

CITY OF GRAND PRAIRIE, TEXAS

FEDERAL FINANCIAL ASSISTANCE REPORT

YEAR ENDED 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

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 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, 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 15, 2018. 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, we identified a deficiency in internal control over financial reporting, as described in the

accompanying schedule of findings and questioned costs as an item [2017-001] that we consider to be a significant deficiency.

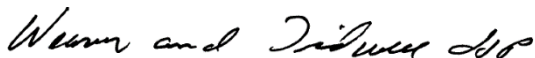
The City's responses to the internal control over financial reporting finding identified in our audit are described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 15, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the City Council
City of Grand Prairie, Texas

Report on Compliance for Each Major Federal Program

We have audited City of Grand Prairie, Texas' (the City) 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 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 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 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.

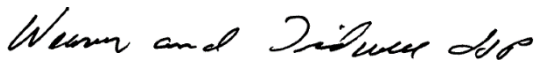
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiencies in internal control over compliance that are considered significant deficiencies, as described in the accompanying schedule of findings and questioned costs as items [2017-001 and 2017-002].

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying 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.

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 Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the 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, 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 15, 2018, 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 federal awards is presented for purposes of additional analysis as required by 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* (the Uniform Guidance) 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 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 15, 2018

**CITY OF GRAND PRAIRIE, TEXAS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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)? X Yes X None reported

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

FEDERAL 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 2 CFR 200.516(a)? ___ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Programs or Cluster</u>
14.871	Section 8 Housing Choice Vouchers
14.218	Community Development Block Grant
66.458	Clean Water State Revolving Fund
20.206	Highway Planning and Construction

Dollar threshold used to distinguish Between type A and type B programs: \$1,108,974

Auditee qualified as low-risk auditee? X Yes ___ No

**CITY OF GRAND PRAIRIE, TEXAS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Section II-Financial Statement Findings

Finding 2017-001

20.206 — Highway Planning and Construction, Federal Highway Administration passed through Texas Department of Transportation

Reporting — Significant Deficiency in Controls over Financial Reporting and Controls over Compliance

Criteria — Funds received and expended by an agent on behalf of the City should be reflected in the financial statements.

Condition — Capital assets purchased by the Texas Department of Transportation, acting as the agent on the Lake Ridge Widening project, was not recorded by the City of Grand Prairie in the proper period.

Questioned Costs — None

Context — The City had not been made aware of expenditures administered by the Texas Department of Transportation related to this portion of the project until the 2017 fiscal year due to insufficient controls and accounting procedures related to non-cash transactions.

Effect — Capital assets were understated by \$1,301,607.

Recommendation — The City should implement controls and procedures to ensure that funds received and expended by an agent acting on behalf of the City are reconciled and recorded in the year the expenditures are incurred.

Responsible Party — Walter Shumac, Director of Transportation

Management Response — Accounting and Transportation staff will immediately expand the current internal control procedures with “dual oversight” of all grantor documents on file; and, accounting will follow up with all grantors’ report status.

Expected Completion Date — March 31, 2018

Section III-Federal Awards Findings and Questioned Costs

See Finding 2017-001 above

**CITY OF GRAND PRAIRIE, TEXAS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Finding 2017-002

14.218 — Community Development Block Grant, U.S. Department of Housing and Urban Development

Procurement — Significant Deficiency in Controls over Compliance

Criteria — According to the June 2017 OMB Circular Compliance Supplement, non-Federal entities are prohibited from contracting with or making subawards to parties that are suspended or debarred.

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

Questioned Costs — None

Context — City procedures regarding the review for suspension and debarment in the Housing Department did not include a requirement to review subrecipients for suspension and debarment.

Effect — Failure to properly document the review of subrecipients for suspension and debarment can lead to the City passing through funding to organizations 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.

Responsible Party — Bill Hills, Director of Housing and Neighborhood Services

Management Response — Housing Department staff will immediately broaden and apply suspension and debarment compliance requirements to all sub recipients prior to distribution of funds.

Expected Completion Date — March 31, 2018

Section IV-Schedule of Prior Year Findings and Questioned Costs

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

**CITY OF GRAND PRAIRIE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant/ Contract Number</u>	<u>Activity</u>	<u>Expenditures</u>	<u>Passed to Subrecipients</u>
FEDERAL AWARDS					
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:					
Community Planning and Development:					
Community Development Block Grant	14.218	B-15-MC-48-0012	302992	\$ 95,760	\$ -
Community Development Block Grant	14.218	B-16-MC-48-0012	301792	1,318,632	196,149
HOME INVESTMENT PARTNERSHIPS PROGRAM:					
HOME Grant	14.239	M-14-MC-48-0226	302892	84,395	-
HOME Grant	14.239	M-15-MC-48-0226	302992	220,416	56,562
HOME Grant	14.239	M-16-MC-48-0226	301792	6,944	-
NEIGHBORHOOD STABILIZATION PROGRAM					
Neighborhood Stabilization Grant	14.218	B-08-MN-48-0006	303692	65,054	-
PUBLIC AND INDIAN HOUSING:					
Section 8 Housing Choice Vouchers	14.871	TX-434	300192-300292	30,829,201	-
U.S. DEPARTMENT OF TRANSPORTATION:					
U.S. Department Of Transportation:					
Commercial Vehicle Enforcement	20.218	FM-MHP-0258-16-01-00	67816020	149,062	-
Federal Transit Administration:					
Capital and Preventive Maintenance	20.509	TX-90-Y137-00	68015002	25,441	-
Capital and Preventive Maintenance	20.509	TX-90-Y137-00	68016002	93,262	-
Pass-Through North Central Texas Council of Governments: Transit Operations	20.513	TRN 2478	11517001	262,000	-
National Highway Traffic Safety Administration:					
Pass-Through the Texas Department of Transportation: STEP Comprehensive	20.600	2017-GrandPra-S-1YG-0066	36517010	118,971	-
Federal Highway Administration:					
Pass-Through the Texas Department of Transportation: Highway Planning and Construction	20.206	CSJ-0902-48-695	36512001	1,301,607	-
FEDERAL EMERGENCY MANAGEMENT ADMINISTRATION:					
Department of Homeland Security:					
Pass-Through the Division of Emergency Management:					
Emergency Management Program	97.042	17TX-EMPG-0014	67017008	48,545	-
Disaster Recovery Grant	97.036	PA-06-TX-4223	63515018-63515031	90,320	-
Passed Through Texas Office of the Governor - Homeland Security Grants Division:					
Urban Securities Initiative 2015	97.067	2982701	63516015	26,311	-
Urban Securities Initiative 2015	97.067	2982901	63516017	4,006	-
Urban Securities Initiative 2015	97.067	2983001	63516018	3,612	-
Urban Securities Initiative 2016	97.067	3165101	63517009	67,000	-
Urban Securities Initiative 2016	97.067	3164301	63517011	64,820	-
Urban Securities Initiative 2016	97.067	3166801	63517012	22,711	-
U.S. DEPARTMENT OF JUSTICE:					
Pass-Through City of Dallas:					
Justice Assistance Grant 2016	16.738	2016-H3105-TX-DJ	10016016	25,998	-
Passed Through the Texas Criminal Justice Division:					
Victim Assistance Program	16.575	1359118	38517006	119,643	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
Pass-Through the Dallas Area Agency on Aging (DAAA):					
Transportation (Special Programs for the Aging-Title III, Part B)	93.044	City of Grand Prairie	12015005	18,351	-
Congregate Meals (Special Programs for the Aging-Title III, Part C)	93.045	City of Grand Prairie	12015004	98,751	-
ENVIRONMENTAL PROTECTION AGENCY:					
Passed Through Texas Water Development Board:					
Clean Water State Revolving Fund	66.458	L1000155-73654	42513028	1,805,000	-
TOTAL FEDERAL AWARDS				\$ 36,965,813	\$ 252,711

CITY OF GRAND PRAIRIE, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal 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 FEDERAL FINANCIAL REPORTS

Grant expenditure reports, as of September 30, 2017, 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.

NOTE 4. NON-CASH ASSISTANCE

The City received non-cash assistance from the Texas Department of Transportation related to the Lakeway Ridge widening project. The expenditures are listed in the Schedule of Expenditures of Federal Awards in the amount of \$1,301,607.

NOTE 5: INDIRECT COST RATE

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