66.605	G_341324 G341316R G341416 G341424	(620) (1,653) 96,059 <u>38,793</u> <u>132,579</u>
	<b>Total Environmental Protection Agency</b>			<b><u>227,951</u></b>
Public Health Emergency Preparedness	Department of Health and Human Services/Texas Department of State Health Services	93.069	Various	898,683
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Department of Health and Human Services/Texas Department of State Health Services	93.116	G4113020 G411402	(94) <u>304,886</u> 304,792

**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended August 31, 2014**

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
Abstinence Education Program	Department of Health and Human Services	93.235	201204888	\$ 5,051
			G411436	142,126
			G411536	101
			G201304258	8,087
				<u>155,365</u>
Drug-Free Communities Support Program	Department of Health and Human Services	93.276	G2112140	2,065
National Bioterrorism Hospital Preparedness Program	Department of Health and Human Services	93.889	CPSLRNHP13	(380)
			G411414	<u>24,540</u>
				24,160
HIV Prevention Activities - Health Department Based	Department of Health and Human Services/Texas Department of State Health Services	93.940	G4112180	(537)
			G4113200	(104)
			G411420	183,912
			G411520	822
				<u>184,093</u>
Maternal and Child Health Services Block Grant to the States	Department of Health and Human Services/Texas Department of State Health Services	93.994	G4113130	(2,157)
			G411413	211,882
			G411513	506
				<u>210,231</u>
<b>Total U.S. Department of Health and Human Services</b>				<u><b>1,779,389</b></u>

**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended August 31, 2014**

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
Retired and Senior Volunteer Program	Corporation for National and Community Service/Texas Department of Aging and Disability Services	94.002	G7111RSDR	\$ (22,031)
			G7112RSDR	(36,086)
			G7113RSDR	69,644
			G7114RSDR	33,648
				<u>45,175</u>
<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	G7111FGDR	3
			G7113FGDR	42,335
			G7114FGDR	378,143
			G7115FGDR	477
			G7112FGDR	1,034
				<u>421,992</u>
	<i>Total Foster Grandparent/Senior Companion Cluster</i>			<u>421,992</u>
Global AIDS	Corporation for National and Community Service	94.067	2011SHSP	<u>9,398</u>
	<b>Total Corporation for National Community Service</b>			<b><u>476,565</u></b>
High Intensity Drug Trafficking Areas Program	Executive Office of the President	95.001	Various	<u>2,384,514</u>
	<b>Total Executive Office of the President</b>			<b><u>2,384,514</u></b>
Non-Profit Security Program	U.S. Department of Homeland Security/ Texas Department of Public Safety	97.008	G2210050	2,151
Emergency Management Performance Grants	U.S. Department of Homeland Security/ Texas Department of Public Safety	97.042	G2212010	6,529
			G2213010	396
			G2214010	347,946
			G2215010	3,782
				<u>358,653</u>



**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended August 31, 2014**

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
Assistance to Firefighters Grant	U.S. Department of Homeland Security/ Texas Department of Public Safety	97.044	EMW2012FP0	\$ 59,994
Homeland Security Grant Program	U.S. Department of Homeland Security	97.067	Various	3,142,431
National Explosives Detection Canine Team Program	U.S. Department of Homeland Security	97.072	G_629813 G6298120 G629814 G629815	(75,502) 9,920 393,725 83,505 <u>411,648</u>
Buffer Zone Protection Program (BZPP)	U.S. Department of Homeland Security/ Texas Department of Public Safety	97.078	DPS2400002	65,432
Staffing for Adequate Fire and Emergency Response	Department of Homeland Security	97.083	EMW2011FH5 EMWFH00553	1,081,626 355,776 <u>1,437,402</u>
Homeland Security Biowatch Program	Department of Homeland Security	97.091	G_341319 G341419 G4113BIOWA G4114BW	(2,657) 190,378 22,738 1,159 <u>211,618</u>
	<b>Total U.S. Department of Homeland Security</b>			<u><b>5,689,329</b></u>
<b>Total Federal Awards Expended</b>				<u><b>\$ 81,946,745</b></u>

**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended August 31, 2014**

<b>Granting Agency/Grant Program</b>	<b>Grant or Identifying Number</b>	<b>Amount Expended</b>
<b>Texas Department of State Health Services</b>		
<i>Division of Prevention and Preparedness</i>		
Regional and Local Services System/Local Health Services	Various	\$ 179,935
Infectious Disease Control	Various	4,769
<i>Total Division of Prevention and Preparedness</i>		<u>184,704</u>
Tuberculosis Prevention and Control	Various	512,026
Area Info Center	Various	<u>281,731</u>
Immunization - Locals	Various	<u>1,033,619</u>
<b>Total Texas Department of State Health Services</b>		<u>2,012,080</u>
<b>Texas Commission on the Arts</b>		
TCA ECA EPMA Exhibition Operational Support	G14A454101	14,000
TCA Operation	G14C454102	14,000
TCA Sub Granting	G1435273	55,512
TCA EPMA Education Program Support	Various	10,500
TCA CAD Cultural Program Support	G14C454104	2,000
TCA CAD Program Support	Various	7,668
		<u>103,680</u>
<b>Total Texas Commission on the Arts</b>		<u>103,680</u>

**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended August 31, 2014**

<b>Granting Agency/Grant Program</b>	<b>Grant or Identifying Number</b>	<b>Amount Expended</b>
<b>Texas Department of Housing and Community Affairs</b>		
Homeless Housing and Services Program (HHSP) HTF	G71HHSHTF	\$ (296)
Homeless Housing and Services Program (HHSP) Bond	G71HHSPBND	62,240
Homeless Housing and Services Program (HHSP)	G71HHSPGR4	295,151
Neighborhood Stabilization Program	G71NSTDHCA	(1,292)
		<u>355,803</u>
<b>Total Department of Housing and Community Affairs</b>		<u>355,803</u>
<b>Humanities Texas</b>		
HTX EPMH Exhibition Operational Support	G14R454108	865
HTX EPMH Education Program Support	G20134438	7,572
		<u>8,437</u>
<b>Total Humanities Texas</b>		<u>8,437</u>
<b>Texas Juvenile Justice Department</b>		
Juvenile Diversion Program	G2012_0176	26,827
<b>Texas Auto Burglary and Theft Prevention Authority</b>		
Auto Burglary and Theft Prevention Program	Various	1,108,062
<b>Texas Department of Public Safety</b>		
Local Border Security Program	Various	16,062
<b>Department of Housing and Urban Development</b>		
Urban Development Action Grant	G710RLFNT	4,709
<b>El Paso County</b>		
Juvenile Offender	G14MUNTJPD	7,113
<b>Texas Commission on Environmental Quality</b>		
Program Rider 8 - Reduce Ozone	Various	77,518
Air Pollution Control Program Support	Various	178,098
		<u>255,616</u>
<b>Total Texas Commission on Environmental Quality</b>		<u>255,616</u>

**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended August 31, 2014**

<b>Granting Agency/Grant Program</b>	<b>Grant or Identifying Number</b>	<b>Amount Expended</b>
<b>TXDOT</b>		
Operation	CIOT00018	\$ 19,864
<b>Department of State Health Services (DSHS)</b>		
HIV Preventive	G4113180	(222)
HIV Screening	Various	490,245
HIV Survey - Fed	G411423	65,169
IDCU/Foodborne Assoc Infection	G411431	18,834
		<u>574,026</u>
<b>Total Department of State Health Services (DSHS)</b>		<u>574,026</u>
<b>Corporation for National &amp; Community Service (CNCS)</b>		
Foster Grandparents	G7114FGAT	5,000
<b>United States Department of Justice</b>		
Juvenile Justice and Delinquency Prevention	OAG1450394	<u>2,167</u>
<b>Texas Department of Aging and Disability Services</b>		
Retired and Senior Volunteer Program	Various	<u>41,830</u>
<b>Total State Awards Expended</b>		<u>4,541,276</u>
<b>Total Federal and State Awards Expended</b>		<u><u>\$ 86,488,021</u></u>

**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended August 31, 2014**

**Notes to Schedule**

1. This schedule includes the federal and state awards activity of all federal and state financial assistance programs of the City of El Paso, Texas, and is presented on the cash basis of accounting, except for the FAA Airport Improvement grant and the FTA Capital and Planning grants, which use the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The accompanying schedule of expenditures of federal and state awards presents activity of all federal and state financial assistance programs of the City for the year ended August 31, 2014, except for the financial assistance received by the Public Service Board – El Paso Water Utilities. The City’s reporting entity is defined in *Note 1(A)* of the City’s basic financial statements. Federal and state awards received directly from federal and state agencies, as well as federal and state financial assistance passed through other entities, are included on the schedule of expenditures of federal and state awards.

2. Amounts reported in the accompanying schedule of expenditures of federal and state awards may not agree with the amounts reported in the related federal and state financial reports filed with grantor agencies because of accruals that would be included in the subsequent reports filed with the agencies.
3. Of the federal and state expenditures presented in this schedule, the City provided federal awards to subrecipients as follows:

<b>Program</b>	<b>CFDA Number</b>	<b>Subrecipient</b>	<b>Amount Provided</b>
<b>State Subrecipient Awards</b>			
Homeless Housing and Services Program (HHSP)	N/A	Various	\$ 347,125
<b>Total State Subrecipient Awards</b>			<u>\$ 347,125</u>

**City of El Paso, Texas**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended August 31, 2014**

Program	CFDA Number	Subrecipient	Amount Provided
<b>Federal Subrecipient Awards</b>			
<i>CDBG - Entitlement Grants Cluster</i>			
Community Development Block			
Grants/Entitlement Grants	14.218	Various	\$ 1,063,071
Emergency Shelter Grants Program	14.231	Various	547,347
Housing Opportunities for Persons with AIDS	14.241	International AIDS Empowerment	353,052
Empowerment Zones Program	14.244	Various	<u>122,049</u>
<b>Total Federal Subrecipient Awards</b>			<u><u>\$ 2,085,519</u></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, 2014, 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	\$ 6,654,846
HOME Investment Partnerships Program	14.239	24,064,745
Empowerment Zones Program	14.244	<u>1,369,376</u>
Total revolving loans		<u><u>\$ 32,088,967</u></u>

5. During fiscal year ended August 31, 1992, the City received a \$3,000,000 federal loan for construction work on the International Zaragosa Bridge. The balance of the loan at August 31, 2014 is \$750,000.
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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 25, 2015. 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 would not necessarily 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 internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified. We identified a deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2014-001 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 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 also noted certain matters that we reported to the City's management in a separate letter dated May 7, 2015.

### ***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  
May 7, 2015



## Report on Compliance for Each Major Federal and State Program and Report on Internal Control Over Compliance

### 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 compliance of the City of El Paso, Texas (the City) with the types of compliance requirements described in the *OMB Circular A-133 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, 2014. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of 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.

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 \$830,034 in federal awards for the year ended February 28, 2014, which are not included in the schedule during the year ended August 31, 2014. Our audit, described below, did not include the operations of the EPWU because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 *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.

#### ***Opinion on Each 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 major federal and state programs for the year ended August 31, 2014.

#### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and the State of Texas *Uniform Grant Management Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-002, 2014-003, 2014-004 and 2014-005. Our opinion on each major federal and state program is not modified with respect to these matters.

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.

#### **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.

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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-002, 2014-003, 2014-004 and 2014-005, that we consider 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.

***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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 25, 2015, which contained an unmodified opinion on those financial statements 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  
May 7, 2015

**City of El Paso, Texas**  
**Schedule of Findings and Questioned Costs**  
**Year Ended August 31, 2014**

**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)?       Yes       None reported
- Material weakness(es)?       Yes       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)?       Yes       None reported
- Material weakness(es)?       Yes       No
5. The opinions expressed in the independent auditor's report on compliance for major federal awards were:
- Unmodified       Qualified       Adverse       Disclaimer
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, 2014**

7. The City's major federal programs were:

Cluster/Program	CFDA Number
Airport Improvement Program	20.106
<i>Federal Transit Cluster</i>	
Federal Transit – Capital Investment Grants	20.500
Federal Transit – Formula Grants	20.507
ARRA – Federal Transit - Formula Grants	20.507
Clean Fuels	20.519

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$2,458,402.

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, 2014**

13. The City's major state programs were:

**Cluster/Program**

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Tuberculosis Prevention and Control  
HIV Screening Program  
Immunization Branch - Locals

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, 2014**

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

<b>Reference Number</b>	<b>Finding</b>
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>



**City of El Paso, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2014**

<b>Reference Number</b>	<b>Finding</b>
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></p> <p>Agree.</p> <p><b><i>Corrective Action Planned:</i></b></p> <p>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></p> <p>Elizabeth Briones, Grants Accounting Manager  Charles Lino, CPA, Financial Reporting Coordinator</p> <p><b><i>Anticipated Completion Date:</i></b></p> <p>July 20, 2015</p>

**City of El Paso, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2014**

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

Reference Number	Finding	Questioned Costs
2014-002	<u>Clean Fuels</u> <u>CFDA No. 20.519</u> <u>Department of Transportation</u> <u>Allowable Costs/Cost Principles</u>	\$ 27,690

***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**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2014**

Reference Number	Finding	Questioned Costs
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> 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 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> Raul Escobedo, AD-Finance, Mass Transit Dept.</p> <p><b><i>Anticipated Completion Date:</i></b> July 12, 2015</p>	

**City of El Paso, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2014**

Reference Number	Finding	Questioned Costs
2014-003	<u>Clean Fuels</u> <u>CFDA No. 20.519</u> <u>Department of Transportation</u> <u>Allowable Costs/Cost Principles</u>	\$ 103,240

***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**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2014**

Reference Number	Finding	Questioned Costs
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**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2014**

Reference Number	Finding	Questioned Costs
2014-004	<u>Airport Improvement Program</u> CFDA No. 20.106 <u>Department of Transportation</u> <u>Matching</u>	\$ 14,325

***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**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2014**

Reference Number	Finding	Questioned Costs
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**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2014**

Reference Number	Finding	Questioned Costs
2014-005	<u>Airport Improvement Program</u> <u>CFDA No. 20.106</u> <u>Department of Transportation</u> <u>Reporting</u>	None

***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**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2014**

Reference Number	Finding	Questioned Costs
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**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended August 31, 2014**

***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, 2014**

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

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

**City of El Paso, Texas**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**Year Ended August 31, 2014**

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

Reference Number	Finding	Status
2013-01	<u>Tuberculosis Prevention and Control</u> <u>Grant Number 2013-041082</u> <u>Division of Prevention and Preparedness</u>	Resolved

***Criteria or Specific Requirement:***

Pursuant to the grant agreement, the City shall submit quarterly Financial Status Reports by the last business day of the month following the end of each quarter of the Program Attachment term for Department review and financial assessment.

***Condition***

The City did not submit the 3<sup>rd</sup> Quarter Financial Status Report within the required time frame as indicated above.

***Context***

The submission of the quarterly Financial Status Reports was required to meet grant requirements.

***Effect***

The requirements of the grant agreement were not met.

***Cause***

The City did not have adequate controls or procedures in place to ensure the required quarterly Financial Status Reports were being submitted in a timely manner.

***Recommendation***

Policies and procedures should be developed and implemented to ensure required Financial Status Reports are submitted within the required time frame.

***Views of Responsible Officials and Planned Corrective Actions***

Agree.

***Corrective Action Planned:***

The Health and Human Services staff have implemented an internal billing deadline 10 days prior to the deadline required by the Department of State Health Services in order to prevent late filings in the future. In addition, the Grants Manager within the Office of the Comptroller will create a schedule of reporting deadlines and require confirmation from the department when reports are filed to help ensure reporting deadlines are met.

**City of El Paso, Texas**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**Year Ended August 31, 2014**

Reference Number	Finding	Status
2013-01 (Continued)	<i>Contact Person Responsible for Corrective Action:</i> Denise Grizzle, Assistant Comptroller  <i>Anticipated Completion Date:</i> December 31, 2013	