

REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS

SINGLE AUDIT

**CITY OF BROWNSVILLE, TEXAS**

September 30, 2009



**CITY OF BROWNSVILLE, TEXAS**

**SINGLE AUDIT**

September 30, 2009

**TABLE OF CONTENTS**

	<u>Page</u>
<b>FEDERAL SINGLE AUDIT:</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 and the State of Texas Single Audit Circular	3-4
Schedule of Expenditures of Federal/State Awards	5-7
Notes to Schedule of Expenditures of Federal/State Awards	8
Schedule of Findings and Questioned Costs – Federal/State Awards	9-11
Summary Schedule of Prior Audit Findings	12
Corrective Action Plan	13

**FEDERAL/STATE SINGLE AUDIT**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members of the City Commission  
City of Brownsville, Texas

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 Brownsville, Texas (City) for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 26, 2010. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the Public Utilities Board, as described in our report on the City of Brownsville, Texas'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.

**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 entity'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 was not designed to identify all deficiencies in internal control over financial reporting 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as IC 2009-1. 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.

**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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items FCF 2009-1, FCF 2009-2, and FCF 2009-3.

We noted certain matters that we reported to management of the City's in a separate letter dated March 26, 2010.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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



**LONG CHILTON LLP**  
*Certified Public Accountants*

Brownsville, Texas  
March 26, 2010

Members - Division of Firms,  
American Institute of CPAs

3125 Central Blvd.  
Brownsville, Texas 78520  
(956) 546-1655  
Fax (956) 546-0377  
www.longchilton.com

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

The Honorable Mayor and Members of the City Commission  
City of Brownsville, Texas

**Compliance**

We have audited the compliance of the City of Brownsville, Texas ("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 Single Audit Circular that are applicable to each of its major federal/state programs for the year ended September 30, 2009. The City's major federal/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 programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State of Texas Single Audit Circular. Those standards, OMB Circular A-133, and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal/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 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 of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal/state programs for the year ended September 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items FCF 2009-1, FCF 2009-2 and FCF 2009-3.

**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/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/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, 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 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 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items IC 2009-1. A *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 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.

#### Schedule of Expenditures of Federal 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 Brownsville, Texas, as of and for the year ended September 30, 2009, and have issued our report thereon dated March 27, 2009, which contained unqualified opinions on those financial statements. Our report includes a reference to other auditors. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 financial statements as a whole.

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, City Commission, and federal/state agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

*Long Chilton, LLP*

**LONG CHILTON LLP**  
*Certified Public Accountants*

Brownsville, Texas  
March 26, 2010

**CITY OF BROWNSVILLE, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS**  
**Year Ended September 30, 2009**

ARRA Funds	Source and Title of Grant	Federal CFDA Number	Grant Number	Program Expenditures	
				Grantee	Grantor
<b>Federal Financial Assistance:</b>					
Department of Housing and Urban Development Direct Programs:					
Community Planning and Development:					
	Metropolitan Entitlement	14.218	B-08-MC-48-0501	\$ 0	\$ 1,822,887
	Metropolitan Entitlement	14.218	B-07-MC-48-0501	\$ 0	\$ 1,309,948
	Metropolitan Entitlement	14.218	B-06-MC-48-0501	\$ 0	\$ 314,762
	Metropolitan Entitlement	14.218	B-05-MC-48-0501	\$ 0	\$ 26,465
	Metropolitan Entitlement	14.218	B-01-MC-48-0501	\$ 0	\$ 29,625
	Total Metropolitan Entitlements			\$ 0	\$ 3,503,687
	Emergency Shelter Grants Program	14.231	S-08-MC-48-0501	\$ 0	\$ 139,200
	Total Emergency Shelter Grants Program			\$ 0	\$ 139,200
	HOME Investment Partnership Program	14.239	M-08-MC-48-0500	\$ 0	\$ 553,588
	HOME Investment Partnership Program	14.239	M-07-MC-48-0501	\$ 0	\$ 1,156,176
	HOME Investment Partnership Program	14.239	M-06-MC-48-0501	\$ 0	\$ 24,000
	HOME Investment Partnership Program	14.239	M-05-MC-48-0501	\$ 0	\$ 173,750
	Total HOME Investment Partnership Program			\$ 0	\$ 1,907,514
Pass-through Texas Department of Housing and Community Affairs:					
	Emergency Shelter Grants Program	14.231	42080000263 (08-09)	\$ 0	\$ 223,859
	Total Emergency Shelter Grants Program			\$ 0	\$ 223,859
	Total Department of Housing and Urban Development			\$ 0	\$ 5,774,260
<b>Federal Transit Administration:</b>					
	Operating Assistance Grant	20.507	TX-90-X797	\$ 1,952,318	\$ 90,101
	Operating Assistance Grant	20.507	TX-90-X844	\$ 0	\$ 1,368,855
	Total Operating Assistance Grants			\$ 1,952,318	\$ 1,458,956
	Capital Equipment Grant	20.507	TX-90-X586	\$ 396	\$ 876
	Capital Equipment Grant	20.507	TX-90-X635	\$ 5,476	\$ 21,906
	Capital Equipment Grant	20.507	TX-90-X672	\$ 4,775	\$ 19,098
	Capital Equipment Grant	20.507	TX-90-X713	\$ 7,051	\$ 28,202
	Capital Equipment Grant	20.507	TX-90-X752	\$ 8,212	\$ 32,843
	Capital Equipment Grant	20.507	TX-90-X797	\$ 62,106	\$ 248,423
	Capital Equipment Grant	20.507	TX-90-X819	\$ 106,554	\$ 426,220
	Capital Equipment Grant	20.507	TX-90-X844	\$ 83,036	\$ 332,140
	Capital Equipment Grant	20.500	FYA FY 2009 Sect. 5309 Earmark	\$ 25,559	\$ 102,233
	Total Capital Equipment Grants			\$ 303,165	\$ 1,211,941
YES	Capital Equipment Grant - ARRA Fund	20.507	TX-96-X013	\$ 0	\$ 1,300,000
	Total Capital Equipment Grant - ARRA Fund			\$ 0	\$ 1,300,000
	Planning Grant	20.507	TX-90-X672	\$ 0	\$ 1
	Planning Grant	20.507	TX-90-X713	\$ 895	\$ 3,583
	Planning Grant	20.507	TX-90-X752	\$ 6,376	\$ 25,503
	Planning Grant	20.507	TX-90-X797	\$ 2,324	\$ 9,296
	Total Planning Grants			\$ 9,595	\$ 38,383
	Total Federal Transit Administration			\$ 2,265,078	\$ 4,009,280
<b>Highway Planning and Construction:</b>					
	Urban Transportation Study (Sec. 112)	20.205	50-9XXF0021	\$ 0	\$ 348,558
	Urban Transportation Study (Sec. 8)	20.205	50-9XXF0021	\$ 0	\$ 52,309
	Total Highway Planning and Construction			\$ 0	\$ 400,867



CITY OF BROWNSVILLE, TEXAS  
 SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS  
 Year Ended September 30, 2009

ARRA Funds	Source and Title of Grant	Federal CFDA Number	Grant Number	Program Expenditures	
				Grantee	Grantor
	Texas Department of Transportation:				
	Operating Assistance Grant	20.516	51721F7086 JAC 0701	\$ 181,224	\$ 195,959
	Operating Assistance Grant	20.516	51721F7225 JAC 0801	\$ 50,793	\$ 43,790
	Operating Assistance Grant	20.509	51921F7045 URB 0901	\$ 0	\$ 535,546
	Total Operating Assistance Grants			\$ 232,017	\$ 775,295
	Capital Equipment Grant	20.513	51821F7193 ED.0804 (21) 03	\$ 18,650	\$ 126,601
	Capital Equipment Grant	20.516	51721F7086 JAC 0701	\$ 7,818	\$ 7,818
	Capital Equipment Grant	20.509	51921F7040 ICB 0901 (21) 31	\$ 0	\$ 410,763
	Capital Equipment Grant	20.509	51821F7281 NF 0802 (21) 02	\$ 14,096	\$ 56,384
	Capital Equipment Grant	20.521	51821F7072 NF 0801 (21) 02	\$ 165	\$ 661
	Total Capital Equipment Grants			\$ 40,729	\$ 602,227
	Planning Grant	20.516	51721F7086 JAC 0701	\$ 1,136	\$ 33,136
	Total Planning Grants			\$ 1,136	\$ 33,136
	Total Texas Department of Transportation			\$ 273,882	\$ 1,410,658
	United States Environmental Protection Agency:				
	United States / Mexico Used Tire Mitigation Program	66.931	X4-96657501-1	\$ 0	\$ 70,200
	Total U. S. Environmental Protection Agency			\$ 0	\$ 70,200
	Federal Emergency Management Agency:				
	Office of National Preparedness:				
	Pass-through Texas Department of Public Safety's				
	Division of Emergency Management:				
	Assistance to Firefighters Grant Program	97.044	EMW-2008-FO-10729	\$ 53,600	\$ 214,400
	Emergency Management Performance Grants	97.042	09TX-EMPG-0687	\$ 0	\$ 28,749
	Total Federal Emergency Management Agency			\$ 53,600	\$ 243,149
	Federal Aviation Administration:				
	Airport Improvement Program	20.106	3-48-0031-26-04	\$ 1,246	\$ 23,674
	Airport Improvement Program	20.106	3-48-0031-30-06	\$ 2,246	\$ 42,666
	Airport Improvement Program	20.106	3-48-0031-32-07	\$ 745	\$ 14,139
	Airport Improvement Program	20.106	3-48-0031-34-08	\$ 3,885	\$ 73,829
	Airport Improvement Program	20.106	3-48-0031-35-08	\$ 8,467	\$ 160,893
	Total Federal Aviation Administration			\$ 16,589	\$ 315,201
	Department of Justice:				
	Office of Justice Programs:				
	Justice Assistance Grant	16.738	2007-F3537-TX-DJ	\$ 0	\$ 70,000
	Justice Assistance Grant	16.738	2008-DJ-BX-0561	\$ 0	\$ 43,013
	Total Justice Assistance Grants			\$ 0	\$ 113,013
	Bureau of Justice Assistance:				
	Office of National Drug Policy:				
	Operation Cash Flow & Firewall	16.580		\$ 446	\$ 1,961
	Total Office of National Drug Policy			\$ 446	\$ 1,961
	Pass-through Drug Enforcement Agency:				
	Executive Office for Weed and Seed (10/1/2007-9/30/2009)	16.595	2007-WS-Q6-0097	\$ 1,745	\$ 9,844
	Total Office for Weed and Seed			\$ 1,745	\$ 9,844
	Total Department of Justice			\$ 2,191	\$ 124,818
	Department of Transportation:				
	Texas Department of Highways:				
	National Maximum Speed Limit - S.T.E.P. Wave	20.600	589XXEGF6485..(FY.09)	\$ 10,572	\$ 38,610
	Total Department of Transportation			\$ 10,572	\$ 38,610

CITY OF BROWNSVILLE, TEXAS  
 SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS  
 Year Ended September 30, 2009

ARRA Funds	Source and Title of Grant	Federal CFDA Number	Grant Number	Program Expenditures	
				Grantee	Grantor
U.S. Department of Homeland Security:					
Transportation Security Administration:					
	Supporting Host Agency (10/1/08 - 9/30/09) 2nd year	97.090	IIST50208HSLR042	\$ 0	\$ 64,846
	Total Transportations Security Administration			\$ 0	\$ 64,846
Department of Health and Human Services					
Pass-through Texas Department of Health:					
	Youth Empowerment Grant (UTB/TSC)		YEPMP060013-01-00	0	60
	Total Department of Health and Human Services			\$ 0	\$ 60
U.S. Department of Interior					
National Park Service:					
	Preserve America Grant	15.929	48-07-PA-3035	67,103	66,848
	Total Perserve America Granat			\$ 67,103	\$ 66,848
Total Federal Awards Expended				\$ 2,689,015	\$ 12,518,797
State Financial Assistance:					
Texas Automobile Theft Prevention Authority					
	Texas Automobile Theft Prevention Authority		SA-T01-10041-09	\$ 326,358	\$ 489,208
	Texas Automobile Theft Prevention Authority		SA-T01-10041-10	\$ 7,243	\$ 67,728
	Total Texas Automobile Theft Prevention Authority Grants			\$ 333,601	\$ 556,936
Texas State Library & Archives Commission:					
	Lone Star Libraries Grant		442-08061	\$ 0	\$ 16,315
	Lone Star Libraries Grant		442-09061	\$ 0	\$ 42,066
	Total Texas State Library & Arohives Commission			\$ 0	\$ 58,381
Texas Engineering Extension Service:					
	State Homeland Security Grant FY 06		2006-GE-T5-0068	\$ 0	\$ 4,736
	Total Texas Engineering Extension Service			\$ 0	\$ 4,736
Texas Department of State Health Services:					
	Border Health		2009-030959-001	\$ 0	\$ 2,811
	EMS Local Projects Grant		2009-030309-001	\$ 0	\$ 22,500
	Total Texas Department of State Health Services			\$ 0	\$ 25,311
Texas Parks and Wildlife:					
	Brownsville Gladys Porter Zoo		50-000396	\$ 600,000	\$ 49,508
	Total Texas Parks and Wildlife Department			\$ 600,000	\$ 49,508
Office of the Comptroller:					
Comptroller of Public Accounts					
	Tobacco Compliance FY 09			0	6,800
	Total Texas Engineering Extension Service			\$ 0	\$ 6,800
Governor's Division of Emergency Management					
Texas Department of Public Safety					
	Local Border Security Program FY 08 - FY 10 (LBSP-08) Border Star		LBSP-08-013	750	120,221
				750	120,221
Total State Awards Expended				\$ 934,351	\$ 821,893
Total Federal and State Award Expended				\$ 3,623,366	\$ 13,340,690

**CITY OF BROWNSVILLE, TEXAS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS**

Year Ended September 30, 2009

**NOTE 1 - GENERAL**

The accompanying Schedule of Expenditures of Federal/State Awards presents the activity of federal/state expenditures of programs of the City of Brownsville, Texas (City), except for programs administered by the Public Utilities Board of the City of Brownsville, Texas. The City of Brownsville reporting entity is defined in Note 1(a) to the City's basic financial statements.

**NOTE 2 - BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal/state awards is presented using the modified accrual basis of accounting for federal/state awards reflected in the City's governmental fund types and the accrual basis of accounting for federal/state awards reflected in the City's proprietary fund types.

**NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS**

Federal/state award expenditures as reported in the accompanying schedule of expenditures of federal/state awards are reflected in the City's financial statements as expenditures with respect to governmental funds and expenses or capital asset additions with respect to proprietary funds.

**NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying schedule may not agree with the amounts reported in the related Federal and state financial reports filed with the grantor agencies because of the effect of accruals made in the schedule.

**CITY OF BROWNSVILLE, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL/STATE AWARDS  
Year Ended September 30, 2009**

**I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unqualified

**Internal control over financial reporting:**

- Material weakness(es) identified? \_\_\_\_\_ Yes        X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      \_\_\_\_\_ None Reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes        X   No

**Federal/State Awards**

**Internal control over major programs:**

- Material weakness(es) identified? \_\_\_\_\_ Yes        X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      \_\_\_\_\_

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ Yes      \_\_\_\_\_ No

**Identification of major programs:**

Grant Number(s)

Name of Federal Program or Cluster

Federal

CFDA 20.507 Grant # TX-90-X013	Federal Transit Administration – Capital Equipment Grant (ARRA)
CFDA 20.507 51921F7045 URB 1001	Federal Transit Administrative – Operating Assistance Grant
CFDA 20.507 51921F7040 ICB 0901	Federal Transit Administration – Capital Equipment Grant
CFDA 20.507 51821F7281 NF 0802	Federal Transit Administration – Capital Equipment Grant
CFDA 14.218 Grant # B-08-MC-48-0501	Community Planning and Development, Metropolitan Entitlement
CFDA 14.239 Grant # M-08-MC-48-0500	HOME Investment Partnership Program

State

Not Available	Texas Department of Transportation – Texas Automobile Theft Prevention Authority
---------------	---

CITY OF BROWNSVILLE, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL/STATE AWARDS – CONTINUED  
Year Ended September 30, 2009

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS – CONTINUED

	<u>Federal</u>	<u>State</u>
Dollar threshold used to distinguish between type A and type B programs	\$ 375,564	\$ 300,000
Auditee qualified as low-risk auditee?	<u>X</u> Yes	No

II. FINANCIAL STATEMENT FINDINGS

Department of Transportation

IC 2009-1 Federal Transit Administration – CFDA 20.507; Grant No. TX-96-X013;  
Grant period: Year ended September 30, 2009

*Condition:* This grant received funds under the American Recovery and Reinvestment Act (ARRA).

The City was not aware of the requirement for maintaining separate accounting. Therefore, no procedures were initiated to reflect separate accounting for this grant.

See more information below at FCF 2009-3.

III. FEDERAL AWARD FINDINGS

**Department of Housing and Urban Development**

FCF 2009-1 Community Planning and Development, Metropolitan Entitlement – CFDA 14.218; Grant No. B-08-MC-48-0501;  
Grant period: Year ended September 30, 2009

*Condition:* Allocation for the administrative charge to the grant has no supporting documentation of time and effort reporting.

*Criteria:* The grant allocated \$38,000 as administrative charges for the finance department accountant who also works on projects other than this grant. Time and effort reports should substantiate the administrative charge.

*Effect:* The grant has recorded an expenditure in excess of actual time incurred by the finance department accountant.

*Recommendation:* All employees who work on multiple projects or grants should have supporting time and effort documentation to accurately record charges to the project or grant.

*Questioned Costs:* \$6,000

CITY OF BROWNSVILLE, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL/STATE AWARDS – CONTINUED  
Year Ended September 30, 2009

III. FEDERAL AWARD FINDINGS – CONTINUED

**Department of Housing and Urban Development – Continued**

FCF 2009-2 HOME Investment Partnership Program – CFDA 14.239 Grant No. M-08-MC-48-0500;  
Grant period: Year ended September 30, 2009.

*Condition:* Sub-recipient monitoring responsibilities are not being conducted.

*Criteria:* The grant allows for monies to be passed-thru to local entities. Grantee is responsible for monitoring sub-recipients to ensure compliance with applicable grant requirements.

*Effect:* The grantee cannot ensure all sub-recipients have complied with all applicable requirements. The grantee reviews expenditures submitted by sub-recipient for allowable costs and activities only.

*Recommendation:* Sub-recipient monitoring should be conducted as often as necessary to ensure compliance to grant requirements. This includes field visits to sub-recipients to inspect and verify reported information.

*Questioned Costs:* \$-0-

**Department of Transportation**

FCF 2009-3 Federal Transit Administration – CFDA 20.507; Grant No. TX-96-X013;  
Grant period: Year ended September 30, 2009.

*Condition:* This grant received funds under the American Recovery and Reinvestment Act (ARRA). All accounting and reimbursement of funds were not kept separate from other FTA grants.

*Criteria:* Under general provisions of ARRA grant guidelines, recipients must segregate the obligations and expenditures for transparency reasons. Financial and accounting systems should segregate, track and maintain these funds apart and separate from other revenue streams. No ARRA funds shall be commingled with any other funds.

*Effect:* While the City maintained adequate documentation to support the reimbursement, all income and expenses of Federal Transit Administration grants were recorded in the same fund and reimbursements commingled in the same bank account.

*Recommendation:* The City should establish a separate fund in order to maintain and track expenditures and reimbursements for ARRA grants.

**CITY OF BROWNSVILLE, TEXAS**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For The Year Ended September 30, 2009**

**II. FINANCIAL STATEMENT FINDINGS**

**Department of Transportation**

IC 2008-1 Federal Aviation Administration Grant – CFDA 20.106; Grant No. 3-48-0031-3207;  
Grant No. 3-48-0031-3308  
Grant period: Year Ended September 30, 2008

*Condition:* During the year the City drew \$1,645,961 of available funds from grant 3-48-0031-3207 and \$737,616 from grant 3-48-0031-3308 without proper authorization and without having any supporting documentation of expenditures.

*Criteria:* The grant is a reimbursement grant which requires the City to incur expenditures before drawing funds.

*Effect:* The City has recorded a \$2,383,577 payable to the Federal Aviation Administration.

*Recommendation:* Policies and procedures should be reviewed with all employees involved in handling cash for any federal or state program. Employees need to understand that they cannot draw funds down without first obtaining the approval of the supervisor and if the grant is a reimbursable grant that drawdown is supported with allowable expenditures.

*Response:* We concur with the finding. The inadvertent error was caused by having two separate grants over two years for the same project (taxiways G). We concur with the recommendation regarding review of policies and procedures regarding draw-downs. We have advised the FAA of the error and we are in the process of remitting the balance due to the FAA.

*Status of Prior Year Findings:* Management did remit the balance due to FAA and ensured City personnel were made aware of proper draw-down procedures. Management has continued to review draw-down's in the current year. In the current period, there were no such occurrences.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL/STATE AWARDS**

**Department of Transportation**

IC 2008-1 Federal Aviation Administration Grant – CFDA 20.106; Grant No. 3-48-0031-3207;  
Grant No. 3-48-0031-3308  
Grant period: Year Ended September 30, 2008

As noted above at finding IC 2008-1, an employee of the City drew funds down without authorization and without following established procedures. Once the mistake was discovered, the supervisor contacted the FAA regarding the matter. The response was to set up a payable to the FAA to return the funds. The matter was considered a break in internal controls regarding the proper procedures for drawing down cash.

See more information above at IC 2008-1.

CITY OF BROWNSVILLE, TEXAS

CORRECTIVE ACTION PLAN  
Fiscal Year Ended September 30, 2009

Identifying Number: FCF 2009-1

**Department of Housing and Urban Development**

FCF 2009-1 Community Planning and Development, Metropolitan Entitlement – CFDA 14.218; Grant No. B-08-MC-48-0501;

Grant period: Year ended September 30, 2009

*Condition:* Allocation for the administrative charge to the grant has no supporting documentation of time and effort reporting.

*Criteria:* The grant allocated \$38,000 as administrative charges for the finance department accountant who also works on projects other than this grant. Time and effort reports should substantiate the administrative charge.

*Effect:* The grant has recorded an expenditure in excess of actual time incurred by the finance department accountant.

*Recommendation:* All employees who work on multiple projects or grants should have supporting time and effort documentation to accurately record charges to the project or grant.

*Questioned Costs:* \$6,000

*Response:* We agree with the finding. We will be reimbursing the \$6,000 of question costs from our General Fund to the Community Development Block Grant Fund within the following week.

Identifying Number FCF 2009-2

FCF 2009-2 HOME Investment Partnership Program – CFDA 14.239 Grant No. M-08-MC-48-0500;

Grant period: Year ended September 30, 2009.

*Condition:* Sub-recipient monitoring responsibilities are not being conducted.

*Criteria:* The grant allows for monies to be passed-thru to local entities. Grantee is responsible for monitoring sub-recipients to ensure compliance with applicable grant requirements.

*Effect:* The grantee cannot ensure all sub-recipients have complied with all applicable requirements. The grantee reviews expenditures submitted by sub-recipient for allowable costs and activities only.

*Recommendation:* Sub-recipient monitoring should be conducted as often as necessary to ensure compliance to grant requirements. This includes field visits to sub-recipients to inspect and verify reported information.

*Questioned Costs:* \$-0-

*Response:* We agree with the recommendation. Sub-recipient monitoring will be conducted as often as necessary to ensure compliance to grant requirements, which includes field visits to sub-recipients to inspect and verify reported information.



**CITY OF BROWNSVILLE, TEXAS**

**CORRECTIVE ACTION PLAN – CONTINUED**  
**Fiscal Year Ended September 30, 2009**

Identifying Number: FCF 2009-3

**Department of Transportation**

FCF 2009-3 Federal Transit Administration – CFDA 20.507; Grant No. TX-96-X013;  
Grant period: Year ended September 30, 2009.

*Condition:* This grant received funds under the American Recovery and Reinvestment Act (ARRA). All accounting and reimbursement of funds were not kept separate from other FTA grants.

*Criteria:* Under general provisions of ARRA grant guidelines, recipients must segregate the obligations and expenditures for transparency reasons. Financial and accounting systems should segregate, track and maintain these funds apart and separate from other revenue streams. No ARRA funds shall be commingled with any other funds.

*Effect:* While the City maintained adequate documentation to support the reimbursement, all income and expenses of Federal Transit Administration grants were recorded in the same fund and reimbursements co-mingled in the same bank account.

*Recommendation:* The City should establish a separate fund in order to maintain and track expenditures and reimbursements for ARRA grants.

*Response:* We have already established a separate fund and a separate bank account in order to maintain and track expenditures and reimbursements not only for this AARA grant, but for all others as well.