

**CITY OF GARLAND, TEXAS**

**SINGLE AUDIT REPORTS**

**YEAR ENDED SEPTEMBER 30, 2015**

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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, Members of the City Council and City Manager  
City of Garland, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Garland (the City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 16, 2016, which included an emphasis of matter paragraph on the implementation of a new accounting standard. Our report includes a reference to other auditors who audited the financial statements of the Garland Housing Finance Corporation (GHFC), as described in our report on the City's financial statements. The financial statements of the GHFC were not audited in accordance with *Government Auditing Standards*.

### 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 entity'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 from 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Weaver and Tidwell LLP*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
March 16, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY OMB  
CIRCULAR A-133**

The Honorable Mayor, Members of the City Council and City Manager  
City of Garland, Texas

**Report on Compliance for Each Major Federal Program**

We have audited the City of Garland (the City)'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2015. The City's major federal 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 programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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 program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to above that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter. The City's response to the noncompliance 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 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 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 program 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. 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 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. 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 item 2015-001 that we consider to be a significant deficiency.

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 their response.

### **Purpose of this Report**

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. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 16, 2016, which contained unmodified opinions on those financial statements, which included an emphasis of matter paragraph on the implementation of a new accounting standard and included a reference to other auditors. 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 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.

*Weaver and Tidwell LLP*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
March 16, 2016

**CITY OF GARLAND, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**I. Summary of the Auditor's Results:**

Financial Statements

- a. An unmodified opinion was issued on the financial statements.
- b. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
  - Significant deficiency(ies) identified that are not considered a material weakness? \_\_\_\_\_ Yes      X   None reported
- c. Noncompliance material to financial statements noted \_\_\_\_\_ Yes      X   No

Major Programs

- d. Internal control over major programs:
- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
  - Significant deficiency(ies) identified that are not considered a material weakness?   X   Yes    \_\_\_\_\_ None reported
- e. An unmodified opinion was issued on compliance for major programs.
- f. Any audit findings disclosed that were required to be reported under Section 510(a) or OMB Circular A-133.   X   Yes    \_\_\_\_\_ No
- g. Identification of major programs:
- 14.871                      Housing Choice Voucher Program
- h. The dollar threshold used to distinguish between type A and type B programs. \$433,610
- i. Auditee qualified as a low-risk auditee. \_\_\_\_\_ Yes      X   No

**CITY OF GARLAND, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards***

None

**III. Findings and Questioned Costs for Federal Awards**

**Finding 2015-001 – Eligibility**

**14.871 – Housing Choice Voucher Program**

**Type of Finding** – Compliance Finding and Significant Deficiency in Internal Control over Compliance

**Criteria** – The City is to verify that the rental assistance is based on the contract rents shown in the HAP register and the HAP contract amendment notice.

**Condition** – The City did not verify that the rental assistance agreed to the contract rent, and overpaid a vendor.

**Effect** – The City overpaid the vendor by \$564 and did not meet the compliance requirement of ensuring the rent payment agreed to the contract rent. Without proper controls, there is an increased risk that the City will overpay vendors and rent payments will not agree to the contract rent shown in the HAP register.

**Recommendation** – We recommend the City establish internal controls in order to verify that rent payments agree to the contract rent shown in the HAP register and the HAP contract amendment notice.

**Management's Response** – HCV Program Management will provide training to staff to enable them to review rent payment information and identify inaccurate payment amounts before payments are processed. HCV Program Management will also closely supervise staff to ensure that they are adequately reviewing payments for accuracy.

**CITY OF GARLAND, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**IV. Summary of Prior Year Findings**

**Finding 2014-001 – Advance Funding Agreement**

**Type of Finding** – Significant deficiency in internal controls

**Criteria** – A thorough review of accounting and reporting implications detailed within significant contracts and funding agreements is crucial for reliable financial reporting.

**Condition** – Advanced funding received in a previous fiscal year had been recognized as revenue, prior to eligible expenditures being incurred.

**Effect** – The prior year fund balance in the capital projects fund was overstated.

**Corrective Action** – Procedures have been put in place to ensure contracts and funding agreements are reviewed and the accounting implications have been identified.

**Status** – Corrected

**CITY OF GARLAND, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Federal Grantor/ Pass-Through Grantor/ Program Title	Grant I.D. Number	Federal CFDA Number	Expenditures
<b>FEDERAL AWARDS</b>			
<u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Emergency Shelter Grant	S-14-MC-480011	14.231	\$ 16,209
Emergency Shelter Grant	S-15-MC-480011	14.231	121,460
Neighborhood Stabilization Program (HERA)	B-08-MN-480005	14.218	36,272
Community Development Block Grant Entitlement 36 - 2013	B-12-MC-480011	14.218	28,719
Community Development Block Grant Entitlement 37 - 2014	B-13-MC-480011	14.218	125,369
Community Development Block Grant Entitlement 38 - 2015	B-14-MC-480011	14.218	1,618,549
Centerville Marketplace Economic Development	CCPTX0066-11	14.704	20,947
Housing Choice Voucher Program	TX435VOxxx	14.871	10,703,212
HOME - Home Investment Partnership	M-14-MC-480225	14.239	372,375
HOME - Home Investment Partnership	M-15-MC-480225	14.239	183,821
Fair Housing Assistance Program - Capacity Building Program 2014	FF206K146007	14.401	63,411
Fair Housing Assistance Program - Capacity Building Program 2015	FF206K156007	14.401	123,676
Total Direct Funding U.S. Department of Housing and Urban Development			13,414,020
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>			
Passed through the Texas State Library and Archives Commission			
Inter-Library Loan Program (ILL)	715-15148	45.310	6,948
Total Institute of Museum and Library Services			6,948
<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through State Department of Public Safety			
Urban Areas Security Initiative 2014 (UASI)	EMW-2013-SS-00045	97.067	37,589
Urban Areas Security Initiative 2015 (UASI)	EMW-2014-SS-00029	97.067	50,208
Urban Areas Security Initiative 2014 (UASI-LEAP)	EMW-2013-SS-00045	97.067	31,400
Urban Areas Security Initiative 2015 (UASI-LEAP)	EMW-2014-SS-00029	97.067	80,870
Total U.S. Department of Homeland Security			200,067
<u>U. S. DEPARTMENT OF JUSTICE</u>			
Passed through the City of Dallas			
Justice Assistance Grant (J.A.G.) 2014	2012-DJ-BX-0199	16.738	25,000
Internet Crimes Against Children - Investigative Satellite 2014	NONE	16.543	5,513
Internet Crimes Against Children - Investigative Satellite 2015	NONE	16.543	5,921
Total U.S. Department of Justice			36,434

(Continued)

**CITY OF GARLAND, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Federal Grantor/ Pass-Through Grantor/ Program Title	Grant I.D. Number	Federal CFDA Number	Expenditures
<u>U. S. DEPARTMENT of AGRICULTURE</u>			
Passed through Texas Department of Agriculture Summer Nutrition Program	CE ID# 01511	10.559	286,261
Total U.S. Department of Agriculture			<u>286,261</u>
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through State Department of Transportation			
Comprehensive (ITC, OP, Speed, DWI) STEP Grant 2014	2014-Garland-P-S-MYG-xxxx	20.600	45,636
Comprehensive (ITC, OP, Speed, DWI) STEP Grant 2015	2015-Garland-P-S-MYG-xxxx	20.600	196,281
Impaired Driver Mobility Grant	2014-GarlanPD-IDM-0000x	20.600	4,899
Impaired Driver Mobility Grant	2015-GarlanPD-IDM-0000x	20.600	8,308
Click It or Ticket (CIOT) STEP Grant 2015	2015-GarlanPD-CIOT-000xx	20.600	4,956
Total U.S. Department of Transportation			<u>260,080</u>
<u>CENTER FOR DISEASE CONTROL</u>			
Passed through Texas Department of State Health Services			
Immunization Grant 2014	2014-000016-00	93.268	(2,259)
Immunization Grant 2015	2015-000016-00	93.268	230,506
Immunization Grant 2016	2016-000016-00	93.268	21,603
Total Institute of Museum and Library Services			<u>249,850</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 14,453,660</u></b>
<b>STATE AWARDS</b>			
<u>TEXAS DEPARTMENT OF STATE HEALTH SERVICES</u>			
Immunization Grant 2014	2014-154922-001	State	\$ (3,579)
Immunization Grant 2015	2015-000016-001	State	287,602
Immunization Grant 2016	2016-000000-001	State	26,943
Total Texas Department of State Health Services			<u>310,966</u>
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>			<b><u>\$ 310,966</u></b>
<b>TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE EXPENDED</b>			<b><u>\$ 14,764,626</u></b>

(Concluded)

**CITY OF GARLAND, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**1. GENERAL**

The accompanying schedule of expenditures of federal and state awards presents the activity of all applicable federal and state awards of the City of Garland, Texas (the City). The City's reporting entity is defined in Note 1 to the City's basic financial statements. Federal and state awards received directly from federal and state agencies as well as federal and state awards passed through other government agencies are included in the respective schedule.

**2. BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal and state awards is presented using modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

**3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Grant expenditures reports as of September 30, 2015, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

**4. SUBRECIPIENTS**

During the fiscal year ended September 30, 2015, three of the City's grant programs passed funds through to subrecipients. The City passed \$92,594 from the HOME Investment Partnership Program grant, CFDA #14.239; \$236,495 from the Community Development Block Grants/Entitlement Grants Cluster, CFDA #14.218; and \$137,668 from the Emergency Shelter Grant, CFDA #14.231, to each grant's corresponding subrecipients.