

City of El Paso, Texas

Single Audit Reports

Year Ended August 31, 2012

City of El Paso, Texas
Year Ended August 31, 2012

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City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2012

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	2009-030103-001 2011-037164-001 2012-039990-001	\$ (590) 982,604 6,323,542 <u>7,305,556</u>
	Total U.S. Department of Agriculture			<u>7,305,556</u>
Broadband Technology Opportunities Program	Department of Commerce National Telecommunications and Information Administration	11.557	48-42-B10570	3,152,018 <u>3,152,018</u>
	Total Department of Commerce			<u>3,152,018</u>
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	U.S. Department of Defense Total U.S. Department of Defense	12.607	RA0619-07-01-03-03	174,256 <u>174,256</u>
<i>CDBG - Entitlement Grants Cluster</i> Community Development Block Grants/Entitlement Grants	U.S. Department of Housing and Urban Development	14.218	B-08-MC-48-0015 B-09-MC-48-0015 B-10-MC-48-0015 B-11-MC-48-0015 S-11-MC-48-0005 FGD FY12-CDBG HUD Payroll Suspense Acct	1,734 56,792 2,646,623 5,910,311 362,777 885,711 (95,067) <u>9,768,881</u>
ARRA - Community Development Block Grant ARRA Entitlement Grants	U.S. Department of Housing and Urban Development <i>Total CDBG - Entitlement Grants Cluster</i>	14.253	B-09-MY-48-0015	589,761 <u>10,358,642</u>
<i>CDBG - State-Administered Small Cities Program Cluster</i> Emergency Shelter Grants Program	U.S. Department of Housing and Urban Development	14.231	S-10-MC-48-0005 S-12-MC-48-0005	(205) 382 <u>177</u>

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2012

Cluster/Program	Pass-Through Entity	Number	Number	Expended
HOME Investment Partnerships Program	U.S. Department of Housing and Urban Development	14.239	HOME PI	\$ 3,462,525
			M-04-MC-48-0213	(92,451)
			M-05-MC-48-0213	(687,244)
			M-06-MC-48-0213	(260,857)
			M-07-MC-48-0213	481,397
			M-08-MC-48-0213	325,695
			M-09-MC-48-0213	436,067
			M-10-MC-48-0213	688,420
			M-11-MC-48-0213	968,732
				<u>5,322,284</u>
Housing Opportunities for Persons with AIDs	U.S. Department of Housing and Urban Development	14.241	TXH10F006	17,491
			TXH11F006	<u>358,288</u>
				375,779
Empowerment Zones Program	U.S. Department of Housing and Urban Development	14.244	EZ99TX0013	362,850
Homeless Prevention and Rapid Re-Housing Program	U.S. Department of Housing and Urban Development	14.262	S-09-MY-48-0005	525,667
	Total U.S. Department of Housing and Urban Development			<u>16,945,399</u>
Save America's Treasures	U.S. Department of the Interior	15.929	48-10-AP-5024	<u>12,097</u>
	Total U.S. Department of the Interior			<u>12,097</u>
Juvenile Accountability Block Grants	U.S. Department of Justice/ Texas Office of the Governor - Criminal Justice	16.523	2311101	686
			2311102	<u>30,919</u>
				31,605
Crime Victim Assistance	U.S. Department of Justice/ Texas Office of the Attorney General	16.575	2095102	(7,357)
			2095103	<u>206,082</u>
				198,725
Violence Against Women Formula Grants	U.S. Department of Justice/ Texas Office of the Governor - Criminal Justice Division	16.588	2094901	169
Community Capacity Development Office	U.S. Department of Justice	16.595	2009-WS-QX-0030	1,538
			2010-WS-QX-0004	<u>72,425</u>
				73,963

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Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2012

Cluster/Program	Pass-Through Entity	Number	Number	Expended
Bulletproof Vest Partnership	U.S. Department of Justice	16.607	Bulletproof Vest Program	\$ 13,038
Public Safety Partnership and Community Policing Grants	U.S. Department of Justice	16.710	2008CKWX0362	404,172
			2009CKWX0615	219,720
			2010CKWX037	<u>250,000</u>
				873,892
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	2009-DJ-BX-1374	143,576
			2010-DJ-BX-1416	67,822
			2011-DJ-BX-3043	<u>86,409</u>
				297,807
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Local Government	U.S. Department of Justice/ Texas Office of the Governor - Criminal Justice Division	16.803	2329301	(4,047)
ARRA - Recovery Act-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Governments	U.S. Department of Justice	16.804	2009-SB-B9-3086	<u>111,162</u>
	Total U.S. Department of Justice			<u>1,596,314</u>
Airport Improvement Program	U.S. Department of Transportation	20.106	Various	1,238,895
<i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction	U.S. Department of Transportation/ Texas Department of Transportation	20.205		1,438,438
	U.S. Department of Transportation/ New Mexico Department of Transportation			<u>77,591</u>
				1,516,029
	<i>Total Highway Planning and Construction Cluster</i>			1,516,029

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2012

Cluster/Program	Pass-Through Entity	Number	Number	Expended
<i>Federal Transit Cluster</i>				
Federal Transit-Formula Grants	U.S. Department of Transportation	20.507	TX-03-0175	\$ 50,195
			TX-04-0058	454,018
			TX-37-X043	148,376
			TX-37-X055	140,715
			TX-37-X068	5,126
			TX-37-X077	18,134
			TX-37-X078	207,369
			TX-37-X093	117,360
			TX-57-X018	48,732
			TX-57-X024	85,614
			TX-57-X025	154,763
			TX-57-X037	24,173
			TX-90-X454	30,305
			TX-90-X539	57,253
			TX-90-X573	(1,569,446)
			TX-90-X606	11,846
			TX-90-X650	1,223,267
			TX-90-X662	20,551
			TX-90-X691	521,811
			TX-90-X718	10,422
			TX-90-X783	31,540
			TX-90-X812	29,381
			TX-90-X841	(6,807)
			TX-90-X879	119,535
			TX-90-X893	434,924
			TX-90-X944	293,632
			TX-95-X015	2,238,412
			FTA Mass Transit Subsidy	<u>10,773,388</u>
				15,674,589
ARRA - Federal Transit- Formula Grants	U.S. Department of Transportation	20.507	TX-96-X035	<u>18,286</u>
	<i>Total Federal Transit Cluster</i>			<u>15,692,875</u>

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2012

Cluster/Program	Pass-Through Entity	Number	Number	Expended
Step Impaired Driving Mobility	U.S. Department of Transportation/ Texas Department of Transportation	20.601	2011-EIPasoPD-S-IDM-00034	\$ 12,431
Occupant Protection Incentive Grants	U.S. Department of Transportation/ Texas Department of Transportation	20.602	2011-EIPasoPD-CIOT-00023	<u>(1,416)</u>
	<i>Total Highway Safety Cluster</i>			11,015
	Total U.S. Department of Transportation			<u>18,458,814</u>
Museums for America	Institute of Museum and Library Services	45.301	MA-04-08-0305-08	44,753
Grants to States	Institute of Museum and Library Services/ Texas State Library and Archives Commission	45.310	470-11026 476-11028 476-12001	186,012 (3,157) 75,832 <u>258,687</u>
	Total Institute of Museum and Library Services			<u>303,440</u>
Air Pollution Control Program Support	Environmental Protection Agency	66.001	A-00615411-1 A-00615412-1	6,897 <u>305,955</u> 312,852
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	582-12-86424 582-08-72655	42,351 <u>505</u> 42,856

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2012

Cluster/Program	Pass-Through Entity	Number	Number	Expended
Performance Partnership Grants	Environmental Protection Agency/Texas Commission on Environmental Quality	66.605	582-12-86410 582-12-86375	\$ 93,844 27,116 <u>120,960</u>
	Total Environmental Protection Agency			<u>476,668</u>
ARRA - Weatherization Assistance for Low-Income Persons	U.S. Department of Energy/ Texas Department of Housing and Community Affairs	81.042	16090000704	1,782,632
ARRA - Energy Efficiency and Conservation Block Grant Program	U.S. Department of Energy	81.128	EE0000964	<u>1,181,389</u>
	Total U.S. Department of Energy			<u>2,964,021</u>
Strengthening Public Health Services at the Outreach Offices of the U.S.- Mexico Border Health Commission	Department of Health and Human Services/ Texas Department of State Health Services	93.018	2010-034779-001	(175)
Public Health Emergency Preparedness	Department of Health and Human Services/ Texas Department of State Health Services	93.069	2009-032170-001 2010-033393-001C 2010-033512-001G 2010-035411-001 2010-035864-001 2011-038670-001 2011-038678-001 2011-038811-001 2011-038406-001	(72) (84) (14,998) 323 281 192,756 59,726 568,303 <u>27,239</u> 833,474
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Department of Health and Human Services/ Texas Department of State Health Services	93.116	2010-034144-001 2011-037500-001A 2012-040156-001	(356) 135,754 <u>172,907</u> 308,305

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
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Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
<i>Immunization Cluster</i>				
Immunization	Department of Health and Human Services/ Texas Department of State Health Services	93.268	2011-033498-001A	2,014
<i>Total Immunization Cluster</i>				2,014
Abstinence Education Program	Department of Health and Human Services	93.235	201204888	20,307
Centers for Disease Control and Prevention- Investigations and Technical Assistance	Department of Health and Human Services/ Texas Department of State Health Services	93.283	2011-38132	39,247
ARRA - Strengthening Communities Fund	Department of Health and Human Services	93.711	90SN0029	21,783
ARRA Prevention and Wellness – States, Territories and Pacific Islands	Department of Health and Human Services	93.723	2011-038248-001	7,506
HIV Prevention Activities-Health Department Based	Department of Health and Human Services/ Texas Department of State Health Services	93.940	2012-040428-001 2012-040466-001A	290,229 76,422 <u>366,651</u>
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	Department of Health and Human Services/ Texas Department of State Health Services	93.943	2010-034570-001B 2011-037512-001 2011-037621-001	(1) 126,791 61,834 <u>188,624</u>
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	Department of Health and Human Services/ Texas Department of State Health Services	93.944	2011-037582-001 2012-040379-001	5,636 11,279 <u>16,915</u>
Preventive Health and Health Services Block Grant	Department of Health and Human Services/ Texas Department of State Health Services	93.991	2011-035478-001	154,089
Maternal and Child Health Services Block Grant to the States	Department of Health and Human Services/ Texas Department of State Health Services	93.994	DSHS 2010-031630-001A DSHS 2011-036930-001A DSHS 2012-039349-001	324 (850) 194,998 <u>194,472</u>
Total U.S. Department of Health and Human Services				2,153,212

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2012

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		\$ 149,980
<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		504,745
	Total Corporation for National Community Service			654,725
High Intensity Drug Trafficking Areas Program	Executive Office of the President	95.001	G09SW0007A G10SW0007A G11SW0007A SW-TXW-0522H G12SW0007A55 G12SW0007A56 G12SW0007A57 G12SW0007A58 G12SW0007A59 G12SW0007A60 G12SW0007A61	1,401 100,455 1,597,265 3,642 395,389 66,844 212,383 74,741 1,656 4,827 10,465
	Total Executive Office of the President			2,469,068
<i>Homeland Security Cluster</i>				
Homeland Security Grant Program	U.S. Department of Homeland Security	97.067	2010-SR-48141-02	1,566,311
Homeland Security Grant Program	U.S. Department of Homeland Security/ Texas Department of Public Safety	97.067	Operation Stonegarden	58,475
Metropolitan Medical Response System	U.S. Department of Homeland Security/ Texas Department of Public Safety	97.071	2009-SS-T9-0064 2010-SS-T0-8-13 EMW-2003-FP-02038	214,403 282,679 <u>(336)</u> 496,746
	<i>Total Homeland Security Cluster</i>			2,121,532
Non-Profit Security Program	U.S. Department of Homeland Security/ Texas Department of Public Safety	97.008	2008-GE-T8-0034 2009-SS-T9-0064 2010-SS-T0-8-02 2010-SS-T0-8-03 2010-SS-T0-8-05 2010-SS-T0-8-06 2010-SS-T0-8-07 2010-SS-T0-8-08 2010-SS-T0-8-09 2010-SS-T0-8-10 2010-SS-T0-8-11 2010-SS-T0-8-12 2010-SS-T0-8-15	123,205 2,157,478 28,470 645,333 300,000 663,125 28,042 5,366 2,817 37,321 237,657 151,849 <u>2,995</u> 4,383,658

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2012

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
Emergency Management Performance Grants	U.S. Department of Homeland Security/ Texas Department of Public Safety	97.042	11TX-EMPG-0778	\$ 97,047
			12TX-EMPG-0778	<u>196,045</u>
				293,092
Assistance to Firefighters Grant	U.S. Department of Homeland Security/ Texas Department of Public Safety	97.044	EMWF005557	1,226,388
			EMWFH00553	<u>766,572</u>
				1,992,960
State Homeland Security Program	U.S. Department of Homeland Security/ Texas Department of Public Safety	97.073	2008-GE-T8-0034	24,862
			2009-SS-T9-0064	118,144
			2010-SS-T0-8-14	<u>191,979</u>
				334,985
Buffer Zone Protection Program (BZPP)	U.S. Department of Homeland Security/ Texas Department of Public Safety	97.078	08-SRA-BZ-24000	(1,522)
			09-GA-BZ-24000	<u>581,340</u>
				579,818
Homeland Security Biowatch Program	Department of Homeland Security/TCEQ	97.091	582-12-86404	208,049
Assistance to Firefighters Grant (ARRA)	U.S. Department of Homeland Security	97.115	F.S. #31	367,036
	Total U.S. Department of Homeland Security			<u>10,281,130</u>
Total Federal Awards Expended				<u>66,946,718</u>

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2012

Granting Agency/Grant Program	Grant or Identifying Number	Amount Expended
Texas State Library & Archive Commission		
Loan Star Libraries Grant	442-11643	1,153
		<u>1,153</u>
Texas Parks and Wildlife		
Sandstone Ranch Park	55-000007	207,764
		<u>207,764</u>
Texas Department of State Health Services		
<i>Division of Prevention and Preparedness</i>		
Infectious Disease Control	2012-038651	4,950
Zoonosis	2011-038016	40,020
PHP LRN Laboratory Program	2010-035277-001	183
Immunization	2012-039044-001A	1,658,102
Tuberculosis Prevention and Control	2011-035279-001	2,308
Tuberculosis Prevention and Control	2012-039044-001	561,230
<i>Total Division of Prevention and Preparedness</i>		<u>2,266,793</u>
<i>Division for Family and Community Health Services</i>		
Title V Fee for Service Program	2010-034122-001	1,392
Title V Fee for Service Program	2011-037010-001A	2,000
<i>Total Division for Family and Community Health Services</i>		<u>3,392</u>
Area Info Center	529-07-0105-00024B	18
Area Info Center - HHSC	529-07-0105-00024E	20,776
Area Info Center - HHSC	529-11-0001-00024	1,164
Area Info Center - HHSC	529-11-0001-0024	232,409
		<u>254,367</u>
Total Texas Department of State Health Services		2,524,552
Texas Automobile Theft Prevention Authority		
ATPA Border Partners	SA-T01-10050-11	293
ATPA Border Partners	SA-T01-10050-12	1,539,986
		<u>1,540,279</u>

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2012

Granting Agency/Grant Program	Grant or Identifying Number	Amount Expended
Texas Commission on the Arts		
Htx Settlement Legac	11-32402	\$ 149
TCA Education		1,249
TCA Operation		6,471
TCA Operations		7,364
TCA Sub Granting		13,861
		<u>29,094</u>
Texas Department of Housing and Community Affairs		
Homeless Housing and Services Program (HHSP) Market Int	66120001331	51,461
Homeless Housing and Services Program (HHSP) General Rev	66120001331	70,078
Homeless Housing and Services Program (HHSP) Housing Trs	66120001331	903
<i>Total Departmetn of Housing and Community Affairs</i>		<u>122,442</u>
Office of the Governor, Criminal Justice Division		
Gang Initiative Grant	2430601	3,190
Gang Suppression	CG-10-J20-23211-01	3,802
		<u>6,992</u>
Total State Awards Expended		<u>4,432,276</u>
Total Federal and State Awards Expended		<u><u>\$ 71,378,994</u></u>

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2012

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, 2012, 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:

Program	Number	Subrecipient	Provided
State Subrecipient Awards			
Arts Create/Arts Respond Programs	N/A	Various	\$ 1,166
Homeless Housing and Services Program (HHDP)	N/A	Various	122,442
Total State Subrecipient Awards			\$ 123,608

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2012

Program	CFDA Number	Subrecipient	Amount Provided
Federal Subrecipient Awards			
<i>CDBG Entitlement Cluster</i>			
Community Development Block Grants/Entitlement Grants	14.218	Various	\$ 1,333,577
Emergency Shelter Grants Program	14.231	Various	343,797
Housing Opportunities for Persons with AIDs	14.241	International AIDS Empowerment	364,987
Empowerment Zones Program	14.244	Various	166,895
ARRA - Homelessness Prevention and Rapid Re-Housing Program (HPRP)	14.257	Various	<u>569,987</u>
Total Federal Subrecipient Awards			<u><u>\$ 2,779,243</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, 2012, 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	\$ 9,354,900
HOME Investment Partnerships Program	14.239	23,982,074
Empowerment Zones Program	14.244	<u>2,190,440</u>
Total revolving loans		<u><u>\$ 35,527,414</u></u>

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2012

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, 2012 is \$950,000.
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 Accountants' 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 the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 28, 2013, which contained a reference to the reports of other accountants. We conducted our audit 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 El Paso City Employees' Pension Fund, a fiduciary fund included within the aggregate remaining fund information, were not audited in accordance with *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards*. Other accountants audited the financial statements of the El Paso Firemen and Policemen's Pension Fund and the Public Service Board - El Paso Water Utilities, as described in our report on the City's financial statements. This report does not include the results of the other accountants' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those accountants. The financial statements of the El Paso Firemen and Policemen's Pension Fund, a fiduciary fund included within the aggregate remaining fund information, were not audited in accordance with *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards*. The financial statements of the Public Service Board - El Paso Water Utilities were not audited in accordance with 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. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

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*.

This report is intended solely for the information and use of the Mayor, City Council, and management of the City, the federal cognizant agency, other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

February 28, 2013

Independent Accountants' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal and State Program and on Internal Control Over Compliance and Schedule of Expenditures of Federal and State Awards in Accordance with OMB Circular A-133 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

Compliance

We have audited the compliance of the City of El Paso, Texas (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the compliance of the City based on our audit.

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 \$5,229,595 in federal awards for the year ended February 28, 2012, which are not included in the schedule during the year ended August 31, 2012. Our audit, described below, did not include the operations of the EPWU because the component unit engaged other accountants 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 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

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, 2012.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2012, and have issued our report thereon dated February 28, 2013, which contained an unqualified opinion on those financial statements and a reference to the reports of other accountants. 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 required by U.S. Office of Management and Budget Circular A-133 and the State of Texas *Uniform Grant Management Standards* is presented for purposes of additional analysis and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Honorable Mayor and Members of the City Council
City of El Paso, Texas
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This report is intended solely for the information and use of the Mayor, City Council, and management of the City, the federal and state cognizant agencies, other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

February 28, 2013

City of El Paso, Texas
Schedule of Findings and Questioned Costs
Year Ended August 31, 2012

Summary of Auditor's Results

1. The opinions expressed in the independent accountants' report were:

Unqualified Qualified Adverse Disclaimed

2. The independent accountants' report on internal control over financial reporting disclosed:

Significant deficiency(ies)?

Yes No

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 accountants' report on internal control over compliance with requirements that could have a direct and material effect on major federal awards programs disclosed:

Significant deficiency(ies)?

Yes No

Material weakness(es)?

Yes No

5. The opinions expressed in the independent accountants' report on compliance with requirements that could have a direct and material effect on major federal awards were:

Unqualified Qualified Adverse Disclaimed

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, 2012

7. The City's major federal programs were:

Cluster/Program	CFDA Number
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557
Broadband Technology Opportunities Program	11.557
HOME Investment Partnerships Program	14.239
<i>Federal Transit Cluster</i>	
Federal Transit – Formula Grants	20.507
ARRA – Federal Transit - Formula Grants	20.507
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 \$2,008,402.

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 accountants' report on internal control over compliance with requirements that could have a direct and material effect on major state awards programs disclosed:

Significant deficiency(ies)? Yes No

Material weakness(es)? Yes No

11. The opinions expressed in the independent accountants' report on compliance with requirements that could have a direct and material effect on major state awards were:

Unqualified Qualified Adverse Disclaimed

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, 2012

13. The City's major state programs were:

<u>Cluster/Program</u>
ABTPA Border Partners
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, 2012

Findings Required to be Reported by *Government Auditing Standards*

No matters are reportable.

City of El Paso, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended August 31, 2012

Findings Required to be Reported by OMB Circular A-133

No matters are reportable.

City of El Paso, Texas
Summary Schedule of Prior Audit Findings
Year Ended August 31, 2012

Reference Number	Finding	Status
2011-01	<p style="text-align: center;"><u>ARRA-Weatherization Assistance for Low-Income Persons</u> <u>CFDA No. 81.042</u> <u>U.S. Department of Energy</u> <u>Special Tests and Provisions</u></p> <p><i>Criteria or Specific Requirement:</i> Pursuant to 10 C.F.R 44.24 and the grant agreement, project files must include documentation of post weatherization carbon monoxide readings for all combustible appliances.</p> <p><i>Condition</i> Out of 60 files selected for testing, 25 were missing the required post carbon monoxide readings.</p> <p><i>Context</i> Adequate carbon monoxide readings were not performed or were not documented in project files in accordance with federal requirements.</p> <p><i>Effect</i> Project files were incomplete and not in compliance with grant requirements.</p> <p><i>Cause</i> City lacked sufficient training and instruction regarding the administration of this grant.</p>	Resolved

City of El Paso, Texas
Summary Schedule of Prior Audit Findings (Continued)
Year Ended August 31, 2012

Reference Number	Finding	Status
2011-01 (Continued)	<p><i>Recommendation</i></p> <p>The City should develop and implement policies and procedures to ensure staff review grant agreements and obtain the necessary training to facilitate compliance and proper documentation.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i></p> <p>Agree.</p> <p><i>Corrective Action Planned:</i></p> <p>Senior Management Staff with previous experience in Weatherization Assistance programs was hired. The new management staff reviewed and enforced compliance with the grant agreement. New local policies and procedures were developed in accordance with the grant agreement and federal and state guidelines. Significant training for all Weatherization Inspectors, which facilitated program compliance and proper file documentation, was conducted.</p> <p><i>Contact Person Responsible for Corrective Action:</i></p> <p>Mr. William Lilly, Director of Community Development</p> <p><i>Anticipated Completion Date:</i></p> <p>December 31, 2011</p>	

City of El Paso, Texas
Summary Schedule of Prior Audit Findings (Continued)
Year Ended August 31, 2012

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

Reference Number	Finding	Status
2011-02	<u>Serious Habitual Offenders Comprehensive Action Program</u> <u>Grant Number GC-10-J120-23211-01</u> <u>Office of the Governor, Criminal Justice Division</u>	Resolved

Criteria or Specific Requirement:

Pursuant to the grant agreement the El Paso Police Department shall maintain a time and activity report that supports the overtime paid to all personnel working in this program.

Condition

The City did not maintain time and activity reports sufficient to support the grant expenditures.

Context

The time and activity reports were required to meet grant reimbursement 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 proper documentation was being prepared or maintained to meet the requirements of the grant.

City of El Paso, Texas
Summary Schedule of Prior Audit Findings (Continued)
Year Ended August 31, 2012

Reference Number	Finding	Status
2011-02 (Continued)	<p><i>Recommendation</i> Policies and procedures should be developed and implemented to ensure proper documentation is maintained to support grant expenditures.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> Agree.</p> <p><i>Corrective Action Planned:</i> The City will develop and implement policies and procedures to ensure proper documentation is maintained to support grant expenditures.</p> <p><i>Contact Person Responsible for Corrective Action:</i> Laura Garcia, Administrative Services Manager for Police Department</p> <p><i>Anticipated Completion Date:</i> June 30, 2012</p>	