

***City of Garland,  
Texas***

Single Audit Reports  
Year Ended September 30, 2013

# CITY OF GARLAND, TEXAS

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## **INDEPENDENT AUDITORS' 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, each major fund, and the discretely presented component unit and remaining fund information of the City of Garland, 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 March 24, 2014. 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the Schedule of Findings and Questioned Costs that we consider to be significant deficiencies, listed as items 2013-01 through 2013-03.

## **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*.

## **Management's Response to Findings**

Management's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Management's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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.

Deloitte & Touche LLP

March 24, 2014

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL 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 City of Garland, Texas (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2013. The City's major federal programs are identified in the summary of auditors' 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.

### ***Basis for Qualified Opinion on Justice Assistance Grant Cluster***

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding CFDA 16.738 & 16.804, Justice Assistance Grant Cluster as described in finding number 2013-04 for Reporting and Period of Availability. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to this program.

### ***Qualified Opinion on Justice Assistance Grant Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Justice Assistance Grant Cluster for the year ended September 30, 2013.

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

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 other major federal programs identified in the summary of auditors' results section of the schedule of findings and questioned costs for the year ended September 30, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed another instance of noncompliance, which 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 2013-05. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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 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. We consider the deficiencies in internal control over

compliance described in the accompanying schedule of findings and questioned costs as items 2013-04 and 2013-07 to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-05, 2013-06, and 2013-08 to be significant deficiencies.

Management's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Management's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Awards Required by OMB Circular A-133**

We have audited the financial statements of the City as of and for the year ended September 30, 2013, and have issued our report thereon dated March 24, 2014, which contained an unmodified opinion on those financial statements and included a reference to other auditors. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 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 financial statements or to the 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Deloitte & Touche LLP*

March 24, 2014

**CITY OF GARLAND, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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**I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not consider to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	None reported

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified, except Justice Assistance Grant Cluster, which is qualified for Reporting and Period of Availability
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))?	Yes
Identification of Major programs:	
– U.S. Department of Housing and Urban Development: Housing Choice Voucher Program, CFDA 14.871	
– U.S. Department of Housing and Urban Development: Community Development Block Grants/Entitlement Grants Cluster, CFDA 14.218	
– U.S. Department of Justice: Justice Assistance Grant Cluster, CFDA 16.738, 16.804 (including ARRA)	
– U.S. Department of Homeland Security: Staffing for Adequate Fire and Emergency Response/Assistance to Firefighters Grant, CFDA 97.044	
Dollar threshold used to distinguish between type A and type B programs:	\$512,000
Auditee qualified as low-risk auditee?	Yes

## II. Financial Statement Findings

### 2013-01 Capital Assets Accounting and Reporting

#### *Significant deficiency in controls*

**Criteria** — Proper accounting and reporting for capital assets is crucial for reliable financial reporting.

**Condition and Context** — A number of errors were noted in the capital assets balances that required adjustments. These errors included:

- Failure to properly evaluate an asset that was not in use for impairment in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*;
- Failure to transfer completed assets from construction in progress in a timely manner; and
- Improperly calculating capitalized interest on bond-funded projects in the water fund.

**Effect** — The lack of a timely, detailed ongoing reconciliation process for capital assets, the ineffective communication of relevant capital assets data among City departments, and the absence of regular review procedures for capital assets accounting and reporting increases the risk of erroneous financial reporting.

**Cause** — These errors resulted from a lack of a detailed review of year end construction in progress balances to determine whether projects were completed and weaknesses in communication among City departments with regards to capital asset transactions.

**Recommendation** — Implement policies and procedures that require the timely reconciliation and review of capital asset information. These procedures should include:

- Developing, performing, and documenting procedures for evaluation of capital assets for impairment on annual basis;
- Tracking the status of completion of construction in progress and transferring completed projects to the proper asset category on a timely basis;
- Reviewing the City's methodology for capitalizing interest on construction in proprietary funds and determining the appropriateness of the calculation; and
- Identifying the financial statement reporting requirements of capital assets are communicated and understood and ensuring that staff have the proper training and knowledge of the related GASB reporting requirements.

**Views of Responsible Officials** — See corrective action plan.

## 2013-02 Control Environment

### *Significant deficiency in controls*

**Criteria** — The City’s internal control environment should be supported by effective policies and procedures for each of its key business processes including periodic risk assessments to identify risks of fraud, periodic review of the appropriateness of individuals’ access to databases, and appropriate policies regarding employee performance evaluations.

**Condition and Context** — While the City has standard operating policies and procedures for many of its processes, we noted a number of issues that are summarized below that collectively increase the risk of fraud, waste, and abuse for the City:

- While the City has established an internal audit department and an Audit Committee in recognition of the importance of maintaining fraud prevention and detection programs, the City has not performed a formal, comprehensive update of its risk assessment documents or process, engaging the various stakeholders, including upper management and the audit committee,
- During our test of general information technology (IT) controls over the City’s financial systems, we noted 6 users (out of 49 database administrator accounts) in the City’s accounts with administrative access to the Oracle database supporting Banner that was not necessary for their job function.
- Personnel interviewed throughout our audit indicated they have not been evaluated in their job performance in the past three years.

**Effect** — A control environment that is not supported by thoroughly documented and consistently enforced policies and procedures exposes the City to the potential for fraud, waste, and abuse and increases the risk that errors and irregularities occur and do not get detected on a timely basis by employees in their normal course of business.

**Cause** — Procedures have not been put in place that require 1) that the periodic update of the fraud risk assessment, 2) the periodic review of who has access to databases and 3) annual performance of employee evaluations.

**Recommendation** — The City should consider the following strategies:

- The timely performance of a Citywide risk management analysis under the direction of the Audit Committee to identify vulnerabilities to significant fraud, operational and financial risks. A review and approval by the Audit Committee, on an annual basis, of the City’s documented risk assessment should be incorporated into the process. A comprehensive risk assessment process should include meeting with upper management and the Audit Committee to discuss changes in operations, regulations, and financial transactions.
- A system to routinely evaluate and monitor the design and operating effectiveness of information technology controls including the review of access controls.
- The performance of annual employee evaluations to identify and communicate areas of improvement, as well as provide recognition to high performers. This provides the employee and supervisor an overview of the prior year results as well as future goals and expectations concerning the employee’s performance.

**View of Responsible Officials** — See corrective action plan.

## 2013-03 Financial Closing and Reporting

### *Significant deficiency in controls*

**Criteria** — Financial Statements for the City are required to be prepared in accordance with generally accepted accounting principles.

**Condition and Context** — Several errors were noted during the audit that resulted in significant adjustments to the current year financial statements. During the audit process, we noted weaknesses in the general condition of the accounting records relating to many areas, including the following:

- Proceeds from the issuance of debt was not recorded in the proper fund
- A number of fund level accounting transactions were recorded as part of the year end closing adjustments, rather than recorded at the time the transaction occurred
- City Council approved a transfer to be made from the Electric Fund to the Garland Foundation, however the journal entry to make the transfer was recorded in the Capital Projects Fund
- Certain transactions were recorded as current assets or liabilities when they should have been recorded as noncurrent
- Allowances for certain uncollectible receivables were not been reevaluated based on actual collection rates
- Net position categories were misclassified (restricted/unrestricted) based on incorrect calculations
- Revenues related to franchise fees and hotel taxes were improperly recognized

**Effect** — All of the above resulted in adjustments (recorded or passed) to the City's financial statements. These also resulted in more complicated processes in closing the books and delays in preparing final financial statements.

**Cause** — Lack of critical review of transactions to determine proper treatment in accordance with generally accepted accounting principles.

**Recommendation** — Evaluate current reporting responsibilities and review processes and procedures to ensure that the most effective and efficient transaction flows and approvals are in place to strengthen internal controls and reliability of the financial information. Require the recording and review of all fund level entries during the year to minimize the volume of entries required to be made and reviewed at year-end closing. Implement procedures that require additional review of non-routine transactions into which the City enters to ensure proper accounting and reporting.

**View of Responsible Officials** — See corrective action plan.

### III. Federal Award Findings and Questioned Costs

#### **2013-04 CFDA 16.738 & 16.804 Justice Assistance Grant (“JAG”) Cluster (including ARRA), United States Department of Justice, Passed Through the City of Dallas**

##### *Reporting and Period of Availability – Material Weakness in Controls and Material Noncompliance with Grant Requirements*

**Criteria** — OMB Cost Circular A-87 (relocated to 2 CFR, Part 225) requires a recipient of federal funds to charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Additionally, recipients are required to liquidate all obligations incurred under the award no later than 90 days after the end of the funding period (or as specified in a program regulation).

**Condition** — During our interim testing, we identified allowable costs of \$51,547 charged to the grant after the period of availability per the grant agreement for the JAG award (2009 grant award year). The transaction was initiated prior to the grant end date; however, the obligation was not liquidated within 90 days of the end of the funding period. Additionally, we noted that the charges were improperly reported as liquidated expenditures on the Federal Financial Report submitted to the City of Dallas.

**Cause** — Adequate monitoring of grant activity to ensure timely payment of unliquidated obligations and review of the Federal Financial Report for the reporting compliance requirements was not appropriately performed.

**Questioned Costs** — None, as subsequent to notifying the City of this issue, the City repaid the charges noted above to the grantor and properly excluded the expenditures from the Schedule of Expenditures of Federal Awards.

**Perspective** — One of seven expenditures selected and one of six reports selected for testing did not comply with grant requirements.

**Asserted Effect** — Failure to properly monitor payment of obligations and review the accuracy of corresponding reports can lead to errors and, ultimately, noncompliance with grant requirements.

**Recommendation** — Enforce monitoring controls to ensure timely payment of obligations and closely review reports prior to submittal.

**View of Responsible Officials** — See corrective action plan.

#### **2013-05 CFDA 14.218 Community Development Block Grants/Entitlement Grants Cluster (“CDBG”), United States Department of Housing and Urban Development and Passed Through the Texas Department of Housing & Community Affairs**

##### *Allowable Costs and Cost Principles – Noncompliance and Significant Deficiency in Controls*

**Criteria** — OMB Cost Circular A-87 (relocated to 2 CFR, Part 225) requires entities receiving federal funds to maintain internal controls over federal programs in order to provide reasonable assurance that the City is managing federal awards in compliance with laws, regulations, and the provisions of contracts or agreements that could have a material effect on its federal programs. In accordance with the

OMB A-87 and related Cost Principles, to be allowable under Federal awards, costs must: be necessary and reasonable for the performance and administration of Federal awards and must be adequately supported and documented.

**Condition** — During our testing, we identified rent expense charged to the grant that was based on historically budgeted amounts for a building no longer occupied by CDBG personnel. A rent analysis had not been performed by management to support the amount charged to the grant during fiscal year 2013.

**Cause** — Controls were not in place to require an annual rent analysis of the buildings used for grant purposes.

**Questioned Costs** — \$19,119 – calculated as the difference between rent charged to the grant and the amount of rent that should have been charged based on a calculation using rent per square foot applied to the actual space occupied by CDBG personnel.

**Perspective** — The rent expense charged to CDBG was based on the rent amount budgeted for the building used by CDBG personnel in prior years. However, the CDBG personnel moved to a different City building for fiscal year 2013. Upon request, management evaluated the estimated rent costs of the space occupied by CDBG personnel during fiscal year 2013.

**Asserted Effect** — Failure to analyze the annual rent expense charged to the grant resulted in unallowable questioned costs.

**Recommendation** — Design and implement controls that require an annual analysis to be performed in determining the reasonableness of rent charged for grant purposes. Ensure that documentation is maintained and attached to the journal entry transaction used to record the rent allocation.

**View of Responsible Officials** — See corrective action plan.

### **2013-06 CFDA 14.218 Community Development Block Grants/Entitlement Grants Cluster (“CDBG”), United States Department of Housing and Urban Development and Passed Through the Texas Department of Housing & Community Affairs**

#### ***Procurement - Significant deficiency in controls***

**Criteria** — Statutes applicable to procurement in OMB Circular A-102, the Common Rule specify requirements related to competitive bidding. Such requirements include maintaining documentation related to the evaluation, selection and award bids, and consideration of suspension/debarred status of potential vendors. Additionally, City control policies and procedures require a series of reviews and approvals related to all significant procurements.

**Condition** — During our test of CDBG contracts, we noted one instance in which there was no documentation that the selected vendor was evaluated for suspension and debarment.

**Cause** — A blanket purchase order was created for a vendor that is available for use by any department within the City, which includes use by grant-funded programs. However, a review of the vendor file to ensure compliance with procurement requirements was not appropriately performed. City policy does not require all vendor contracts to be checked for suspension and debarment.

**Questioned Costs** — None

**Perspective** — One of two items selected for testing were missing documentation of suspension and debarment verification.

**Asserted Effect** — The City may conduct business with a suspended or debarred vendor – using federal funds – without the proper design and implementation of policies and procedures that require such verifications on all City contracts meeting certain thresholds.

**Recommendation** — Consider designing and implementing city-wide policies and procedures that require the verification of suspension and debarment of all vendors. Ensure that department personnel and managers are adequately trained and understand the updated policies and procedures to be followed and acknowledge their responsibility for compliance with laws and regulations.

**View of Responsible Officials** — See corrective action plan.

**2013-07 CFDA 97.044 Staffing for Adequate Fire and Emergency Response (“SAFER”)/ Assistance to Firefighters Grant (“AFG”), United States Department of Homeland Security**

*Period of Availability – Material Weakness in Controls*

**Criteria** — OMB Circular A-102, the Common Rule requires a recipient of federal funds to charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Additionally, recipients are required to liquidate all obligations incurred under the award no later than 90 days after the end of the funding period (or as specified in a program regulation). Controls should be in place to monitor and document any exceptions and approvals related thereto.

**Condition** — For AFG, formal written approval related to the extension of the period of availability beyond the contract agreement for a significant vendor transaction for \$382,007 was not obtained and documented from the grantor until requested at the time of our audit.

**Cause** — Adequate documentation of approval of AFG grant activity subsequent to the end of the period of availability was not appropriately performed.

**Questioned Costs** — None.

**Perspective** — One of nine expenditures selected for AFG period of availability testing was not supported by evidence of approval of extension of the grant period by the grantor.

**Asserted Effect** — Failure to properly obtain and document grantor approval for extenuating circumstances can lead to noncompliance with grant requirements.

**Recommendation** — Enforce monitoring controls to ensure documentation of approvals and authorization is complete to support compliance with grant requirements.

**View of Responsible Officials** — See corrective action plan.

**2013-08 CFDA 97.044 Staffing for Adequate Fire and Emergency Response (“SAFER”)/ Assistance to Firefighters Grant (“AFG”), United States Department of Homeland Security**

***Reporting – Significant Deficiency in Controls***

**Criteria** — Per the AFG grant agreement recipients of any AFG funds are required to submit a semi-annual Federal Financial Report (“FFR”) via the automated system. The City of Garland’s FFR reporting period January 1 through June 30 FFR is due by July 31. Per the SAFER grant agreement the grantee must complete an online, semiannual financial status report to meet FEMA requirements. These reports are due within 30 days of the end of every six month’s for the life of the grant.

**Condition** — During our fieldwork, we obtained the AFG SF-425 (FFR) and the SAFER SF-425 (FFR) for the reporting period June 30, 2013. Neither of the reports provided had a submittal date, or a signature of authorized certifying official.

**Cause** — The City failed to retain supporting documentation of federal reports submitted demonstrating compliance with reporting requirements.

**Questioned Costs** — None.

**Perspective** — Two of two reports submitted by the City had no evidence of timely submission or approval by authorized certifying official.

**Asserted Effect** — Failure to retain proper supporting evidence of completed reports may result in noncompliance with applicable grant reporting requirements.

**Recommendation** — Develop and implement controls across all City grants requiring appropriate retention of all reports submitted for grant purposes.

**View of Responsible Officials** — See corrective action plan.

CITY OF GARLAND, TEXAS

Schedule of Expenditures of Federal Financial Awards  
Year Ended September 30, 2013

Grantor / Program Title	Contract Number	CFDA Number	Expenditures for the Year Ended September 30, 2013
<b>Federal Financial Assistance</b>			
<b><u>U. S. Department of Housing and Urban Development</u></b>			
<b>Community Development:</b>			
Emergency Shelter Grant	S-11-MC-480011	14.231	\$ 9,217
Emergency Shelter Grant	S-12-MC-480011	14.231	51,145
Emergency Shelter Grant	S-13-MC-480011	14.231	97,961
Neighborhood Stabilization Program (HERA)	B-08-MN-480005	14.218	43,343
Community Development Block Grant Entitlement 34 - 2010	B-10-MC-480011	14.218	157
Community Development Block Grant Entitlement 35 - 2011	B-11-MC-480011	14.218	4,261
Community Development Block Grant Entitlement 36 - 2012	B-12-MC-480011	14.218	181,044
Community Development Block Grant Entitlement 36 - 2013	B-13-MC-480011	14.218	1,468,569
Centerville Marketplace Economic Development	CCPTX0066-11	14.704	42,748
<b><i>Passed through the Texas Department of Housing &amp; Community Affairs</i></b>			
TX. Neighborhood Stabilization Program (HERA)	7709-0000-155	14.218	48,540
<b>Total Community Development Grants</b>			<b>\$ 1,946,985</b>
<b>Housing Assistance Programs:</b>			
Housing Choice Voucher Program	TX435VOxxxx	14.871	11,493,559
Disaster Housing Assistance Program	HSFEHQ-07-x-0249	97.109	16,703
HOME - Home Investment Partnership (incl. ADDI allocation)	M-10-MC-480225	14.239	72,376
HOME - Home Investment Partnership (incl. ADDI allocation)	M-11-MC-480225	14.239	13,367
HOME - Home Investment Partnership (incl. ADDI allocation)	M-12-MC-480225	14.239	278,513
HOME - Home Investment Partnership (incl. ADDI allocation)	M-13-MC-480225	14.239	744,428
Fair Housing Assistance Program - Capacity Building Program 2012	FF206K116007	14.401	89,019
Fair Housing Assistance Program - Capacity Building Program 2013	FF206K126007	14.401	116,266
<b>Total Housing Assistance Programs</b>			<b>\$ 12,824,231</b>
<b>Total U. S. Department of Housing and Urban Development</b>			<b>\$ 14,771,216</b>
<b><u>U. S. Department of Transportation</u></b>			
<b><i>Passed through the Texas Department of Transportation</i></b>			
Comprehensive (ITC, OP, Speed, DWI) STEP Grant 2013	2013-Garland-P-S-MYG-xxxx	20.600	247,892
Impaired Driver Mobility Grant	2013-GarlandPD-IDM-0000x	20.600	39,865
Click It or Ticket (CIOT) STEP Grant 2013	2013-GarlandPD-CIOT-000xx	20.600	8,995
<b>Total U. S. Department of Transportation</b>			<b>\$ 296,752</b>
<b><u>U.S. Department of Energy</u></b>			
<b><i>Passed through the Texas Railroad Commission</i></b>			
NCTX Alternative Fuel & Advanced Technology Investments (ARRA)	DE-EE0002564	81.086	10,500
<b>Total U. S. Department of Energy</b>			<b>\$ 10,500</b>
<b><u>U. S. Department of Justice</u></b>			
Gang Resistance Educ.and Training (G.R.E.A.T.) Program - 2012	2011-JV-FX-0103	21.053	10,962
<b><i>Passed through the City of Dallas</i></b>			
Justice Assistance Grant (J.A.G.) 2012	2011-DJ-BX-2895	16.738	19,357
Justice Assistance Grant (J.A.G.) 2013	2012-DJ-BX-0199	16.738	31,069
Justice Assistance Grant (J.A.G.) (ARRA)	2009-SB-B9-0969	16.804	31,724
Internet Crimes Against Children - Investigative Satellite		16.543	7,203
<b>Total U. S. Department of Justice</b>			<b>\$ 100,315</b>
<b><u>U.S. Department of Homeland Security</u></b>			
<b>Federal Emergency Management Agency/Office of Domestic Preparedness</b>			
Metropolitan Medical Response	233-01-0050	97.071	(557)
Staffing for Adequate Fire and Emergency Response Grant (SAFER)	EMW-2010-FH-00420	97.044	427,682
Assistance To Firefighters Grant (ATF)	FO1101335FFS001	97.044	579,666
<b><i>Passed through the Texas Department of Public Safety</i></b>			
Metropolitan Medical Response FY2010	2009-SS-T9-0064	97.071	(1,999)
Metropolitan Medical Response FY2011	EMW-2011-SS-00019	97.067	1,072
Metropolitan Medical Response FY2012	EMW-2011-SS-00019	97.067	79,355
Urban Areas Security Initiative 2011 (UASI)	EMW-2011-SS-00019	97.008	(38)
Urban Areas Security Initiative 2012 (UASI)	EMW-2011-SS-00019	97.008	101,593
Urban Areas Security Initiative 2013 (UASI)	EMW-2011-SS-00019	97.008	29,191
Urban Areas Security Initiative - LEAP	EMW-2011-SS-00019	97.067	153,243
Urban Areas Security Initiative - LEAP	EMW-2011-SS-00019	97.067	73,000
<b>Total U. S. Department of Homeland Security</b>			<b>\$ 1,442,208</b>
<b><u>Center for Disease Control</u></b>			
<b><i>Passed through the Texas Department of State Health Services</i></b>			
Immunization Grant 2013	2013-041504-001	93.268	213,262
Immunization Grant 2014	2014-154922-001	93.268	18,657
<b>Total Center for Disease Control</b>			<b>\$ 231,919</b>
<b><u>U. S. Department of Agriculture</u></b>			
<b><i>Passed through the Texas Department of Agriculture</i></b>			
Summer Nutrition Program	CE ID# 01511	10.559	221,926
<b>Total U. S. Department of Agriculture</b>			<b>\$ 221,926</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 17,074,836</b>

See notes to Schedule of Expenditures of Federal Awards.

## **CITY OF GARLAND, TEXAS**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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#### **1. GENERAL**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal awards to the City. The City’s reporting entity is defined in Note 1 to the City’s financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included on the schedule.

#### **2. BASIS OF ACCOUNTING**

The Schedule is prepared on the modified accrual basis of accounting.

#### **3. SUBRECIPIENTS**

During the fiscal year ended September 30, 2013, four of the City’s grant programs passed funds through to subrecipients. The City passed \$109,132 from the HOME Investment Partnership Program grant, CFDA #14.239; \$177,119 from the Community Development Block Grants/Entitlement Grants Cluster, CFDA #14.218; and \$153,260 from the Emergency Shelter Grant, CFDA #14.231, to each grant’s corresponding subrecipients.

## CITY OF GARLAND, TEXAS

### CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2013

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#### 2013-01 Capital Assets Accounting and Reporting

**Recommendation** — Implement policies and procedures that require the timely reconciliation and review of capital asset information. These procedures should include:

- Developing, performing, and documenting procedures for evaluation of capital assets for impairment on annual basis;
- Tracking the status of completion of construction in progress and transferring completed projects to the proper asset category on a timely basis;
- Reviewing the City's methodology for capitalizing interest on construction in proprietary funds and determining the appropriateness of the calculation; and
- Identifying the financial statement reporting requirements of capital assets are communicated and understood and ensuring that staff have the proper training and knowledge of the related GASB reporting requirements.

**Views of Responsible Officials** — Policies and procedures that require timely reconciliation and review of capital asset information will be implemented during the completion of the 2014 Fiscal year.

**Contact Person** — Jose Mendoza, Fixed Asset Manager

#### 2013-02 Control Environment

**Recommendation** — The City should consider the following strategies:

- The timely performance of a City-wide risk management analysis under the direction of the Audit Committee to identify vulnerabilities to significant fraud, operational and financial risks. A review and approval by the Audit Committee, on an annual basis, of the City's documented risk assessment should be incorporated into the process. A comprehensive risk assessment process should include meeting with upper management and the Audit Committee to discuss changes in operations, regulations, and financial transactions.
- A system to routinely evaluate and monitor the design and operating effectiveness of information technology controls including the review of access controls.
- The performance of annual employee evaluations to identify and communicate areas of improvement, as well as provide recognition to high performers. This provides the employee and supervisor an overview of the prior year results as well as future goals and expectations concerning the employee's performance.

#### View of Responsible Officials

1. Staff will implement a citywide risk management analysis into the 2014 audit plan that is presented and approved by the Audit Committee.

2. IT staff will review administrator accounts on by August 31, 2014 to assure that users are granted the appropriate level of security. Security for the accounts with administrative access has been changed to match the level of database access necessary to perform their job duties.
3. A new employee evaluation process has been implemented and the employee review process will be completed March 31, 2014.

**Contact Person**

1. Jedson Johnson, Internal Auditor
2. Clark Richardson, Information Services Manager
3. Priscilla Wilson, Managing Director Human Resources

**2013-03 Financial Closing and Reporting**

**Recommendation** — Evaluate current reporting responsibilities and review processes and procedures to ensure that the most effective and efficient transaction flows and approvals are in place to strengthen internal controls and reliability of the financial information. Require the recording and review of all fund level entries during the year to minimize the volume of entries required to be made and reviewed at year-end closing. Implement procedures that require additional review of non-routine transactions into which the City enters to ensure proper accounting and reporting.

**View of Responsible Officials** — Fiscal year end processes will be reviewed and changes will be implemented to minimize the number of adjustments made during the 2014 year end process.

**Contact Person** — Kathryn Ritchie, Accounting Administrator

**2013-04 CFDA 16.738 & 16.804 Justice Assistance Grant (“JAG”) Cluster (including ARRA), United States Department of Justice, Passed Through the City of Dallas**

**Recommendation** — Enforce monitoring controls to ensure timely payment of obligations and closely review reports prior to submittal.

**View of Responsible Officials** — Controls to monitor timely payment of grant obligations and the accuracy of reports filed will be improved by June 30, 2014.

**Contact Person** — Nancy Guerra, Grant Accountant

**2013-05 CFDA 14.218 Community Development Block Grants/Entitlement Grants Cluster (“CDBG”), United States Department of Housing and Urban Development and Passed Through the Texas Department of Housing & Community Affairs**

**Recommendation** — Design and implement controls that require an annual analysis to be performed in determining the reasonableness of rent charged for grant purposes. Ensure that documentation is maintained and attached to the journal transaction used to record the rent allocation.

**View of Responsible Officials** — Controls will be implemented by June 30, 2014 to review the rent expense charged on an annual basis. Since indirect Cost is not charged to this grant management believes that the rent charged is reasonable since utility and custodial services are provided for this activity.

**Contact Person** — Nancy Guerra, Grant Accountant

**2013-06 CFDA 14.218 Community Development Block Grants/Entitlement Grants Cluster (“CDBG”), United States Department of Housing and Urban Development and Passed Through the Texas Department of Housing & Community Affairs**

**Recommendation** — Consider designing and implementing city-wide policies and procedures that require the verification of suspension and debarment of all vendors. Ensure that department personnel and managers are adequately trained and understand the updated policies and procedures to be followed and acknowledge their responsibility for compliance with laws and regulations.

**View of Responsible Officials** — A city-wide policy will be implanted by April 15, 2014 that will require the verification of suspension and debarment of all vendors.

**Contact Person** — Nancy Guerra, Grant Accountant

**2013-07 CFDA 97.044 Staffing for Adequate Fire and Emergency Response (“SAFER”)/ Assistance to Firefighters Grant (“AFG”), United States Department of Homeland Security**

**Recommendation** — Enforce monitoring controls to ensure documentation of approvals and authorization is complete to support compliance with grant requirements.

**View of Responsible Officials** — Monitoring controls to document the approval and authorization for the extension of the period of availability beyond the contract agreement will be implemented by June 30, 2014.

**Contact Person** — Nancy Guerra, Grant Accountant

**2013-08 CFDA 97.044 Staffing for Adequate Fire and Emergency Response (“SAFER”)/ Assistance to Firefighters Grant (“AFG”), United States Department of Homeland Security**

**Recommendation** — Develop and implement controls across all City grants requiring appropriate retention of all reports submitted for grant purposes.

**View of Responsible Officials** — Controls will be implemented by June 30, 2014 that will require the retention of all reports submitted to grantor agencies with the submission date.

**Contact Person** — Nancy Guerra, Grant Accountant