

City of Garland, Texas

Single Audit Report
September 30, 2017

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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, 2017, 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 14, 2018. 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 the City's 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, L.L.P.

Dallas, Texas
March 14, 2018



Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with Uniform Guidance, and on the Schedule of Expenditures of Federal and State Awards

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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

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 the Uniform Guidance, 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

The City's responses 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.

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

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 14, 2018, which contained unmodified opinions on those financial statements, which 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. 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, L.L.P.

Dallas, Texas
March 14, 2018

City of Garland, Texas
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2017

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 in accordance with 2 CFR 200.516(a) _____ Yes X No

g. Identification of major programs:

CFDA Number

14.871
97.036

Program Title

Housing Choice Voucher Program
Public Assistance Grant

- h. The dollar threshold used to distinguish between type A and type B programs: \$750,000
- i. Auditee qualified as a low-risk auditee? X Yes _____ No

City of Garland, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

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 2017-001 – Recording Expenditures on the Schedule of Expenditures of Federal Awards

Criteria – The 2017 Compliance Supplement for the Public Assistance Grant CFDA 97.036 states that “non-federal entities must record expenditures on the Schedule of Expenditures of Federal Awards (SEFA) when: (1) Federal Emergency Management Agency (FEMA) has approved the non-Federal entity’s Project Worksheet (PW), and (2) the non-Federal entity has incurred the eligible expenditures. Federal awards expended in years subsequent to the fiscal year in which the PW is approved are to be recorded on the non-federal entity’s SEFA in those subsequent years.”

Condition – In 2015, the City incurred expenditures related to flooding and a tornado. The City submitted their PW and FEMA approved these expenditures for reimbursement in 2016. The City did not receive the reimbursement for these expenditures until after the fiscal year ending September 30, 2017.

Effect – During review of the SEFA and related notice of grant awards, it was noted that \$1,785,877 in grant expenditures incurred in fiscal year 2015 and 2016, and were awarded in fiscal year 2016 (the year the City’s PW had been approved by FEMA), for the Public Assistance Grant, CFDA 97.036, were not included on the fiscal year 2016 SEFA.

Recommendation – We recommend the City review the OMB Compliance Supplement for grants awarded that are not received annually in nature, as to the specific timing of when the expenditures should be included in the SEFA.

Management’s Response – Management concurs that the City’s Project Worksheet was approved by FEMA in fiscal year 2016. The City has taken steps to ensure this does not happen in the future and a review process has been implemented to review the OMB Compliance Supplement.

City of Garland, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

IV. Summary of Prior Year Findings

Finding 2016-001 – Special Tests & Provisions

14.871 – Housing Choice Voucher Program

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

Criteria – Each tenant is expected to have a housing quality standards (HQS) inspection on the family unit during the fiscal year. The City must inspect units leased under the Housing Choice Voucher (HCV) Program at the time of initial leasing and at least annually thereafter to ensure the units meet HQS.

Condition – For 1 out of 40 tenants selected for testing, the City did not perform an annual inspection.

Effect – A tenant did not receive a required inspection during the fiscal year, and therefore it was not verified that HQS requirements were met for the leased unit.

Corrective Action – Procedures have been put in place to ensure that each tenant has a HQS inspection on the family unit during the fiscal year.

Status – Corrected

City of Garland, Texas

Schedule of Expenditures of Federal and State Awards Year Ended September 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Grant I.D. Number	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
FEDERAL AWARDS				
<u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Emergency Shelter Grant	S-16-MC-480011	14.231	\$ 165,652	\$ 122,215
Community Development Block Grant Entitlement 36 - 2014	B-13-MC-480011	14.218	57,592	-
Community Development Block Grant Entitlement 37 - 2015	B-14-MC-480011	14.218	85,024	-
Community Development Block Grant Entitlement 38 - 2016	B-15-MC-480011	14.218	73,561	-
Community Development Block Grant Entitlement 39 - 2017	B-16-MC-480011	14.218	1,789,786	184,250
Total CDBG - Entitlement Grants Cluster			2,005,963	184,250
Housing Choice Voucher Program	TX435VOxxxx	14.871	11,054,106	-
HOME - Home Investment Partnership	M-14-MC-480225	14.239	296,863	-
HOME - Home Investment Partnership	M-15-MC-480225	14.239	384,953	41,793
Total CFDA 14.239			681,816	41,793
Fair Housing Assistance Program - Capacity Building Program 2016	FF206K156007	14.401	(31,656)	-
Fair Housing Assistance Program - Capacity Building Program 2017	FF206K166007	14.401	149,350	-
Fair Housing Initiatives Program - Capacity Building Program 2017	FE01160040	14.401	92,826	-
Total CFDA 14.401			210,520	-
Total Direct Funding U.S. Department of Housing and Urban Development			14,118,057	348,258
<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	6,619	-
Total Institute of Museum and Library Services			6,619	-
<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>				
Passed through Texas Division of Emergency Management Public Assistance Grant	PA-06-TX-4223-PW-xxxxx	97.036	274,826	-
Public Assistance Grant	PA-06-TX-4255-PW-xxxxx	97.036	1,757,251	-
Total CFDA 97.036			2,032,077	-
Chempak HRSA	CPS/BIOTERR 0000307589	93.003	3,998	-
Passed through State Department of Public Safety Urban Areas Security Initiative 2016 (UASI)	HS15HS12982301	97.067	32,601	-
Urban Areas Security Initiative 2017 (UASI)	HS16HS12982302	97.067	59,955	-
UASI Law Enforcement Assistance Partnership 2017 (UASI-LEAP)	HS16HS12982502; 13157001	97.067	47,520	-
State Homeland Security Program 2017 (SHSP-LETPA)	HS16HS13029201	97.067	30,000	-
Total CFDA 97.067			170,076	-
Total U.S. Department of Homeland Security			2,206,151	-
<u>U. S. DEPARTMENT OF JUSTICE</u>				
Passed through the City of Dallas Justice Assistance Grant (J.A.G.) 2015	2014-DJ-BX-0908	16.738	2,526	-
Justice Assistance Grant (J.A.G.) 2016	2015-DJ-BX-0841	16.738	977	-
Justice Assistance Grant (J.A.G.) 2017	2016-DJ-BX-0186	16.738	28,794	-
Total CFDA 16.738			32,297	-
Internet Crimes Against Children - Investigative Satellite 2016	2016-MC-FX-K034	16.543	13,000	-
Total U.S. Department of Justice			45,297	-

(Continued)

City of Garland, Texas

Schedule of Expenditures of Federal and State Awards Year Ended September 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Grant I.D. Number	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
<u>U. S. DEPARTMENT of AGRICULTURE</u>				
Passed through Texas Department of Agriculture Summer Nutrition Program	CE ID# 01511	10.559	\$ 255,339	\$ -
Total U.S. Department of Agriculture			<u>255,339</u>	<u>-</u>
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>				
Passed Through State Department of Transportation				
Comprehensive (ITC, OP, Speed, DWI) STEP Grant 2017	2017-Garland-P-S-MYG-xxxx	20.600	11,338	-
Impaired Driver Mobility Grant	2017-GarlanPD-IDM-0000x	20.600	219,782	-
Click It or Ticket (CIOT) STEP Grant 2017	2017-GarlanPD-CIOT-000xx	20.600	9,992	-
Total Highway Safety Cluster			<u>241,112</u>	<u>-</u>
Total U.S. Department of Transportation			<u>241,112</u>	<u>-</u>
<u>CENTER FOR DISEASE CONTROL</u>				
Passed through Texas Department of State Health Services				
Immunization Grant 2017	2016-000016-001	93.268	202,701	-
Immunization Grant 2018	537-18-0080-00001	93.268	16,363	-
Total Center for Disease Control			<u>219,064</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 17,091,639	\$ 348,258
STATE AWARDS				
<u>TEXAS DEPARTMENT OF STATE HEALTH SERVICES</u>				
Immunization Grant 2017	2016-000016-001	State	\$ 253,376	\$ -
Immunization Grant 2018	537-18-0080-00001	State	20,454	-
Total Texas Department of State Health Services			<u>273,830</u>	<u>-</u>
TOTAL EXPENDITURES OF STATE AWARDS			\$ 273,830	\$ -
TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE EXPENDED			\$ 17,365,469	\$ 348,258

(Concluded)

City of Garland, Texas

Notes to Schedule of Expenditures of Federal and State Awards Year Ended September 30, 2017

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, 2017, 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. Loans

At September 30, 2017, the amount of loans outstanding related to the Community Development Block Grants and HOME Investment Partnerships Program was approximately \$376,455 and \$3,122,557, respectively.

5. Indirect Cost Rate

The City has elected not to use the 10% de minimis indirect cost rate.

6. Reconciliation of Expenditures

TXDPS FEMA Public Assistance Grant (PA-06-TX-4223 and PA-06-TX-4225) expenditures incurred in fiscal year 2015 and fiscal year 2016, were approved by the Texas Division of Emergency Management as part of a Disaster Assistance subgrant, and are reported as eligible expenditures in the City's year ended September 30, 2017 SEFA.