

CITY OF AMARILLO, TEXAS

**SINGLE AUDIT –
FEDERAL AND STATE AWARDS
SUPPLEMENTARY FINANCIAL REPORT**
Year Ended September 30, 2013

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**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 *Government Auditing Standards***

The Honorable Mayor and Members of the City Council
City of Amarillo, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Amarillo, Texas (the City) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free 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*.

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* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Connor McMillon Mitchell & Sherman PLLC

Amarillo, Texas
January 21, 2014

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133
and the State of Texas Single Audit Circular**

The Honorable Mayor and Members of the City Council
City of Amarillo, Texas

Report on Compliance for Each Major Federal and State Program

We have audited the City of Amarillo, Texas (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of the City's major federal and state programs for the year ended September 30, 2013. 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 its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and 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 and state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2013.

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 Single Audit Circular which are described in the accompanying schedule of findings and questioned costs as items 2013-001, 2013-002, and 2013-003. Our opinion on each major federal and state program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is 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 an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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 and 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 and 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 and 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 items 2013-001, 2013-002, and 2013-003 that we consider to be significant deficiencies.

The City's response to the internal control over compliance finding identified in our audit is 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 Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133 and the State of Texas Single Audit Circular

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, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 21, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 and the State of Texas Single Audit Circular 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

Connor Mitchell & Mitchell, a Sherman PLLC

Amarillo, Texas
January 21, 2014

CITY OF AMARILLO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended September 30, 2013

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>FEDERAL AWARDS</u>			
U.S. Department of Agriculture			
<i>Pass-through from:</i>			
Texas Department of State Health Services Special Supplemental Nutrition Program for Women, Infants, and Children WIC Card Participation	10.557	2012-039927-001A	\$ 38,667
Special Supplemental Nutrition Program for Women, Infants, and Children WIC Card Participation	10.557	2013-042698-001A	<u>1,170,429</u>
Total CFDA No. 10.557			<u>1,209,096</u>
Texas Department of Agriculture Summer Food Service Program (SFSP)	10.559	TX1881003-75C5001	<u>276,759</u>
Total U.S. Department of Agriculture			<u>1,485,855</u>
U.S. Department of Energy			
<i>Pass-through from:</i>			
State Energy Conservation Office AIP Grant CP605 Amend 11	81.214	CP1205	<u>118,035</u>
Total U.S. Department of Energy			<u>118,035</u>
Federal Emergency Management Agency			
<i>Pass-through from:</i>			
Texas Division of Emergency Management, Office of Governor Emergency Manage Perf Grant	97.042	11TX-EMPG-1108	<u>151,388</u>
Total Federal Emergency Management Agency			<u>151,388</u>
U.S. Department of Health and Human Services			
<i>Pass-through from:</i>			
Texas Department of State Health Services Immunization Division - Locals	93.268	2014-001037-00	14,769
Immunization Division - Locals	93.268	2013-041374-004A	235,464
Immunization Division - Noncash	93.268	2013-041374-004A	<u>822,375</u>
Total CFDA No. 93.268			<u>1,072,608</u>
PPCPS/Hazards	93.069	2014-001158-00	19,132
PPCPS/Hazards	93.069	2013-041374-002	<u>225,478</u>
Total CFDA No. 93.069			<u>244,610</u>
Refugee Health Screening Program	93.566	2014-001042	22,254
Refugee Health Screening Program	93.566	2013-041374-005	<u>466,764</u>
Total CFDA No 93.566			<u>489,018</u>
HIV Prevention	93.940	2012-040426-001	50,912
Tuberculosis Control Programs	93.116	2014-001380-00	<u>1,902</u>
Total U.S. Department of Health and Human Services			<u>1,859,050</u>
U.S. Department of Housing & Urban Development			
<i>Direct:</i>			
Supportive Housing for Persons with Disabilities	14.181	-	307,500
Community Development Block Grant/Entitlement Grants	14.218	-	1,549,460
Special Needs Assistance Program	14.235	-	180,538
Shelter Plus Care	14.238	-	219,479
Continuum of Care Program	14.267	-	112,683
Home Investment Partnership Program	14.239	-	863,766
Homeless Management Information System	14.261	-	57,794
Section 8 Moderate Rehabilitation	14.856	-	22,895
Section 8 Housing Choice Vouchers	14.871	-	<u>8,401,627</u>
Total Direct			<u>11,715,742</u>

CITY OF AMARILLO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS, CONTINUED
Year Ended September 30, 2013

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing & Urban Development (Continued)			
<i>Pass-through from:</i>			
Texas Department of Housing and Community Affairs			
Emergency Shelter Grants Program	14.231	42120001529	376,968
Total Pass-through			<u>376,968</u>
Total U.S. Department of Housing & Urban Development			<u>12,092,710</u>
U.S. Department of Justice			
<i>Direct:</i>			
Edward Byrne Memorial Justice Assistance Grant	16.738	-	54,153
Edward Byrne Memorial Justice Assistance Grant	16.738	-	40,721
Edward Byrne Memorial Justice Assistance Grant	16.738	-	987
Total CFDA No. 16.738			<u>95,861</u>
ARRA - Recovery Act - Edward Byrne Memorial			
Justice Assistance Grant	16.804	-	24,759
Equitable Sharing Program	16.922	-	231,970
Total Direct			<u>352,590</u>
<i>Pass-through from:</i>			
Texas Criminal Justice Division			
AFIS Database Update Project	16.738	2648401	31,967
Total Pass-through			<u>31,967</u>
Total U.S. Department of Justice			<u>384,557</u>
U.S. Department of Transportation			
<i>Pass-through from:</i>			
Texas Department of Transportation			
Highway Planning	20.205	50-13XF0012	289,887
Federal Transit Metropolitan Planning Grants	20.505	50-13XF0012	82,962
STEP - Single Year - 2013 Comprehensive	20.600	2013-Amarillo-S-1YG-0016	107,150
Click It or Ticket STEP - Memorial Day Holiday	20.602	2013-AmarilloPD-CIOT-RFR-00074	8,779
Total Highway Safety Cluster			<u>115,929</u>
Total U.S. Department of Transportation			<u>488,778</u>
U.S. Department of Transportation - Federal Transit Administration			
<i>Direct:</i>			
Federal Transit Administration FY2009 Capital & Operations	20.507	-	15,191
Federal Transit Administration FY2010 Capital & Operations	20.507	-	61,382
Federal Transit Administration FY2011	20.507	-	826,905
Federal Transit Administration FY2012	20.507	-	1,580,378
ARRA - Transit Preventative Maintenance	20.507.001	-	311,250
Total U.S. Department of Transportation - Federal Transit Administration			<u>2,795,106</u>
U.S. Department of Transportation - Federal Aviation Administration			
<i>Direct:</i>			
Airport Improvement Program	20.106	-	126,057
Airport Improvement Program	20.106	-	1,288,730
Airport Improvement Program	20.106	-	424,642
Total CFDA No. 20.106			<u>1,839,429</u>
Total U.S. Dept. of Transportation - Federal Aviation Administration			<u>1,839,429</u>
U.S. Department of Homeland Security			
<i>Direct:</i>			
Assistance to Firefighters Grant Program	97.044	EMW-2012-FO-05850	32,746
Assistance to Firefighters Grant Program	97.044	EMW-2010-FO-07982	4,785
Total CFDA No. 97.044			<u>37,531</u>
Total Direct			<u>37,531</u>

CITY OF AMARILLO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS, CONTINUED
Year Ended September 30, 2013

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security (Continued)			
<i>Pass-through from:</i>			
Governor's Division of Emergency Management			
MMRS	97.071	09-GA-3000-05	170,503
LETPP	97.073	09-GA 3000-05	3,835
Total Division of Emergency Management			<u>174,338</u>
Total U.S. Department of Homeland Security			<u>211,869</u>
Total Expenditures of Federal Awards			<u><u>\$ 21,426,777</u></u>
<u>STATE AWARDS</u>			<u>State Expenditures</u>
Department of Parks and Wildlife			
Education Center	N/A	500004231	40,146
Total Department of Parks and Wildlife			<u>40,146</u>
Texas Department of Transportation			
Transit Operating Assistance	N/A	51104F7052	403,966
Total Texas Department of Transportation			<u>403,966</u>
Texas Department of State Health Services			
HIV Surveillance	N/A	2013-041374-001	47,937
HSR 1-TB	N/A	2013-042536-001A	57,860
TB/PC-State	N/A	2014-001396-00	3,032
HIV PrevS	N/A	2014-001198-00	12,149
HIV PrevS	N/A	2013-043155-001	141,184
Total HIV PrevS			<u>153,333</u>
RLSS/Local Public Health System-PnP Grant	N/A	2014-000021-00	6,243
RLSS/Local Public Health System-PnP Grant	N/A	2013-041374-003	102,685
Total RLSS/Local Public Health System-PnP Grant			<u>108,928</u>
Total Texas Department of State Health Services			<u>371,090</u>
Total Expenditures of State Awards			<u>815,202</u>
Total Expenditures of Federal and State Awards			<u><u>\$ 22,241,979</u></u>

This schedule should be read only in connection with the accompanying notes to the schedule.

CITY OF AMARILLO, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended September 30, 2013

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards (the Schedule) presents the activity of all federal and state Awards programs of the City of Amarillo, Texas, (the City) for the year ended September 30, 2013. The City's reporting entity is defined in the Summary of Significant Accounting Policies to the City's financial statements. Federal and state financial assistance received directly from federal and state agencies, as well as assistance passed through other government agencies, is included on the Schedule.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in the Summary of Significant Accounting Policies to the City's financial statements.

NOTE 3 - RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal and state financial reports considering timing differences of cash receipts.

NOTE 4 - FEDERAL AND STATE PROGRAMS

The City participates in numerous federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required.

NOTE 5 - NONCASH GRANTS

The City received vaccines from the Texas Department of State Health Services, Immunization Division (CFDA Number 93.268), for distribution to "Texas Health Step" providers. It continues to receive vaccines from the Division for usage in its own public health facilities. As the City does not purchase these vaccines, the value of the vaccines received by the City during the fiscal year ended September 30, 2013, has been computed to be \$822,375 based on information supplied by the City Department of Public Health. This amount is included in the accompanying Schedule of Expenditures of Federal and State Awards.

**CITY OF AMARILLO, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended September 30, 2013**

NOTE 6 - SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amounts Provided to Subrecipients</u>
Community Development Block Grant	14.218	\$ 209,757
Home Investment Partnership Program	14.239	127,677
Supportive Housing for Persons with Disabilities	14.181	<u>35,448</u>
		<u>\$ 372,882</u>

This information is an integral part of the accompanying schedule.

**CITY OF AMARILLO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2013**

SECTION I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified? yes X none reported
- Noncompliance material to financial statements noted? yes X no

Federal and State Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified? X yes none reported

Type of Auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X yes no

Identification of major programs:

CFDA Number(s)	Name of Federal or State Program or Cluster
Major Federal Programs	
14.218	Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnership Program
	JAG Program Cluster
16.738	Edward Byrne Memorial Justice Assistance Grant
16.804	ARRA – Recovery Justice Assistance Grant
20.106	Airport Improvement Program
	Federal Transit Cluster
20.507	Federal Transit Formula Grants (Urbanized Area Formula Program)
20.507.001	ARRA – Federal Transit Formula Grants (Urbanized Area Formula Program)
Major State Programs	
<u>N/A</u>	Transit Operating Assistance
<u>N/A</u>	RLSS/Local Public Health System-PnP Grant

Dollar threshold used to distinguish between type A and type B programs: \$ 642,803 Federal
 \$ 300,000 State

- Auditee qualified as Federal low-risk auditee? X yes no
- Auditee qualified as State low-risk auditee? yes X no

CITY OF AMARILLO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended September 30, 2013

SECTION II – Financial Statement Findings

None

SECTION III – Federal and State Award Findings and Questioned Costs – Major Federal and State Programs

Finding 2013-001

Program: Federal Program - 14.239 Home Investment Partnership Program

Criteria: The City is responsible for complying with program guidelines.

Condition: The City self-reported to the U.S. Department of Housing and Urban Development (HUD) that the City's Home Investment Partnership Program (Home Program) identified 177 noncompliant Homebuyer Projects for the "Date of Assistance" time period 1995 through 2011. This information was reported to HUD through the filing of the 2011 CAPER Report. Subsequent to year-end, the City received a letter from HUD, dated November 15, 2013, in which it stated that the City must repay \$290,297 to its HOME Investment Trust Fund from nonfederal funds based on the following findings: 1) not properly submitting repayments of noncompliant homebuyers in default, and 2) noncompliance with the recapture requirements. The City has continued to research and follow-up on the identified noncompliant Homebuyer projects reported through the 2011 CAPER. The City responded to HUD in a letter dated November 27, 2013 and requested that HUD consider the additional information provided and requested that HUD reduce the amount of the repayment. The City has not received a response back from HUD.

Context: The City identified a total of 177 noncompliant Homebuyer Projects for the Date of Assistance time period 1995 through 2011. The City identified 2 of the 177 projects as becoming noncompliant during fiscal year 2013.

Effect: Upon completion and resolution of the identified noncompliant Homebuyer Projects, the City may have to remit repayment to its HOME Investment Trust Fund from nonfederal funds or reduce future allocations.

Cause: The City may not have fully complied with guidelines established within HOME Program.

Recommendation: The City should implement controls and procedures to ensure that the final results of the review are established and adhered to on an ongoing basis.

CITY OF AMARILLO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended September 30, 2013

SECTION III – Federal and State Award Findings and Questioned Costs – Major Federal and State Programs (Continued)

Finding 2013-001 (Continued)

Views of Responsible Officials and Corrective Action Plan: On November 27, 2013, the City communicated to HUD that the City has exercised due diligence to collect repayments to the fullest extent as allowed by Texas law. The City will implement procedures to ensure that the final results of the HUD instructions are adhered to on an ongoing basis or modify the HOME Program offered to the citizens of Amarillo.

Finding 2013-002

Program: State Program - RLSS/Local Public Health System-PnP Grant

Criteria: The City is responsible for complying with allowable expenditures pursuant to the grant guidelines.

Condition: During the current year, an expenditure incurred for another department was coded in error to the RLSS/Local Public Health System-PnP Grant (RLSS grant) and reimbursed from RLSS grant funds.

Context: One expenditure out of a sample of twelve expenditures was incorrectly charged to the RLSS grant.

Effect: The City was reimbursed in error by the RLSS grant in the amount of \$648.75.

Questioned Cost: \$648.75

Cause: Expenditure coding error.

Recommendation: The City should continue to emphasize the importance of existing review procedures and continue to implement the existing controls and procedures accordingly.

Views of Responsible Officials and Corrective Action Plan: The City agrees with the recommendation and will continue to emphasize the importance of the existing control and review procedures.

**CITY OF AMARILLO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended September 30, 2013**

SECTION III – Federal and State Award Findings and Questioned Costs – Major Federal and State Programs (Continued)

Finding 2013-003

Program: State Program - RLSS/Local Public Health System-PnP Grant

Criteria: The City is responsible for complying with allowable expenditures pursuant to the grant guidelines.

Condition: Per review of the quarterly performance reports, it was noted that the second quarter and fourth quarter reports did not agree to the underlying supporting data.

Context: A sample of two quarterly performance reports were selected for testing.

Effect: Not meeting the state grant reporting requirements.

Cause: Lack of proper review control procedures.

Recommendation: The City should implement reporting review and control procedures for the RLSS grant.

Views of Responsible Officials and Corrective Action Plan: The City agrees with the recommendation and will implement reporting control and review procedures.

**CITY OF AMARILLO, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2013**

Finding 2012-01

Condition: Under the FFATA, the City is to ensure that first-tier sub awards of \$25,000 or more are reported through the FSRS. The City made sub awards after October 1, 2010 but failed to report through FSRS.

Corrective Action Plan: The Assistant City Manager Financial Services will implement additional procedures including scheduled monthly meetings to ensure that reporting requirements are properly prepared, reviewed and submitted. In addition, the reporting function for the ARRA Recovery Justice Assistance Grant will be separately reviewed by the Accounting Department. Transparency reporting requirements for the Community Development Block Grant will be monitored by the City's Internal Auditor.

Current Status: Corrective action implemented.

Finding 2012-02

Condition: Subrecipient files did not contain documentation of site visits nor follow-up of subrecipient audit findings.

Corrective Action Plan: The Assistant City Manager Financial Services will implement additional procedures, including scheduled monthly meetings to ensure that subrecipient monitoring is properly performed and documented. Subrecipient monitoring for the Community Development Block Grant will be reviewed by the City's Internal Auditor.

Current Status: Corrective action implemented.

**CITY OF AMARILLO, TEXAS
SCHEDULE OF CORRECTIVE ACTION PLAN
Year Ended September 30, 2013**

Finding 2013-001

Condition: The City self-reported to the U.S. Department of Housing and Urban Development (HUD) that the City's Home Investment Partnership Program (Home Program) identified 177 noncompliant Homebuyer Projects for the "Date of Assistance" time period 1995 through 2011. This information was reported to HUD through the filing of the 2011 CAPER Report. Subsequent to year-end, the City received a letter from HUD, dated November 15, 2013, in which it stated that the City must repay \$290,297 to its HOME Investment Trust Fund from nonfederal funds based on the following findings: 1) not properly submitting repayments of noncompliant homebuyers in default, and 2) noncompliance with the recapture requirements. The City has continued to research and follow-up on the identified noncompliant Homebuyer projects reported through the 2011 CAPER. The City responded to HUD in a letter dated November 27, 2013 and requested that HUD consider the additional information provided and requested that HUD reduce the amount of the repayment. The City has not received a response back from HUD.

Corrective Action Plan: On November 27, 2013, the City communicated to HUD that the City has exercised due diligence to collect repayments to the fullest extent as allowed by Texas law. The City will implement procedures to ensure that the final results of the HUD instructions are adhered to on an ongoing basis or modify the HOME Program offered to the citizens of Amarillo.

Finding 2013-002

Condition: During the current year, an expenditure incurred for another department was coded in error to the RLSS/Local Public Health System-PnP Grant (RLSS grant) and reimbursed from RLSS grant funds.

Corrective Action Plan: The City agrees with the recommendation and will continue to emphasize the importance of the existing control and review procedures.

Finding 2013-003

Condition: Per review of the quarterly performance reports, it was noted that the second quarter and fourth quarter reports did not agree to the underlying supporting data.

Corrective Action Plan: The City agrees with the recommendation and will implement reporting control and review procedures.

**Independent Auditor's Report on Compliance with
Requirements Applicable to the Passenger Facility Charge
Program and on Internal Control Over Compliance**

The Honorable Mayor and Members of the City Council
City of Amarillo, Texas

Report on Compliance for Passenger Facility Charge Program

We have audited the City of Amarillo, Texas (the City) compliance with the compliance requirements described in the Passenger/Facility Charge Audit Guide for Public Agencies issued by the Federal Aviation Administration (the Guide) for its passenger facility charge program.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the City's passenger facility charge program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program. 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 the passenger facility charge program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Passenger Facility Charge Program

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the passenger facility charge program for the year ended September 30, 2013.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the Guide. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the Guide to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion

on compliance for the passenger facility charge program and to test and report on internal control over compliance in accordance with the Guide, 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 the Guide 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 the Guide 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 the Guide 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, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Connor McMillon Mitchell : Shennum PLLC

Amarillo, Texas
January 21, 2014

CITY OF AMARILLO, TEXAS
SCHEDULE OF PASSENGER FACILITY CHARGES (PFCs)
COLLECTED AND EXPENDED (AS REPORTED TO FAA)
Year Ended September 30, 2013

	Quarter ended December 31, 2012	Quarter ended March 31, 2013	Quarter ended June 30, 2013	Quarter ended September 30, 2013	Year ended September 30, 2013	Cumulative totals as of September 30, 2012	Cumulative totals as of September 30, 2013
Collections							
PFCs collected	\$ 379,648	\$ 340,485	\$ 313,579	\$ 436,478	\$ 1,470,190	\$ 5,912,345	\$ 7,382,535
Interest	<u>421</u>	<u>279</u>	<u>254</u>	<u>435</u>	<u>1,389</u>	<u>15,135</u>	<u>16,524</u>
Total collections	<u>\$ 380,069</u>	<u>\$ 340,764</u>	<u>\$ 313,833</u>	<u>\$ 436,913</u>	<u>\$ 1,471,579</u>	<u>\$ 5,927,480</u>	<u>\$ 7,399,059</u>
Expenditures on approved PFC projects included in:							
Project 08-01-C-00-AMA Terminal Construction	\$ -	\$ 852,120	\$ -	\$ 756,775	\$ 1,608,895	\$ 5,554,050	\$ 7,162,945
Total expenditures	<u>\$ -</u>	<u>\$ 852,120</u>	<u>\$ -</u>	<u>\$ 756,775</u>	<u>\$ 1,608,895</u>	<u>\$ 5,554,050</u>	<u>\$ 7,162,945</u>

See accompanying notes to schedule of passenger facility charges collected and expended.

CITY OF AMARILLO, TEXAS
NOTES TO SCHEDULE OF PASSENGER FACILITY
CHARGES COLLECTED AND EXPENDED
Year Ended September 30, 2013

NOTE 1 - GENERAL

The accompanying Schedule of Passenger Facility Charges Collected and Expended presents the activity of all passenger facility charges of the City of Amarillo, Texas.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Passenger Facility Charges Collected and Expended is presented using the cash basis of accounting.

This information is an integral part of the accompanying schedule.