

State of Texas Single Audit Circular - State Awards

City of Dallas, Texas

September 30, 2018

CITY OF DALLAS, TEXAS

STATE OF TEXAS SINGLE AUDIT CIRCULAR - STATE AWARDS

Year Ended September 30, 2018

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City of Dallas, Texas

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended September 30, 2018

<u>State grantor/pass-through grantor program title</u>	<u>Grant number</u>	<u>Program Award amount</u>	<u>Grant Expenditures</u>	<u>Amounts passed through to subrecipients</u>
Texas Automobile Burglary & Theft Prevention Authority				
ABTPA Cargo Auto Theft Interdiction Squad/25	608-18-DPD0000	\$ 555,204	\$ 506,388	
ABTPA Cargo Auto Theft Interdiction Squad/26	608-19-DPD0000	<u>555,204</u>	<u>49,024</u>	
Total Texas Automobile Burglary & Theft Prevention Authority		1,110,408	555,412	
Texas Commission on Environmental Quality				
Air Pollution Compliance Program	582-15-50121	525,117	429,244	
Rockwall Ambient Air Monitoring Program	582-15-50031	<u>28,054</u>	<u>27,803</u>	
Total Texas Commission on Environmental Quality		553,171	457,047	
Texas Department of Criminal Justice				
TDCJ Reentry Pilot Program Grant.	696-TC-16-17-L063	<u>1,000,000</u>	<u>233,333</u>	
Total Texas Department of Criminal Justice		1,000,000	233,333	
Texas Commission on the Arts				
Arts Create Program for Bath House Cultural Center Programs	18-42139	6,000	6,000	
Arts Create Program for Latino Cultural Center	18-42384	5,000	5,000	
Arts Create Program for South Dallas Culture Center	18-42394	8,000	8,000	
Arts Create/Core Support Programs for The Office of Cultural Programs	18-42382	<u>13,000</u>	<u>13,000</u>	
Total Texas Commission on the Arts		32,000	32,000	
Texas Department of Housing and Community Affairs				
Homeless Housing and Services Program	63180002757	<u>833,481</u>	<u>811,834</u>	<u>811,130</u>
Total Texas Department of Housing and Community Affairs		833,481	811,834	811,130
Health and Human Services Commission				
TDH WIC-Lactation Resource and Training Expansion	2015-047695-002A	260,000	240,617	
TDH WIC-Lactation Resource and Training Expansion	2015-047695-002B	260,000	19,919	
HHSC Healthy Community Collaborative Grant	2016-049507-001A	1,500,000	1,316,495	1,316,333
HHSC Healthy Community Collaborative Grant	2016-049507-001B	<u>1,500,000</u>	<u>72,055</u>	<u>72,055</u>
Total Health and Human Services Commission		3,520,000	1,649,086	1,388,388
Texas Department of Transportation				
ATMS Communication Network	CSJ: 0918-45-888	2,425,600	429,335	
A Modern Streetcar System Development Program	CSJ: 0918-45-887	15,800,000	712,590	
Dallas CBD car Circulator-from CBD to Oak Cliff to Bishop Arts District	CSJ: 0918-47-086	15,000,000	58,319	
Dallas CBD car Circulator-from CBD to Oak Cliff to Downtown (North Ext.)	CSJ: 0918-47-087	7,872,531	70,361	
Dallas CBD car Circulator-Rail Vehicle Purchase	CSJ: 0918-47-088	8,000,000	88,941	
Riverfront Boulevard	CSJ: 0918-45-885	29,127,713	180,858	
Sidewalks and Landscaping Improvements	CSJ: 0918-47-145	1,000,000	631,360	
The Collective Sustainable Development Infrastructure Project	CSJ: 0918-47-027	1,986,250	49,523	
Zang Triangle Sustainable Development Infrastructure Project	CSJ: 0918-47-026	1,750,000	1,039,986	
Lake Highlands Project	CSJ: 0918-47-028	346,778	264,897	
Katy Trail VI from Ellsworth Street to Worcola Street	CSJ: 0918-45-808	6,480,000	1,326,260	
Routine Airport Maintenance Program (RAMP) -Dallas Executive	M1818-DLEX	<u>50,000</u>	<u>50,000</u>	
Total Texas Department of Transportation		89,838,872	4,902,430	

See Notes to Schedule of Expenditures of State Awards

City of Dallas, Texas

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended September 30, 2018

<u>State grantor/pass-through grantor program title</u>	<u>Grant number</u>	<u>Program Award amount</u>	<u>Grant Expenditures</u>	<u>Amounts passed through to subrecipients</u>
Texas Parks and Wildlife Department				
Passed through Dallas Parks Foundation				
TPWD Outdoor Adventures at Dallas Grant	52-000631	\$ 44,705	\$ 260	
Total Texas Park and Wildlife Department		44,705	260	
Governor's Office of General Counsel and Criminal Justice				
State Internet Crimes Against Children Grant	2745104	314,415	306,278	
Confiscated Monies - State	not available	<u>-</u>	<u>1,556,552</u>	
Total Governor's Office of General Counsel and Criminal Justice		314,415	1,862,830	
Office of the Governor, Criminal Justice Division				
CJD Rifle-Resistant Body Armor Grant Program 2018	3483001	<u>1,764,300</u>	<u>439,941</u>	
Total Office of the Governor, Criminal Justice Division		1,764,300	439,941	
Texas Veterans Commission				
2018-19 Veterans Treatment Court Grant	VTC-18-0597	<u>75,000</u>	<u>10,603</u>	
Total Texas Veterans Commission		75,000	10,603	
Tax Allocation Section of State Comptroller's Office				
LEOSE - Law Enforcement Officer Standards and Education	17560005088-074	4,348	2,005	
LEOSE - Law Enforcement Officer Standards and Education	17560005088-077	<u>211,035</u>	<u>120,502</u>	
Total Tax Allocation Section of State Comptroller's Office		<u>215,383</u>	<u>122,507</u>	
Total State Assistance		<u>\$99,301,735</u>	<u>\$11,077,283</u>	<u>\$2,199,518</u>

See Notes to Schedule of Expenditures of State Awards

City of Dallas, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year ended September 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying Schedule of Expenditures of State Awards presents the activity of all state award programs of the City of Dallas, Texas (the "City"). The City's reporting entity is defined in Note 1 to the City's basic financial statements. All state awards received directly by the primary government from state agencies, as well as state awards passed through other government agencies, are included in the scope of the State of Texas *Uniform Grant Management Standards* (UGMS) and are included on the Schedule of Expenditures of State Awards.

Basis of Accounting

The accompanying Schedule of Expenditures of State Awards is presented using the accrual basis of accounting.

NOTE B - RELATIONSHIP TO STATE FINANCIAL REPORTS

Amounts reported in the accompanying Schedule of Expenditures of State Awards may not agree with the amounts reported in the related state financial reports filed with grantor agencies because those reports, in some cases, are filed on a cash basis.

NOTE C - STATE AWARDS RECONCILIATION (in thousands)

Intergovernmental revenues per statement of revenues, expenditures, and changes in fund balance - governmental funds	\$ 82,637
Nonoperating revenue to proprietary funds from intergovernmental grants	662
Operating revenue to proprietary funds from intergovernmental grants - Aviation	50
Less intergovernmental awards from federal government (federal expenditures)	(56,981)
Less intergovernmental awards from sources other than federal and state awards	<u>(15,291)</u>
Total expenditures per Schedule of Expenditures of State Awards	<u>\$ 11,077</u>

NOTE D - RELATIONSHIP OF EXPENDITURES

Any negative expenditures primarily represent a reallocation of grant expenditures between grant program years or reimbursements of grant expenditures by the General Fund resulting from grant budget overruns in the fiscal year after the year of expenditure recognition.

Amounts reported as expenditures on the accompanying Schedule of Expenditures of State Awards are equal to total grant revenues received as adjusted for the effect of the year-end accruals, plus the City's required matching contributions.

City of Dallas, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS - CONTINUED

Year ended September 30, 2018

NOTE E - CONTINGENCIES

The City participates in several state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2018 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT
AUDITING STANDARDS**

Honorable Mayor and Members of the City Council
City of Dallas, 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 the City of Dallas, Texas (the "City") as of and for the year ended September 30, 2018, 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 21, 2019.

Our report includes a reference to other auditors who audited the financial statements of the Dallas Police and Fire Pension System, and the Supplemental Police and Fire Pension Plan of the City of Dallas, which are blended component units, and the Dallas Housing Acquisition and Development Corporation, and the Dallas Development Fund, which are discretely presented component units, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Dallas Housing Acquisition and Development Corporation and the Dallas Development Fund, audited by other auditors, 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 design 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 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 have not been 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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency in the City's internal control.

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*.

City's response to findings

The City's response to our finding, which is described in the accompanying schedule of findings and questioned costs, was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the City's response.

Intended purpose

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 report is not suitable for any other purpose.



Dallas, Texas
March 21, 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE STATE OF TEXAS *UNIFORM GRANT MANAGEMENT STANDARDS*

Honorable Mayor and Members of the City Council
City of Dallas, Texas

Report on compliance for each major state program

We have audited the compliance of the City of Dallas, Texas (the "City") with the types of compliance requirements described in the State of Texas *Single Audit Circular* that could have a direct and material effect on each of its major state programs for the year ended September 30, 2018. 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 state statutes, regulations, and the terms and conditions of its state awards applicable to the City's 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 the audit requirements of the State of Texas *Uniform Grant Management Standards* (UGMS). Those standards and the UGMS 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 qualified and unmodified opinions on compliance for major state programs. However, our audit does not provide a legal determination of the City's compliance.

Basis for qualified opinion on ATMS Communication Network, A Modern Streetcar System Development Program, and Zang Triangle Sustainable Development Infrastructure Project

As described in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding ATMS Communication Network as described in finding number 2018-002 for Reporting, A Modern Streetcar System Development Program as described in finding number 2018-003 for Reporting, and Zang Triangle Sustainable Development Infrastructure Project as described in finding number 2018-004 for Period of Performance. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified opinion on ATMS Communication Network, A Modern Streetcar System Development Program, and Zang Triangle Sustainable Development Infrastructure Project

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on ATMS Communication Network, A Modern Streetcar System Development Program, and Zang Triangle Sustainable Development Infrastructure Project 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 ATMS Communication Network, A Modern Streetcar System Development Program, and Zang Triangle Sustainable Development Infrastructure Project for the year ended September 30, 2018.

Unmodified opinion on each of the other major state 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 state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2018.

Other matters

The City's response to the noncompliance findings identified in our audit, which is described in the accompanying schedule of findings and questioned costs, was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the City's 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 compliance requirements that could have a direct and material effect on each major state program to design audit 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 the UGMS, 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-002, 2018-003, and 2018-004, that we consider to be material weaknesses in the City's internal control over compliance.

The City's response to the findings on internal control over compliance identified in our audit, which is described in the accompanying schedule of findings and questioned costs, was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the City's 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 UGMS. Accordingly, this report is not suitable for any other purpose.



Dallas, Texas
June 28, 2019

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twitter.com/grantthorntonus**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON THE
SCHEDULE OF EXPENDITURES OF STATE AWARDS REQUIRED BY THE
STATE OF TEXAS *UNIFORM GRANT MANAGEMENT STANDARDS***Honorable Mayor and Members of the City Council
City of Dallas, 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 the City of Dallas, Texas (the "City") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and our report thereon dated March 21, 2019 expressed unmodified opinions on these financial statements. Our report included an emphasis of matter paragraph related to the City's adoption of new OPEB accounting and reporting standards. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to March 21, 2019.

The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the State of Texas Uniform Grant Management Standards, and is not a required part of the basic financial statements. Such supplementary 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 basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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.

Dallas, Texas
June 28, 2019

City of Dallas, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	None reported

State Awards

Internal control over major programs:	
Material weakness identified?	Yes
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified, for all major programs except for ATMS Communication Network, A Modern Streetcar System Development Program, and Zang Triangle Sustainable Development Infrastructure Project, which were qualified
Any audit findings disclosed that are required to be reported in accordance with the State of Texas UGMS?	Yes

City of Dallas, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS - Continued

Identification of Major Programs:

<u>State Identifying Number</u>	<u>State Program or Cluster</u>
582-15-50121	Air Pollution Compliance Program
2016-049507-001A/ 2016-049507-001B	HHSC - Healthy Community Collaborative Grant
CSJ: 0918-45-888	ATMS Communication Network
CSJ: 0918-45-887	A Modern Streetcar System Development Program
CSJ: 0918-47-145	Sidewalks and Landscaping Improvements
CSJ: 0918-47-026	Zang Triangle Sustainable Development Infrastructure Project
3483001	Rifle-Resistant Body Armor Grant Program
Dollar threshold used to distinguish between type A and type B programs	\$332,319
Auditee qualified as low-risk auditee?	Yes

City of Dallas, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2018

**SECTION II - FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS
REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Finding #: 2018-001

Type of Finding: Significant Deficiency

Criteria:

An entity should design, implement and maintain a system of internal controls over financial reporting, including Information Technology General Controls (ITGCs), to ensure complete and accurate financial reporting. ITGCs are the basic controls that can be applied to IT systems such as applications, operating systems, databases, and supporting IT infrastructure. The objectives of ITGCs are to ensure the integrity of the data and processes that the systems support.

Condition:

Twelve user accounts inspected had access to SAP_ALL authorization profile. SAP_ALL provides almost unrestricted access to ALL functionalities of SAP.

At the time of review, basis administrator (change promoters) had the ability to administer application-level security within SAP PDB environment. The combination of change management duties and security administration rights is considered a segregation of duties conflict.

Cause:

We noted that there was a lack of appropriate and sufficient review of end users with security administration access in SAP, including access to promote application changes in SAP.

Effect:

Having members (IT and Non-IT) in these profiles presents the risks that there are inappropriate checks to the activities performed by system administrators. Also, the risk exists that inappropriate changes (unintentional or intentional) could be made.

Questioned Costs:

None.

City of Dallas, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2018

Recommendation:

We recommend that the City have appropriate and sufficient controls in place to ensure that users with administrator rights should be limited and only include appropriate people and access to configurations parameters and data should be restricted to authorized personnel. An annual user access review process should be completed regularly throughout the fiscal year to identify any inappropriate access rights. The City, additionally, should correct any inappropriate access rights.

View of Responsible Officials:

Management agrees with audit finding 2018-001. In the fall of 2017, Dallas Water Utilities (DWU) and Communications Information Systems (CIS) worked with the third-party SAP application administrator, Deloitte, to put a project in place to address segregation of duties conflicts, sensitive access, and create adaptable security role design. The project was completed, in two phases; and the changes moved to production in April 2018 and April 2019.

DWU and CIS have modified the procedures to conduct periodic user access review of SAP, updating the production system when/where necessary. The City is evaluating if it should acquire software tools or work with a third-party, for periodic monitoring of user profiles and access privileges. The periodic monitoring plan will be in place by December 2019.

City of Dallas, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2018

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding #: 2018-002

State Title: ATMS Communication Network

State Agency: Texas Department of Transportation / North Central Texas Council of Governments (NCTCOG)

State Award Number: CSJ: 0918-45-888

Program Year: 2017 - 2018

Compliance Requirement: Reporting

Type of Finding: Material Weakness and Material Noncompliance

Criteria:

Uniform Grant Management Standards Part IV. State of Texas *Single Audit Circular* requires that entities receiving State awards maintain internal control over state programs that provides reasonable assurance that the auditee is managing state awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its state programs.

Article 22. NCTCOG, of the Advanced Funding Agreement with the Texas Department of Transportation states “The Local Government shall provide to NCTCOG on a monthly basis a report of expenses, including the Local Government's expenditure of local match funds. The report shall list separately the expenditures by project phase, including but not limited to engineering, environmental review, right of way acquisition, and construction. The report shall also describe interest earned on money from the SH 121 Subaccount, including the interest rate, interest earned during the month, and cumulative interest earned. The report shall further describe the status of developing the Project.”

City of Dallas, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2018

Condition:

We noted that the North Central Texas Council of Governments (NCTCOG) monthly expenditure reports were not submitted during FY2018.

Cause:

Program supervisors failed to provide appropriate and sufficient review of all aspects of the program terms and conditions to ensure compliance with program reporting requirements.

Effect:

Failure to timely and adequately report program expenditures could result in a failure to appropriately monitor program performance and outcomes, and tracking of progress of program costs by the City.

Questioned Costs:

None.

Identification of a repeat finding:

This is not a repeat finding from the immediate previous audit.

Recommendation:

We recommend that program management have appropriate and sufficient controls in place to ensure the timely and accurate completion of required reporting of financial performance, that the required reports include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

View of Responsible Officials:

Management agrees with audit finding 2018-002. Management will ensure the monthly reporting required by the grant for fiscal years 2018 and 2019 are brought current and are satisfactory to North Central Texas Council of Governments by September 30, 2019. Management will review the process and update the procedures to ensure appropriate and sufficient controls are in place for timely and accurate reporting of financial performance as well as all activity within the reporting period as required by the grant agreement. Management will ensure the reports are fairly presented in accordance with program requirements and supported by applicable accounting or performance records. The revised procedures will be in place by September 30, 2019.

City of Dallas, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2018

Finding #: 2018-003
State Title: A Modern Streetcar System Development Program
State Agency: Texas Department of Transportation / North Central Texas Council of Governments (NCTCOG)
State Award Number: CSJ: 0918-45-887
Program Year: 2017 - 2018
Compliance Requirement: Reporting
Type of Finding: Material Weakness and Material Noncompliance

Criteria:

Uniform Grant Management Standards Part IV. *State of Texas Single Audit Circular* requires that entities receiving State awards maintain internal control over state programs that provides reasonable assurance that the auditee is managing state awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its state programs.

Article 22. NCTCOG, of the Advanced Funding Agreement with the Texas Department of Transportation states "The Local Government shall provide to NCTCOG on a monthly basis a report of expenses, including the Local Government's expenditure of local match funds. The report shall list separately the expenditures by project phase, including but not limited to engineering, environmental review, right of way acquisition, and construction. The report shall also describe interest earned on money from the SH 121 Subaccount, including the interest rate, interest earned during the month, and cumulative interest earned. The report shall further describe the status of developing the Project."

Condition:

We noted that the North Central Texas Council of Governments (NCTCOG) monthly expenditure reports were not submitted during FY2018.

Cause:

Program supervisors failed to provide appropriate and sufficient review of all aspects of the program terms and conditions to ensure compliance with program reporting requirements.

Effect:

Failure to timely and adequately report program expenditures could result in a failure to appropriately monitor program performance and outcomes, and tracking of progress of program costs by the City.

City of Dallas, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2018

Questioned Costs:

None.

Identification of a repeat finding:

This is not a repeat finding from the immediate previous audit.

Recommendation:

We recommend that program management have appropriate and sufficient controls in place to ensure the timely and accurate completion of required reporting of financial performance, that the required reports include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

View of Responsible Officials:

Management agrees with audit finding 2018-003. Management will ensure the monthly reporting required by the grant for fiscal years 2018 and 2019 are brought current and are satisfactory to North Central Texas Council of Governments by September 30, 2019. Management will review the process and update the procedures to ensure appropriate and sufficient controls are in place for timely and accurate reporting of financial performance as well as all activity within the reporting period as required by the grant agreement. Management will ensure the reports are fairly presented in accordance with program requirements and supported by applicable accounting or performance records. The revised procedures will be in place by September 30, 2019.

City of Dallas, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2018

Finding #: 2018-004
State Title: Zang Triangle Sustainable Development Infrastructure Project
State Agency: Texas Department of Transportation
State Award Number: CSJ: 0918-47-026
Program Year: 2017 - 2018
Compliance Requirement: Period of Availability
Type of Finding: Material Weakness and Material Noncompliance

Criteria:

Uniform Grant Management Standards Part III. State Uniform Administrative Requirements for Grants and Cooperative Agreements, Subpart C - Post-Award Requirements, Section 23. Period of availability of funds states where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

Article 6.5. Project Schedule, of the Advanced Funding Agreement with the Texas Department of Transportation states that the project timeline ends September 30, 2018.

Condition:

As part of our review of the January 2019 Milestone Report (request for reimbursement), we noted that the report included expenses for invoices dated October 2018 and November 2018, which were paid by the City after September 30, 2018.

Cause:

Program supervisors failed to provide appropriate and sufficient review of all aspects of the program terms and conditions to ensure compliance with program period of availability of funds requirements.

Effect:

Failure to identify and communicate cut-off requirements and/or timely and adequately review expenditures charged to the project could result in unallowable costs being charged to the grant and cause the City to overspend the budget.

Questioned Costs:

\$285,341

City of Dallas, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2018

Identification of a repeat finding:

This is not a repeat finding from the immediate previous audit.

Recommendation:

We recommend that program management have appropriate and sufficient controls in place to ensure cut-off requirements are identified and communicated to program staff, and that a timely and accurate review of program expenditures is performed by people familiar with the period of availability.

View of Responsible Officials:

Management agrees with audit finding 2018-004. Management is in the process of updating the Project Management Procedures Manual, which will include procedures for State financial assistance or grants. The Project Management Procedures Manual will address internal controls to ensure that cut-off requirements for grants are identified and communicated to program staff, and a timely and accurate review of program expenditures is performed during the period of availability of the grant. The update to the Project Management Procedures Manual and staff training sessions will be complete by September 30, 2019.

City of Dallas, Texas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended September 30, 2018

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding #: 2017-001

State Title: TPWD Urban Outdoor-Dallas Bachman Lake Park Grant

State Agency: Texas Parks and Wildlife Department

State Award Number: 55-000026

Program Year: 2016 - 2017

Compliance Requirement: Cash Management

Type of Finding: Significant deficiency

Status of Prior Year Finding:

Management established a new procedure and process to ensure a member of management reviews and approves all request for reimbursements prepared by staff prior to the department submitting the request to the State. The finding was remediated during November 2018.