

Report of Independent Certified Public
Accountants on the Schedule of
Expenditures of Federal Awards
Required by the Uniform Guidance

City of Dallas, Texas

September 30, 2019

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GRANT THORNTON LLP1717 Main Street, Suite 1800
Dallas, TX 75201-4657**D** +1 214 561 2300**F** +1 214 561 2370**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and our report thereon dated March 13, 2020 expressed unmodified opinions on these financial statements. 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 13, 2020.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Dallas, Texas
June 12, 2020

City of Dallas, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2019

Federal / Grantor Passed-through Grantor Program Title	CFDA Number	Federal/ pass-through grant number	Program Award Amount	Grant Expenditures	Amounts passed through to subrecipients
U.S. Department of Agriculture					
Passed through Texas Health and Human Services					
Special Supplemental Nutrition Program for Women, Infants, and Children					
TDH - WIC	10.557	2017-049-838-001A	\$ 14,821,770	\$ 60,462	\$ -
TDH - WIC	10.557	2017-049838-001	15,092,562	14,695,692	-
Total U.S. Department of Agriculture			<u>\$ 29,914,332</u>	<u>\$ 14,756,154</u>	<u>\$ -</u>
U.S. Department of Housing and Urban Development					
Community Development Block Grants/Entitlement Grants					
Community Development Block Grant	14.218	B-08-MC-48-0009	\$ 17,714,465	\$ (128)	\$ -
Community Development Block Grant	14.218	B-10-MC-48-0009	19,367,645	11,493	-
Community Development Block Grant	14.218	B-11-MC-48-0009	16,270,526	23,520	-
Community Development Block Grant	14.218	B-13-MC-48-0009	13,921,262	14,907	-
Community Development Block Grant	14.218	B-15-MC-48-0009	13,457,745	103,743	-
Community Development Block Grant	14.218	B-16-MC-48-0009	13,258,321	462,388	-
Community Development Block Grant	14.218	B-17-MC-48-0009	13,373,031	458,425	-
Community Development Block Grant	14.218	B-18-MC-48-0009	14,810,163	12,772,261	134,852
08-09 Neighborhood Stabilization Program-HERA	14.218	B-08-MN-48-0002	7,932,555	40,688	-
Subtotal CFDA #14.218			130,105,713	13,887,297	134,852
U.S. Department of Housing and Urban Development					
Community Development Block Grants_Section 108 Loan Guarantees					
Community Develop. Block Grant - S108 Loan Guarantees	14.248	B-09-MC-48-0009-B	\$ 8,492,000	\$ 121,891	\$ -
Community Develop. Block Grant - S108 Loan Guarantees	14.248	B-09-MC-48-0009-A	11,750,000	208,489	-
Subtotal CFDA # 14.248			20,242,000	330,380	-
U.S. Department of Housing and Urban Development					
Emergency Solution Grant Program					
Emergency Solutions	14.231	E-17-MC-48-0009	\$ 3,117,540	\$ 2,152,590	\$ 1,678,585
Emergency Solutions	14.231	E-18-MC-48-0009	1,203,874	518,993	344,761
Subtotal CFDA #14.231			4,321,414	2,671,583	2,023,346
U.S. Department of Housing and Urban Development					
Home Investment Partnerships Program					
Home Investment Partnership Agreement 05-06	14.239	M-05-MC-48-0203	\$ 8,471,506	\$ 7,175	\$ -
Home Investment Partnership Agreement 09-10	14.239	M-09-MC-48-0203	8,492,632	323,431	-
Home Investment Partnership Agreement 13-14	14.239	M-13-MC-48-0203	4,240,210	19,314	-
Home Investment Partnership Agreement 14-15	14.239	M-14-MC-48-0203	4,365,818	91,132	-
Home Investment Partnership Agreement 15-16	14.239	M-15-MC-48-0203	3,956,627	417,104	-
Home Investment Partnership Agreement 16-17	14.239	M-16-MC-48-0203	4,132,323	284,139	-
Home Investment Partnership Agreement 17-18	14.239	M-17-MC-48-0203	4,123,371	381,927	-
Subtotal CFDA #14.239			37,782,487	1,524,222	-
U.S. Department of Housing and Urban Development					
Housing Oppertunities for Persons with AIDS					
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	TXH16-F001	\$ 6,409,124	\$ 311,347	\$ 287,373
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	TXH17-F001	6,470,345	1,045,313	883,774
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	TXH18-F001	6,645,116	4,572,714	3,823,728
Competitive Housing Opportunities for Person with AIDS	14.241	TX-H160005	746,853	228,463	-
Subtotal CFDA #14.241			20,271,438	6,157,837	4,994,875
U.S. Department of Housing and Urban Development					
Continuum of Care Program					
CoC Grant-My Residence Program-Rapid Re-Housing FY19	14.267	TX0085L6T001710	\$ 435,627	\$ 27,658	\$ -
CoC Grant-Shelter Plus Care-PSH FY19	14.267	TX0072L6T001710	1,528,930	1,415,289	-
CoC Grant-Shelter Plus Care-ORC FY19	14.267	TX0050L6T001710	106,328	48,613	-
CoC Grant-Gateway to Permanent Supportive Housing	14.267	TX0236L6T001709	718,103	318,470	-
Subtotal CFDA # 14.267			2,788,988	1,810,030	-

City of Dallas, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2019

Federal / Grantor Passed-through Grantor Program Title	CFDA Number	Federal/ pass-through grant number	Program Award Amount	Grant Expenditures	Amounts passed through to subrecipients
U.S. Department of Housing and Urban Development					
Fair Housing Assistance Program-State and Local					
Fair Housing Assistance Program (FHAP)	14.401	FF206K146005	\$ 293,750	\$ 73,558	\$ -
Fair Housing Assistance Program (FHAP)	14.401	FF206K166005	277,350	127,602	-
Fair Housing Assistance Program (FHAP)	14.401	FF206K176005	284,850	110,974	-
Fair Housing Assistance Program (FHAP)	14.401	FF206K186005	279,900	1,365	-
Subtotal CFDA # 14.401			1,135,850	313,499	-
U.S. Department of Housing and Urban Development					
Lead -Based Paint Hazard Control in Privately-Owned Housing					
Lead hazard Control and Healthy Homes Grant	14.900	TXLHB0707-18	2,300,000	1,186	-
Subtotal CFDA # 14.900			2,300,000	1,186	-
Total U.S. Department of Housing and Urban Development			<u>\$ 218,947,890</u>	<u>\$ 26,696,034</u>	<u>\$ 7,153,073</u>
U.S. Department of Justice, Office of Juvenile Justice and Delinquency					
Missing Children's Assistance					
Internet Crimes Against Children Task Force	16.543	2016-MC-FX-K034	\$ 1,431,249	\$ 418,093	\$ 4,000
Subtotal CFDA #16.543			1,431,249	418,093	4,000
U.S. Department of Justice					
Passed through the Office of Governor, Criminal Justice Division					
Crime Victim Assistance					
Dallas Police Department Victim Services '17	16.575	2018-V2-GX-0040	\$ 109,469	\$ 42,307	\$ -
Subtotal CFDA #16.575			109,469	42,307	-
U.S. Department of Justice					
Edward Byrne Memorial Justice Assistance Grant Program					
Edward Byrne Memorial Justice Assistance grant program 2015	16.738	2015-DJ-BX-0841	\$ 834,930	\$ 72	\$ -
Edward Byrne Memorial Justice Assistance grant program 2016	16.738	2016-DJ-BX-0186	911,484	91,768	-
Edward Byrne Memorial Justice Assistance grant program 2017	16.738	2016-DJ-BX-0834	900,568	676,920	405,932
Subtotal CFDA #16.738			2,646,982	768,760	405,932
U.S. Department of Justice, Bureau of Justice Assistance					
Passed through the Office of Governor, Criminal Justice Division					
Edward Byrne Memorial Justice Assistance Grant Program					
National Integrated Ballistic Information Network (NIBIN) program	16.738	3949401	\$ 71,975	\$ 71,012	\$ -
Subtotal CFDA #16.738			71,975	71,012	-
U.S. Department of Justice					
Equitable Sharing Program					
Confiscated Monies - Federal	16.922	N/A	\$ -	\$ 783,756	\$ -
Subtotal CFDA # 16.922			-	783,756	-
Total U.S. Department of Justice			<u>\$ 4,259,675</u>	<u>\$ 2,083,928</u>	<u>\$ 409,932</u>
U.S. Department of the Treasury					
Equitable Sharing					
Confiscated Monies - U.S. Department of Treasury	21.016	N/A	\$ -	\$ 7,620	\$ -
Subtotal CFDA # 21.016			-	7,620	-
Total U.S. Department of Treasury			<u>\$ -</u>	<u>\$ 7,620</u>	<u>\$ -</u>
U.S. Department of Transportation, Federal Aviation Administration					
Airport Improvement Program Grant					
Airport Improvement Program Grant Fund	20.106	3-48-0062-51	\$ 988,086	\$ 38,372	\$ -
Airport Improvement Program Grant Fund	20.106	3-48-0062-53	689,258	165,564	-
Airport Improvement Program Grant Fund	20.106	3-48-0062-54	5,025,000	4,633,568	-

City of Dallas, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2019

Federal / Grantor Passed-through Grantor Program Title	CFDA Number	Federal/ pass-through grant number	Program Award Amount	Grant Expenditures	Amounts passed through to subrecipients
Airport Improvement Program Grant Fund	20.106	3-48-0062-55	3,966,149	2,637,965	-
Airport Improvement Program Grant Fund	20.106	3-48-0062-57	<u>17,000,000</u>	<u>1,655,841</u>	-
Subtotal CFDA # 20.106			27,668,493	9,131,310	-
Total U.S. Department of Transportation, FAA			<u>\$ 27,668,493</u>	<u>\$ 9,131,310</u>	<u>\$ -</u>
U.S. Department of Transportation, Federal Highway Administration					
Passed through Texas Department of Transportation					
Highway Planning and Construction					
Traffic Safety Program	20.205	188XXH7007	\$ 400,000	\$ 62,018	
Traffic Signal Improvement at Three Locations	20.205	CSJ 0918-47-101, 103,110	126,889	9,805	
Traffic Signal improvement at Seven Locations on Loop 12	20.205	CSJ 0353-05-082 CSJ 0581-01-141,	130,549	898	
Traffic Signal Improvement at Seven Locations.	20.205	0918-47-104, 105, 106, 107, 108, 109	167,391	31,805	
TxDot Traffic Sinal Const. and Improv at 5 intersections	20.205	CSJ 0918-46-280, 0918-47-121, 0918-47-122, 0918-47-126, 0918-47-129	101,280	24,410	
TxDot Traffic Signal Improv at 7 Off Sys Intersec-HSIP Proj	20.205	CSJ 0918-47-152,154, 156, 158, 159, 162, 163 CSJ 0442-02-088, 0261-03-030, 0196-03-0269,	145,692	12,040	
TxDot Traffic Signals-U.S. Hwy67 and I-35ECorridor Project	20.205	0918-47-177 CSJ 0918-46-291,	405,425	46,897	
TxDot Traffic Signal-7 Intersect Imp-Frankford, varioud-HSIP	20.205	0918-47-153, 155, 157, 160, 0161, 164	145,692	48,396	
TxDot Traffic Signal-5 Off-system Intersactions-Royal-HSIP	20.205	CSJ 0918-47-128, 130, 131, 132, 133 CSJ 0047-07-230, 0047-07- 234, 0581-01-147, 2374-01- 182	104,066	21,450	
TxDot Traffic Signal Improv at 4 Locations-HSIP Project	20.205	182	282,484	29,415	
Rosemont Safe Routes to School Ped Imp Project	20.205	CSJ: 0918-47-138	69,566	24,738	
Advanced Traffic Mgmt. System upgrade Project	20.205	CSJ:0918-47-094 & 095	3,318,877	1,052,444	
Trinity Skyline Trail from Sylvan Avenue to Campion Trail	20.205	CSJ: 0918-47-139	<u>2,989,994</u>	<u>75,544</u>	
Subtotal CFDA # 20.205			8,387,905	1,439,860	-
Total U.S. Department of Transportation, Federal Highway Administration			<u>\$ 8,387,905</u>	<u>\$ 1,439,860</u>	<u>\$ -</u>
National Highway and Traffic Safety Administration					
Passed through Texas Department of Transportation					
National Priority Safety Programs					
Impaired Driving Mobilization Selective Traffic Enforcement Program	20.616	2019-Dallas-IDM-00010	\$ 38,655	\$ 29,469	\$ -
Click It of Ticket FY19 Mobilization Grant	20.616	2019-Dallas-CIOT-00005	<u>84,990</u>	<u>74,582</u>	<u>-</u>
Subtotal CFDA # 20.616			123,645	104,051	-
National Highway and Traffic Safety Administration					
Passed through Texas Department of Transportation					
State and Community Highway Safety Grant Program					
The Comprehensive Selective Traffic Enforce. Program	20.600	2019-DALLAS-S-1YG-0060	<u>\$ 891,261</u>	<u>\$ 682,559</u>	<u>\$ -</u>
Subtotal CFDA # 20.600			891,261	682,559	-
Total National Highway and Traffic Safety Administration			<u>\$ 1,014,906</u>	<u>\$ 786,610</u>	<u>\$ -</u>

City of Dallas, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2019

Federal / Grantor Passed-through Grantor Program Title	CFDA Number	Federal/ pass-through grant number	Program Award Amount	Grant Expenditures	Amounts passed through to subrecipients
U.S. Department of Education/Inst. of Museum and Library Service					
Passed through Texas State Library and Archives Commission Grants to States					
2019 special projects grant program	45.310	SPP-19004	\$ 75,000	\$ 65,464	\$ -
SFY 2020 Special Project Grant Program	45.310	SPP-20002	75,000	6,572	-
Subtotal CFDA # 45.310			150,000	72,036	-
National Endowment for the Arts					
Passed through Arts Midwest Promotion of the Arts Grants to Organizations and Individuals NEA Big Read Program Grant 19-20					
	45.024	00024062	\$ 15,000	\$ 3,569	\$ -
Subtotal CFDA # 45.024			15,000	3,569	-
Total U.S. Department of Education			<u>\$ 165,000</u>	<u>\$ 75,605</u>	<u>\$ -</u>
U.S. Department of Health and Human Services					
Substance Abuse and Mental Health Services_Projects of Regional and National Significance					
SAMHSA-Adult Treatment Drug Court Expansion Project	93.243	1H79TI081081-01	\$ 324,219	\$ 293,734	\$ 117,270
Subtotal CFDA # 93.243			324,219	293,734	117,270
Total U.S. Department of Health and Human Services			<u>\$ 324,219</u>	<u>\$ 293,734</u>	<u>\$ 117,270</u>
U.S. Environmental Protection Agency					
Passed through Texas Commission on Environmental Quality: Surveys, Studies, Research, Investigation, Demonstrations, and Special Purchase Activities Relating to the Clean Air Act TCEQ 18-19 PM 2.5 Air Monitoring Program					
	66.034	582-19-90038	\$ 64,498	\$ 64,202	\$ -
Subtotal CFDA # 66.034			64,498	64,202	-
U.S. Environmental Protection Agency					
Passed through Texas Commission on Environmental Quality: Performance Partnership Grants					
TCEQ 18-19 Rockwall Ambient Air Monitoring Program	66.605	582-19-90038	\$ 32,210	\$ 32,062	-
Ambient Air Monitoring	66.605	582-18-80089	367,790	193,380	-
Subtotal CFDA # 66.605			400,000	225,442	-
U.S. Environmental Protection Agency					
Passed through Texas Water Development Board Capitalization Grants for Clean Water State Revolving Funds Clean Water State Revolving Fund					
	66.458	LM17067	\$ 22,000,000	\$ 834,971	-
Subtotal CFDA # 66.458			22,000,000	834,971	-
U.S. Environmental Protection Agency					
Passed through Texas Water Development Board Capitalization Grants for Drinking Water State Revolving Funds Drinking Water State Revolving Funds					
	66.468	LM17066	\$ 44,000,000	\$ 1,189,830	-
Subtotal CFDA # 66.468			44,000,000	1,189,830	-
Total U.S. Environmental Protection Agency			<u>\$ 66,464,498</u>	<u>\$ 2,314,445</u>	<u>\$ -</u>
U.S. Department of Homeland Security					
Passed through Texas Department of Public Safety Emergency Management Performance Grants					
Emergency Management Performance Grant (EMPG)	97.042	18TX-EMPG-0008	\$ 148,560	\$ 148,560	\$ -
Subtotal CFDA # 97.042			148,560	148,560	-

City of Dallas, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2019

Federal / Grantor Passed-through Grantor Program Title	CFDA Number	Federal/ pass-through grant number	Program Award Amount	Grant Expenditures	Amounts passed through to subrecipients
U.S. Department of Homeland Security					
Passed through FEMA Region 6					
Cooperating Technical Partners					
FEMA Region VI- Cooperating Technical Partners	97.045	EMT-2016-CA-00028-S01	\$ 869,250	\$ 328,936	-
Subtotal CFDA # 97.045			869,250	328,936	-
U.S Department of Homeland Security, Federal Emergency Management Agency					
Passed through Texas Department of Public Safety					
Homeland Security Grant Program					
Homeland Security Grant Program-2016 Urban Area Security Initiative - UASI	97.067	EMW-2016-SS-00056	\$ 3,421,472	\$ 43,553	\$ -
Homeland Security Grant Program-FY2017 Urban Area Security Initiative (UASI)	97.067	EMW-2017-SS-00005	3,520,264	2,137,286	-
Homeland Security Grant Program-FY2017 Urban Area Security Initiative - Law Enforcement	97.067	EMW-2017-SS-00005	2,158,046	1,985,803	-
Homeland Security Grant Program-FY2017 Urban Area Security Initiative - M&A	97.067	EMW-2017-SS-00005	95,805	56,486	-
Homeland Security Grant Program-FY2018 Urban Area Security Initiative (UASI)	97.067	EMW-2018-SS-00022-S01	2,741,549	158,808	-
Homeland Security Grant Program-FY2018 Urban Area Security Initiative - Law Enforcement	97.067	EMW-2018-SS-00022-S01	2,685,000	358	-
Homeland Security Grant Program-FY2018 Urban Area Security Initiative - M&A	97.067	EMW-2018-SS-00022-S01	207,301	84,638	-
State Homeland Security Grant	97.067	EMW-2018-SS-00022-S01	55,445	55,445	-
Subtotal CFDA # 97.067			14,884,882	4,522,377	-
U.S Department of Homeland Security, Federal Emergency Management Agency					
Preparing for Emerging Threats and Hazards					
DHS-FY16 Program-Complex Coordinated Terrorist Attacks	97.133	EMW-2016-GR-00074-S01	\$ 925,000	\$ 215,415	\$ -
Subtotal CFDA # 97.133			925,000	215,415	-
Total U.S. Department of Homeland Security			<u>\$ 16,827,692</u>	<u>\$ 5,215,288</u>	<u>\$ -</u>
Total Federal Assistance			<u>\$ 373,974,610</u>	<u>\$ 62,800,588</u>	<u>\$ 7,680,275</u>

City of Dallas, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal 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 federal awards received directly by the primary government from federal agencies, as well as federal awards passed through other government agencies, are included in the scope of the Federal Single 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) and are included on the Schedule of Expenditures of Federal Awards.

Basis of Accounting

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

NOTE B - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

NOTE C - FEDERAL AWARDS RECONCILIATION (in thousands)

Intergovernmental Revenues per statement of revenues, expenditures, and changes in fund balances - governmental funds	\$	74,820
Nonoperating revenues to proprietary funds from intergovernmental grants		8,966
Operating revenues to proprietary funds from intergovernmental grants - AVI		215
Less intergovernmental awards from state government (state expenditures)		(7,978)
Less intergovernmental awards from sources other than federal and state awards		<u>(13,222)</u>
Total expenditures per Schedule of Expenditures of Federal Awards	\$	<u>62,801</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 Federal Awards are equal to total grant revenues received as adjusted for the effect of the year-end accruals (Note C), plus the City's required matching contributions.

NOTE E - CONTINGENCIES

The City participates in several federal 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

City of Dallas, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

September 30, 2019

of any related receivable at September 30, 2019 may be impaired. Additionally, the City has received notification of potential non-compliance with certain federal programs and is responding to those letters. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

NOTE F - COMMUNITY DEVELOPMENT BLOCK GRANTS

The City has outstanding loan balances for the Community Development Block Grant - Section 108 loans as of September 30, 2019 as follows (in thousands):

<u>Program</u>	<u>Federal CFDA #</u>	<u>Amount</u>
City Wide Community Development Corp. (#VS0000026872)	14.248	\$ 8,492
Hamilton Atmos LP (#VS0000037007)	14.248	7,494
Teof Hotel, LP (VS86833)	14.248	<u>9,572</u>
		<u>\$ 25,558</u>

NOTE G - INDIRECT COST RATE

The City uses the applicable federally negotiated indirect cost rate and has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

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Dallas, TX 75201-4657**D** +1 214 561 2300**F** +1 214 561 2370**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, 2019, 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 13, 2020.

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 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 deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001, 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 findings, 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 13, 2020

GRANT THORNTON LLP

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on compliance for each major federal program

We have audited the compliance of the City of Dallas, Texas (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019. 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 the City's 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* 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, 2019.

Other matters

The results of our audit procedures disclosed an instance of noncompliance, described in the accompanying schedule of findings and questioned costs as item 2019-002, that are required to be reported in accordance with the Uniform Guidance. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding 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 federal program to design audit 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 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 federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned

costs as item 2019-002, that we consider to be a material weakness 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Dallas, Texas
June 12, 2020

City of Dallas, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' 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

Federal 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
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of Major Federal Programs:

<u>Federal CFDA Number</u>	<u>Federal Program or Cluster</u>
14.218	Community Development Block Grants/ Entitlement Grants
14.231	Emergency Solutions Grant Program
14.241	Housing Opportunities for Persons with AIDS (HOPWA)
14.267	Continuum of Care Program
97.067	Homeland Security Grant Program
Dollar threshold used to distinguish between type A and type B programs	\$1,884,018
Auditee qualified as low-risk auditee?	No

City of Dallas, Texas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

September 30, 2019

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

Finding #: 2019-001
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 (ITGS), 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:

At time of review, GT inspected the PDM Instance and noted that one (1) user account (A Dialog Account) had access to SAP_ALL/SAP_NEW authorization profile. The profile "SAP_ALL" is a standard SAP profile provided by the application that has almost all possible authorizations and values, granting almost unrestricted access to perform all possible transactions and functions. At time of review, 41 user accounts within SAP-PDR, 30 user accounts within SAP-PDB, 14 user accounts within SAP-PDX, and 45 user accounts within SAP-PDM had access to S_DEVELOP authorization with object type "DEBUG*". Without client being open a user with the combination of Authorization Object S_DEVELOP and object type DEBUG or *, can make direct changes to the system including tables. At time of review, GT inspected the RSPARAM as of October 10, 2019 for the PDB instance, PDM instance and PDX instance and determined that table auditing setting is turned off (rec/client setting). As a result, no Direct Changes to the application are logged in the T000 (Open/Close SCC4) table.

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:

SAP_ALL provides almost unrestricted access to ALL functionalities of SAP (IT, business, financial etc.). Further, accounts with SAP_ALL have the ability to edit or delete standard SAP logging and therefore monitoring controls are not deemed sufficient. Users/Accounts having access to these profiles presents the risks that there are not appropriate checks to the activities performed by these users/accounts and the risk of untraceable changes or transactions (unintentional or intentional) are high. Additionally, without client being open a user with the combination of Authorization Object S_DEVELOP and object type DEBUG or *, can make direct changes to the system including tables. Finally, without the table auditing setting in "off", direct Changes can be made to the application including table changes without any logs. There are risks related to inappropriate Changes being made to the application without evidence/log of accountability.

Questioned Costs:

None.

Repeat Finding:

Yes

City of Dallas, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2019

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:

In March of 2018 and March of 2019, the Dallas Water Utilities (DWU) and Information and Technology Services (ITS) Departments updated the SAP production system for changes to access control and segregation of duties. In October of 2019, DWU and ITS implemented new procedures to conduct periodic user access review of SAP through a third party.

City of Dallas, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2019

SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Finding #: 2019-002
CFDA Number: 14.267
Federal Title: Continuum of Care (CoC) Program
Federal Agency: U.S. Department of Housing and Urban Development
Federal Award Number: TX0236L6T001709, TX0085L6T001710, TX0072L6T001710, TX0050L6T001710
Program Year: 2018 – 2019
Compliance Requirement: Reasonable Rental Rates
Type of Finding: Material Weakness and Noncompliance

Criteria:

Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

According to 24 CFR section 578.49(b)(1), when grants are used to pay for rent for all or a part of a structure, the rent paid must be reasonable in relation to rents being charged in the area for comparable space. In addition, the rent may not exceed rents currently being charged by the same owner for comparable unassisted space. Controls related to Reasonable Rental Rates should provide reasonable assurance that Federal awards are expended only for rent that has been determined to be reasonable and that amounts are properly calculated and valued.

Condition:

We noted that there was a lack of appropriate and sufficient review of participant files to ensure the accuracy and completeness of these files, including the review of the information included in the files to support the provision of services.

Twelve (12) of sixty (60) participant files reviewed was missing a properly completed Rent Reasonableness Determination form documenting that the City performed the reasonable rental rates analysis. For eighteen (18) of sixty (60) client files reviewed, the monthly rent paid by the City exceeds HUD's established FMR rates based on the zip code, occupancy size, and date of lease inception. Five (5) of sixty (60) participant files were unavailable for review to determine compliance.

The sample was judgmentally selected.

Cause:

Case Managers failed to complete all appropriate documentation to support the calculation of rent amounts to determine reasonable rental rates are being paid.

City of Dallas, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2019

Program supervisor failed to provide appropriate and sufficient review of all aspects of the participant files after completion by the case manager to ensure all supporting documentation was obtained and adequately completed prior to final approval for provision of services to the participant.

Effect:

Failure to perform and document the reasonable rental rates analysis, documented by the completion of the Rent Reasonableness Determination form, resulted in the City paying rental rates that exceed the rates paid in comparable areas for comparable space, and that exceed rents currently being charged by the same owner for comparable unassisted space.

Questioned Costs:

\$22,542 (Total overpaid rental amount for samples selected)

Repeat Finding:

This is a repeat finding from the immediate previous audit (2018-002).

Recommendation:

We recommend that the City have appropriate and sufficient controls in place to ensure that reasonable rental rates analysis is performed for all participants and that all files include the properly prepared and completed documentation to support the calculated rent amounts and determination of reasonableness. Additionally, we recommend that stronger internal controls be put in place to make certain a detailed supervisory review of client files is performed prior to the provision of services.

Views of responsible officials:

Management made the decision to transition the Continuum of Care projects to qualified nonprofit organizations, and the City is moving forward to discontinue providing administration of the four Continuum of Care projects. The City Council and HUD approved two qualified nonprofit organizations to replace the City as grantee for two of the Continuum of Care projects during fiscal year 2019. The third Continuum of Care project will not receive funding for fiscal year 2021. The fourth project has been competitively bid through the Office of Procurement Services several times with no qualified bidders, and there will be a reduction of funding for the project for fiscal year 2021. In collaboration with Metro Dallas Homeless Alliance, management is working to transition clients from the latter two projects to other housing programs, where needed, by September 30, 2020. In an effort to strengthen internal control, a Program Manager has been assigned to the project to provide additional leadership to the Continuum of Care team. The Program Manager will provide oversight for the administration of the remaining projects to ensure compliance with all HUD regulations. The Program Manager will implement internal control to ensure there is appropriate documentation to support the calculation and payment of reasonable rental rates. The implementation of the new internal control will be complete by July 31, 2020.

City of Dallas, Texas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

September 30, 2019

Finding #: 2018-001
Type of Finding: Significant Deficiency

Finding Summary:

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.

Status of Prior Year Finding:

In March of 2018 and March of 2019, the Dallas Water Utilities (DWU) and Information and Technology Services (ITS) Departments updated the SAP production system for changes to access control and segregation of duties. In October of 2019, DWU and ITS implemented new procedures to conduct periodic user access review of SAP through a third party.

Finding #: 2018-002
CFDA Number: 14.267
Federal Title: Continuum of Care (CoC) Program
Federal Agency: U.S. Department of Housing and Urban Development
Federal Award Number: TX0085L6T001609/ TX0072L6T001609/
TX0050L6T001609/ TX0236L6T001608
Program Year: 2017 - 2018
Compliance Requirement: Eligibility, Housing Quality Standards,
Reasonable Rental Rates
Type of Finding: Material Weakness

Finding Summary:

We noted that there was a lack of appropriate and sufficient review of participant files to ensure the accuracy and completeness of these files, including the review of the information included in the files to support the provision of services.

Status of Prior Year Finding:

Management made the decision to transition the Continuum of Care projects to qualified nonprofit organizations, and the City is moving forward to discontinue providing administration of the four Continuum of Care projects. The City Council and HUD approved two qualified nonprofit organizations to replace the City as grantee for two of the Continuum of Care projects during fiscal year 2019. The third Continuum of Care project will not receive funding for fiscal year 2021. The fourth project has been competitively bid through the Office of Procurement Services several times with no qualified bidders, and there will be a

City of Dallas, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2019

reduction of funding for the project for fiscal year 2021. In collaboration with Metro Dallas Homeless Alliance, management is working to transition clients from the latter two projects to other housing programs, where needed, by the September 30, 2020. In an effort to strengthen internal control, a Program Manager has been assigned to the project to provide additional leadership to the Continuum of Care team. The Program Manager will provide oversight for the administration of the remaining projects to ensure compliance with all HUD regulations. The Program Manager will implement internal control to ensure there is appropriate documentation to support the calculation and payment of reasonable rental rates, eligibility, and housing quality standards. The implementation of the new internal control will be complete by July 31, 2020.

Finding #:	2018-003
CFDA Number:	14.267
Federal Title:	Continuum of Care (CoC) Program
Federal Agency:	U.S. Department of Housing and Urban Development
Federal Award Number:	TX0072L6T001609
Program year:	2017 - 2018
Compliance Requirement:	Special Test: Reasonable Rental Rates
Type of Finding:	Noncompliance

Finding Summary:

We noted one (1) of sixty (60) participant files reviewed was missing properly completed Rent Reasonableness Determination form documenting that the City performed the reasonable rental rates analysis and the Tenant Rent Calculation Worksheet used to support the calculation and determination of monthly rent amounts to be paid on the participant's behalf.

Status of Prior Year Finding:

Management made the decision to transition the Continuum of Care projects to qualified nonprofit organizations, and the City is moving forward to discontinue providing administration of the four Continuum of Care projects. The City Council and HUD approved two qualified nonprofit organizations to replace the City as grantee for two of the Continuum of Care projects during fiscal year 2019. The third Continuum of Care project will not receive funding for fiscal year 2021. The fourth project has been competitively bid through the Office of Procurement Services several times with no qualified bidders, and there will be a reduction of funding for the project for fiscal year 2021. In collaboration with Metro Dallas Homeless Alliance, management is working to transition clients from the latter two projects to other housing programs, where needed, by the September 30, 2020. In an effort to strengthen internal control, a Program Manager has been assigned to the project to provide additional leadership to the Continuum of Care team. The Program Manager will provide oversight for the administration of the remaining projects to ensure compliance with all HUD regulations. The Program Manager will implement internal control to ensure there is appropriate documentation to support the calculation and payment of reasonable rental rates. The implementation of the new internal control will be complete by July 31, 2020.