



# CITY OF SAN ANTONIO

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December 15, 2011

**Julián Castro**  
Mayor

**Diego M. Bernal**  
Councilman, District 1

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Councilwoman, District 2

**Jennifer V. Ramos**  
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**Rey Saldaña**  
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Councilman, District 7

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Councilman, District 8

**Elisa Chan**  
Councilwoman, District 9

**Carlton Soules**  
Councilman, District 10

SUBJECT: Audit Report of American Recovery and Reinvestment Act Funding Process  
– Citywide

Mayor and Council Members:

We are pleased to send you the audit report of the American Recovery and Reinvestment Act Funding Process – Citywide. This audit began on August 5, 2011 and concluded with an exit meeting with department management on December 1, 2011. Management's verbatim response is included in Appendix C of the report. The Intergovernmental Relations Department should be commended for its cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully submitted,

Kevin W. Barthold, CPA, CIA, CISA  
Acting City Auditor  
City of San Antonio

Distribution:

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**CITY OF SAN ANTONIO**  
**OFFICE OF THE CITY AUDITOR**



Audit of American Recovery and Reinvestment Act (ARRA)  
Funding Process - Citywide

Intergovernmental Relations

Project No. AU11-010

December 15, 2011

Kevin W. Barthold, CPA, CIA, CISA  
Acting City Auditor

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## Executive Summary

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As part of our annual Audit Plan, we conducted an audit of the American Recovery and Reinvestment Act (ARRA) funding process. The audit objectives, conclusions, and recommendations follow:

**Are the appropriate controls in place to monitor and report on the ARRA initiative?**

Yes, key management controls are in place and operating to properly monitor and report on the ARRA initiative.

Specifically, we determined that City staff tasked with managing the ARRA initiative are appropriately:

- Processing expenditure and reimbursements in SAP.
- Filing timely reports with the granting agencies.
- Communicating ARRA grant activity and spending plans with executive management and City Council.
- Closing out ARRA grants in accordance with Federal and City policies, rules and regulations.

As an added control, City management created an ARRA Committee which is made up of representatives of City departments either receiving ARRA funds or associated with the ARRA process. Currently, the ARRA Committee is being chaired by Intergovernmental Relations (IGR).

Since the Committee is the primary means for coordinating the ARRA initiative for the City, we directed this report to IGR management.

IGR Management's verbatim response is in **Appendix C** on page 8.

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## Background

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President Obama signed the American Recovery and Reinvestment Act (ARRA) into law on February 17, 2009. The ARRA program provided a total of \$787 billion in spending and tax cuts nationwide. The funding is temporary, intended to preserve and create jobs, and make investments in infrastructure, energy and science, unemployment assistance, and State and local stabilization.

As of November 2011, the City was awarded over \$142.8 million in ARRA funding for projects relating to public safety, streets and infrastructure, energy efficiency, and health and social services. (See **Appendix A** on page 6 for a list of grants and corresponding award amounts.) The City's goal was to take full advantage of the ARRA funding opportunities and additional services that were made available. City staff worked with City Council (Council) to strategize and align specific Council priorities to individual Federal and State agency funded programs. The developed strategies address grants funding opportunities available to the City. These strategies also served as the guiding plan for submission of applications and acceptance upon award of stimulus funds.

In 2009, City Management created the ARRA Committee to monitor and coordinate all ARRA grant activities, which included spending plans and required report filings with Federal agencies<sup>1</sup>. The Committee meets bi-weekly to discuss, track, and communicate issues regarding the City's management of ARRA activities. Although the ARRA Committee has been tasked with some oversight, departments are ultimately responsible for managing its individual ARRA project(s).

## Audit Scope and Methodology

The audit scope included ARRA financial and reporting activity from March 2009 to November 2011. We interviewed staff from departments tasked with managing various ARRA activities, such as IGR, Finance, and Budget. We also interviewed various City departments that received ARRA funding. See **Table 1** on page 2 for a list of departments that received funding.

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<sup>1</sup> "FederalReporting.gov" is the central government-wide data collection system for Federal Agencies and Recipients of Federal awards under Section 1512 of the Recovery Act. Recipients access FederalReporting.gov to fulfill reporting obligations. Federal Agencies, Prime Recipients and Sub Recipients are required to submit data on a quarterly basis for grants, loans, and federally awarded contracts under the Recovery Act.

**Table 1:** Summary of ARRA Grants by City Department

<i>Department</i>	<i>No. of Grants</i>	<i>Total Awarded</i>
Office of Environmental Policy	4	\$ 40,662,609
Department of Health and Human Services	6	30,679,041
Public Works	2	18,138,219
Metro Health	2	16,790,187
Police Department	3	14,777,535
Aviation	1	9,428,675
Fire Department	1	7,316,260
Office of Management and Budget	1	3,906,924
Library	1	1,186,760
<b><i>Grand Total for ARRA Grants</i></b>	<b><u>21</u></b>	<b><u>\$ 142,886,210</u></b>

We reviewed pertinent documentation associated with ARRA grants, including the following testing criteria:

- City Administrative Directive 8.10 Fiscal Management of Grants
- Grant Award Contract(s),
- OMB A-87: Cost Principles for State, Local, and Indian Tribal Governments,
- OMB A-133 Compliance Supplement and Federal Regulations specific to ARRA grants.

We judgmentally selected a sample of 10 from a total of 21 ARRA projects managed by the City. Our sample selection represented 5 of the 9 City departments who had received ARRA funding and approximately \$46 million of the overall funding awarded the City.

We reviewed audit reports pertaining to the ARRA project grants that were performed by the City’s external auditor, Grant Thornton, as well as federal agencies (i.e., U.S. Department of Justice, Department of Housing and Urban Development, Homeland Security, etc.). We determined that approximately 86 percent of the City’s ARRA projects had some type of external review. (See **Appendix A** on page 6 for the projects and audit coverage.) Based on this coverage, we performed limited testwork in the area of verifying actual grant expenditures.

We relied on computer-processed data in the SAP Accounting System to validate expenditures and reimbursements associated with ARRA grants. Our reliance was based on performing direct tests on the data rather than evaluating the system’s general and application controls. Our direct testing included matching revenue to specific ARRA grant expenditures in SAP. We do not believe that the

absence of testing general and application controls had an effect on the results of our audit.

We conducted this audit from August 2011 to November 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives. Our audit included tests of management controls that we considered necessary under the circumstances.

## Audit Results

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### A. Internal Controls for ARRA Grants

Key management controls are in place and operating to properly monitor and report on the ARRA initiative. We reviewed the following internal controls associated with managing the ARRA initiative: monitoring, reporting, and close out. Overall, we concluded that key management controls are in place and operating appropriately over these critical areas.

#### Monitoring

To verify the City's grant monitoring, we reviewed ARRA expenditures and reimbursements associated with the following projects:

- Airport Baggage Handling System Project Grant
- Community Oriented Policing Services Hiring Project Grant
- ARRA 317 Immunization & Vaccine for Children Project Grant

We determined that the expenditures and reimbursements were appropriate, timely and properly recorded in the City's SAP system.

#### Reporting

The following projects were reviewed to determine if required reports were submitted timely to Federal granting agencies, City Council, and City Management:

- Airport Baggage Handling System Project Grant
- Community Oriented Policing Services Hiring Project Grant
- ARRA 317 Immunization & Vaccine for Children Project Grant
- Head Start Project Grant

We determined that reports were filed within Federal guidelines and City staff has consistently updated City Council and management with the status of ARRA funding and expenditures.

As an added control, City Management created the ARRA Committee in 2009 to monitor and coordinate all ARRA grant activities, which included spending plans and required report filings with Federal agencies. The ARRA Committee meets bi-weekly to discuss, track, and communicate issues regarding the City's management of ARRA activities.

Close out

The following grants were chosen for review to determine if proper Federal and City closing procedures were followed:

- Head Start Project Grant
- Texas Homeless Prevention Project Grant
- Child Care, Job Training Project Grant
- Comprehensive Nutrition Program Project Grant
- Child Care Services Project Grant
- Clean Cities – Alternative Fuel & Advanced Technology Vehicles
- JAG Program Police Canine Operations

We determined that these grants were appropriately closed-out as outlined in Federal grant terms and City Policy AD 8.10 Grants Management.

Maintaining these key controls helps ensure compliance with Federal, State, and local guidelines, as well as aiding in the City's success in achieving ARRA program objectives.

## Appendix A – ARRA Grant Projects and Audit Coverage

*Audit Coverage and Award Amounts for ARRA Grant Projects*

<b>Project Name</b>	<b>Amount Awarded</b>	<b>Single Audit Conducted</b>	<b>Federal and/or State Audit</b>	<b>City Auditor Selection</b>
<i>Weatherization Assistance Program</i>	\$ 17,332,609	Yes	Yes	---
<i>TxDot/MPO - Local Street Projects</i>	17,200,000	Yes	Yes	---
<i>Communities Putting Prevention to Work</i>	15,612,353	Yes	---	---
<i>Child Care Development Block Grant</i>	16,883,212	Yes	Yes	Yes
<i>Energy Efficiency and Conservation Block Grant</i>	12,897,000	Yes	Yes	---
<i>Community Oriented Policing Services (COPS) Recovery</i>	10,354,400	Yes	---	Yes
<i>Energy Efficiency and Conservation Block Grant</i>	10,000,000	---	Yes	---
<i>Airport Baggage Handling System Project</i>	9,428,675	Yes	Yes	Yes
<i>Assistance to Firefighters (Fire Station Construction Grants)</i>	7,316,260	Yes	Yes	---
<i>Federal Homeless Prevention and Rapid Re-Housing Program</i>	5,974,286	Yes	Yes	---
<i>JAG Local Mobile Data Units</i>	4,129,105	---	---	---
<i>Community Development Block Grant Council Projects</i>	3,906,924	Yes	Yes	---
<i>Head Start Program (Formula Funding)</i>	3,412,869	Yes	Yes	Yes
<i>Community Services Block Grant</i>	3,124,174	Yes	---	Yes
<i>Broadband Technology Opportunities Program (Round II)</i>	1,186,760	---	---	---
<i>Prevention and Wellness Fund (Immunization)</i>	1,177,834	Yes	---	Yes
<i>State Homeless Prevention and Rapid Re-Housing Program</i>	1,000,000	---	Yes	Yes
<i>Clean Cities - Alternative Fuel &amp; Advanced Technology Vehicles</i>	938,219	---	---	Yes
<i>Distributed Renewable Energy Technology</i>	433,000	---	---	---
<i>JAG Program Police Canine Operations</i>	294,030	Yes	Yes	Yes
<i>Comprehensive Nutrition Program</i>	284,500	Yes	Yes	Yes
<b>Total of Grant Awards</b>	<b><u>\$ 142,886,210</u></b>	<b><u>15 Grants</u></b>	<b><u>13 Grants</u></b>	<b><u>10 Grants</u></b>

## **Appendix B – Staff Acknowledgement**

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Brian K. Williams, MBA, CFE, CIA, CGAP, Audit Manager  
Kimberly A. Weber, CIA, CFE, CGAP, Auditor in Charge  
Arlena Sones, CPA, CIA, CGAP, Auditor

## Appendix C – Management Response

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**CITY OF SAN ANTONIO**

SAN ANTONIO TEXAS 78283-3906

December 5, 2011

Kevin Barthold, CPA  
Acting City Auditor  
San Antonio, Texas

RE: Management's Acknowledgement of the Intergovernmental Relations Department and Audit of ARRA Grant Funding.

Here are our comments to the subject report.

Fully Agree (provide detailed comments)

Agree Except For (provide detailed comments)

Do Not Agree (provide detailed comments)

Sincerely,

Handwritten signature of Carlos Contreras in black ink.

Carlos Contreras  
Director  
Intergovernmental Relations

12/5/11  
Date

Handwritten signature of Michael Bernard in black ink.

Michael Bernard  
City Attorney

12/7/11  
Date