



City of Austin, Texas —
Communication to the Audit and
Finance Committee on Audits of
Federal and State Programs and
Passenger Facility Charges
Compliance for the Year Ended
September 30, 2019

A Continuation of Our Communications from April
15, 2020

Reem Samra, Managing Director
Blake Rodgers, Partner
Jane Chin, Senior Manager
Francis Croos Moraes, Manager

Single Audit Report – Federal and State Programs

- **Single Audit Report – Federal Programs**

- Report on compliance with requirements that could have a direct and material effect on each major federal program and on internal control over compliance in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*
- We issued an unmodified opinion (clean opinion)
- Issued on May 8, 2020

- **Single Audit Report – State Programs**

- Report on compliance with requirements that could have a direct and material effect on each major state program and on internal control over compliance in accordance with the State of Texas Uniform Grant Management Standards (UGMS)
- We issued an unmodified opinion (clean opinion)
- Issued on May 8, 2020

Single Audit Report – Federal and State Programs (cont.)

▪ Federal Programs

- \$59,082,595 in Federal Program Expenditures During FY19
- Major Programs Selected For Testing During FY19

CFDA #	Title	FY19 Expenditure
10.557	Women/Infant/Children ("WIC")	\$6,083,330
14.239	Home Investment Partnership Programs ("HOME")	\$4,810,103
14.241	Housing Opportunity For People With Aids ("HOPWA")	\$1,390,287

Single Audit Report – Federal and State Programs (cont.)

▪ State Programs

- \$3,779,183 in State Program Expenditures During FY19
- Major Programs Selected For Testing During FY19

Contract #	Title	FY19 Expenditure
55-000027	Waterloo Park Grant	\$758,515
608-18-2270100 608-19-2270100 608-20-2270100	Auto Theft Prevention	\$420,502

Single Audit Report – Federal and State Programs (cont.)

Findings & Questioned Costs Related to Federal & State Awards

Significant Deficiency and Noncompliance

We noted the following instance of noncompliance and consider the following deficiency in the City’s controls over compliance to be a significant deficiency for the year ended September 30, 2019:

Finding	Compliance Requirements	Program
2019-002	Allowable Costs and Special Tests (Maximum Per-Unit Subsidy)	Home Investment Partnership Program (CFDA 14.239)

Management concurs with the recommendations related to the findings above

Passenger Facility Charges (“PFC”) Report

- **Passenger Facility Charges (PFCs) Report**

- Type of Opinion: Report on compliance with requirements applicable to the Passenger Facility Charge program and consideration of the internal control over compliance in accordance with requirements issued by the Federal Aviation Administration
- Airport received \$34,587,154 in PFC revenues and expended \$29,272,565 in PFC Funds during FY19
- We issued an unmodified opinion (clean opinion)
- No Reported Findings
- Issued on May 8, 2020

DEFINITIONS

The definitions of a deficiency, a material weakness, and a significant deficiency are as follows:

A *deficiency* in internal control over financial reporting 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, 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.



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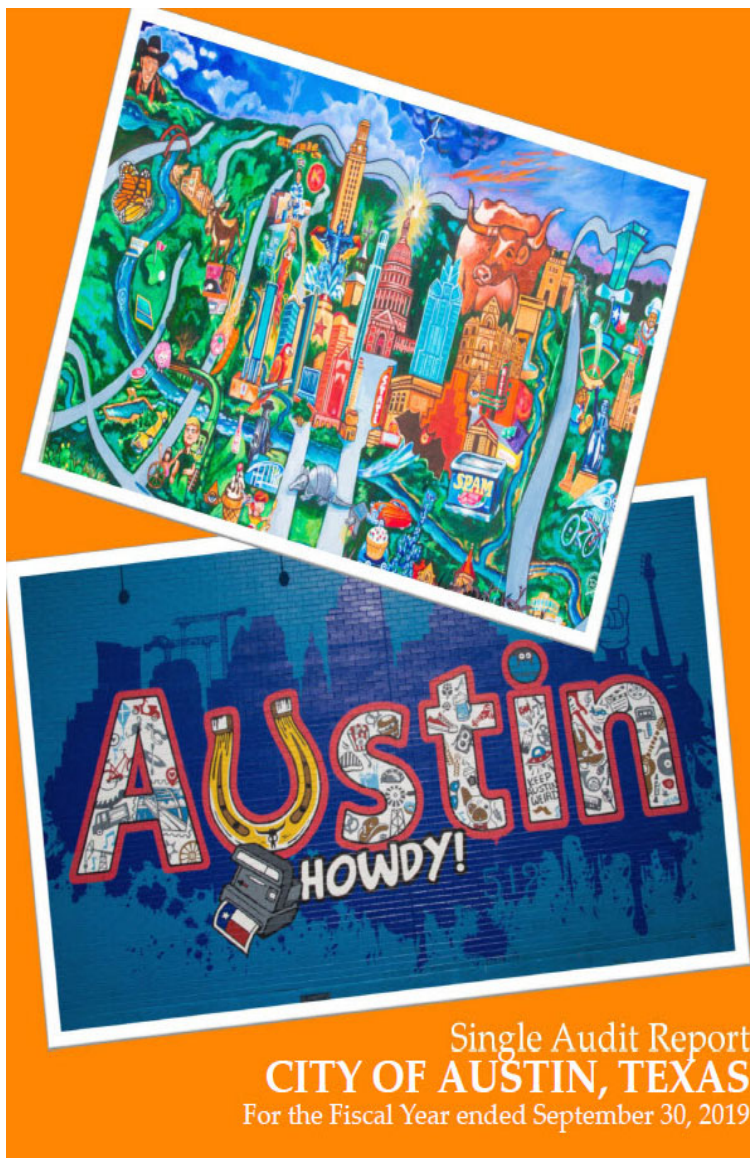
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36 USC 220506



City of Austin
Single Audit Presentation

Controller's Office
May 27, 2020

Findings & Management Responses

Finding

- **Finding 2019-002:** Significant Deficiency in Controls over Compliance and Noncompliance — Allowable Costs and Special Tests (Maximum Per-Unit Subsidy)
- HOME Loan CFDA 14.239—Home Investments Partnership Program
- **Responsible departments:** Neighborhood Housing and Community Development (NHCD)
- **Auditor's Finding:**
 - An application for housing development assistance pertaining to the construction of traditional rental housing serving low-income household was approved for \$1,281,460, which was \$29,130 above the applicable maximum per-unit subsidy. Further, there was no evidence of review of the maximum per unit subsidy considerations prior to the disbursement of funds.

Management Response

- **Finding 2019-002:** Significant Deficiency in Controls over Compliance and Noncompliance — Allowable Costs and Special Tests (Maximum Per-Unit Subsidy)
- HOME Loan CFDA 14.239—Home Investments Partnership Program
- **Responsible departments:** Neighborhood Housing and Community Development (NHCD)
- **Response:**
 - Concur. For any development recommended for funding using HOME dollars, NHCD staff will ensure the proposed subsidy per unit does not exceed the Federal Housing Administration (FHA) mortgage limits in Subsection 221(d)(3) of the National Housing Act. A detailed calculation comparing the current Statutory Mortgage Limits and the applicable Base City High Cost Percentage used, will be added to each application file. Management review of this process will be evidenced with a file checklist for any projects that are recommended for funding.
 - Estimated Completion: Implemented in April 2020. No further action needed.