

CITY OF GRAND PRAIRIE, TEXAS

UNIFORM GRANT MANAGEMENT STANDARDS REPORT

YEAR ENDED SEPTEMBER 30, 2016

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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**

To the City Council
City of Grand Prairie, Texas

We have audited, in accordance with 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Grand Prairie, Texas, (the City) as of and for the year ended September 30, 2016, 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, 2017. Our report includes a reference to other auditors who audited the financial statements of the Grand Prairie Housing Finance Corporation (a discretely presented component unit). The financial statements of the Grand Prairie Housing Finance Corporation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Grand Prairie Housing Finance Corporation.

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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 16, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
UNIFORM GRANT MANAGEMENT STANDARDS AND ON SCHEDULE OF EXPENDITURES
OF STATE AWARDS**

To the City Council
City of Grand Prairie, Texas

Report on Compliance for Each Major State Program

We have audited City of Grand Prairie, Texas' (the City) compliance with the types of compliance requirements described in the Uniform Grants Management Standards issued by the Governor's Office of Budget and Planning that could have a direct and material effect on each of City's major state programs for the year ended September 30, 2016. The City's major state 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 state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state 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 Uniform Grant Management Standards issued by the Governor's Office of Budget and Planning. Those standards 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 state 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 state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major State 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 state programs for the year ended September 30, 2016.

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 state program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with Uniform Grant Management Standards issued by the Governor's Office of Budget and Planning, 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 state 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 state 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 state 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, material weaknesses may exist that have not been identified. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items [2016-001] 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 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 Uniform Grant Management Standards. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Prairie, Texas (the City) as of and for the year ended September 30, 2016, 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, 2017, which contained unmodified opinions on those financial statements. The financial statements of the Grand Prairie Housing Finance Corporation (a discretely presented component unit) were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Grand Prairie Housing Finance Corporation is based on the report of 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 state awards is presented for purposes of additional analysis as required by Uniform Grant Management Standards 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 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.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 16, 2017

**CITY OF GRAND PRAIRIE, TEXAS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Section I-Summary of Auditor's Results

BASIC FINANCIAL STATEMENTS:

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No

- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? ___ Yes X None reported

Noncompliance which is material to the basic financial statements noted? ___ Yes X No

STATE AWARDS:

Internal control over major programs:

- Material weakness(es) identified? ___ Yes X No

- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? X Yes ___ None reported

An unmodified opinion was issued on compliance for major programs.

Any audit findings disclosed that are required to be reported in accordance with Uniform Grant Management Standards? ___ Yes X No

Identification of major programs:

State Grant Number(s)	Name of State Grant or Program
CSJ: 0918-45-793 Hunter-	MacArthur Blvd - Interstate 30 to Ferrell Road

Dollar threshold used to distinguish Between type A and type B programs: \$300,000

Auditee qualified as low-risk? ___ Yes X No

**CITY OF GRAND PRAIRIE, TEXAS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Section II-Financial Statement Findings

Finding 2016-001

MacArthur Blvd - Interstate 30 to Hunter-Ferrell Road- Texas Department of Transportation

Procurement — Significant Deficiency in Controls over Compliance

Criteria — According to the June 2016 OMB Circular Compliance Supplement, non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction.

Condition — During our procurement testing, we identified two instances where the City failed to properly document the review of vendors for suspension and debarment prior to incurring charges.

Cause — City procedures regarding the review for suspension and debarment was not consistent throughout the Engineering Department.

Questioned Costs — None

Effect — Failure to properly document the review of vendors for suspension and debarment can lead to the utilization of vendors that are suspended and debarred which is strictly prohibited.

Recommendation — Review internal controls, procedures and checklists related to procurement to ensure that they are updated, complete and sufficient to comply with grant compliance requirements.

Management Response — In order to ensure that the City complies with Uniform Grant Management Standards going forward, the Engineering Department has determined it necessary to require that each vendor provide a certification regarding debarment regardless of funding source and department personnel will review and document the verification of all vendors to ensure that the vendor is not listed as suspended or debarred on the sam.gov website.

**CITY OF GRAND PRAIRIE, TEXAS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Section III-State Awards Findings and Questioned Costs

There were no findings for the year ended September 30, 2016.

Section IV-Schedule of Prior Year Findings and Questioned Costs

There were no findings for the year ended September 30, 2015.

**CITY OF GRAND PRAIRIE, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant/ Contract Number</u>	<u>Activity</u>	<u>Expenditures</u>
STATE AWARDS			
Texas Department of Transportation:			
I-30 Frontage Road Design - Phase B	CSJ: 1068-04-148	I30B	\$ 10,018
MacArthur Blvd - Interstate 30 to Hunter-Ferrell Road	CSJ: 0918-45-793	36509015	3,541,566
Aviation Division:			
Routine Airport Maintenance 2016	M1602GNDP	67016007	37,320
Public Transportation Division:			
Transit Operations	51216F7058	11516001	<u>173,245</u>
TOTAL STATE AWARDS			<u><u>\$ 3,762,149</u></u>

**CITY OF GRAND PRAIRIE, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of State Awards (the Schedule) is prepared on the modified accrual basis of accounting. Expenditures are recognized when incurred.

NOTE 2. REPORTING ENTITY

The City of Grand Prairie, Texas (the City), for purposes of the Schedule, includes all funds of the primary government, but excludes component units as defined by the Government Accounting Standards Board.

NOTE 3. RELATIONSHIP TO STATE FINANCIAL REPORTS

Grant expenditure reports, as of September 30, 2016, already 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 the year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.