

Report of Independent Certified Public  
Accountants on the Schedule of  
Expenditures of State Awards  
Required by the State of Texas  
*Uniform Grants Management  
Standards*

**City of Dallas, Texas**

September 30, 2019

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**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, 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 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 12, 2020

City of Dallas, Texas

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended September 30, 2019

<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>
<b>Texas Automobile Burglary &amp; Theft Prevention Authority</b>				
ABTPA Cargo Auto Theft Interdiction Squad/26	608-19-DPD0000	\$ 555,204	\$ 506,180	
ABTPA Cargo Auto Theft Interdiction Squad/27	608-20-DPD0000	625,000	56,260	
Total Texas Automobile Burglary & Theft Prevention Authority		1,180,204	562,440	
<b>Texas Commission on Environmental Quality</b>				
Air Pollution Compliance Program	582-19-90042	2,020,468	459,119	
Total Texas Commission on Environmental Quality		2,020,468	459,119	
<b>Texas Department of Housing and Community Affairs</b>				
Homeless Housing and Services Program	18-19-63196000003	837,283	837,283	837,283
Total Texas Department of Housing and Community Affairs		837,283	837,283	837,283
<b>Health and Human Services Commission</b>				
TDH WIC-Lactation Resource and Training Expansion	2015-047695-002B	260,000	218,772	
Lactation Support Center Services Program	HHS000455600001	320,000	17,564	
HHSC Healthy Community Collaborative Grant	2016-049507-001B	1,500,000	1,391,385	1,391,385
HHSC Healthy Community Collaborative Grant	2016-049507-001C	3,500,000	83,421	83,421
Total Health and Human Services Commission		5,580,000	1,711,142	1,474,806
<b>Texas Department of Transportation</b>				
The Collective Sustainable Development Infrastructure Project	CSJ: 0918-47-027	1,986,250	71,113	
Zang Triangle Sustainable Development Infrastructure Project	CSJ: 0918-47-026	1,750,000	501,829	
TxDot RTR SH161-Strategic Mobility Pan Project	CSJ: 0918-47-245	1,000,000	265,624	
Lake Highlands Project	CSJ: 0918-47-028	2,774,222	284,191	
Dallas CBD Car Circulator-from CBD to Oak Cliff to Downtown (North Ext.)	CSJ: 0918-47-087	7,872,531	30,339	
Dallas CBD Car Circulator-Rail Vehicle Purchase	CSJ: 0918-47-088	8,000,000	1,583	
Texas Department of Transportation (TxDOT)	M1918-DLEX	50,000	50,000	
Total Texas Department of Transportation		23,433,003	1,204,679	

See Notes to Schedule of Expenditures of State Awards

City of Dallas, Texas

SCHEDULE OF EXPENDITURES OF STATE AWARDS - CONTINUED

Year Ended September 30, 2019

<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>
<b>Texas Parks and Wildlife Department</b>				
TPWD Urban Outdoor-Runyon Creek Trail Phase 2	55-000039	\$ 1,000,000	\$ 380,363	
Total Texas Park and Wildlife Department		1,000,000	380,363	
<b>Governor's Office of General Counsel and Criminal Justice</b>				
State Internet Crimes Against Children Grant	2745105	361,142	195,013	
Confiscated Monies - State	not available	-	1,179,464	
Total Governor's Office of General Counsel and Criminal Justice		361,142	1,374,477	
<b>Office of the Governor, Criminal Justice Division</b>				
CJD Rifle-Resistant Body Armor Grant Program 2018	3483001	1,764,300	1,190,479	
The Ntional Incident-Based Reporting System Grant	3425501	28,228	22,228	
Total Office of the Governor, Criminal Justice Division		1,792,528	1,212,707	
<b>Texas Veterans Commission</b>				
2018-19 Veterans Treatment Court Grant	VTC-18-0597	75,000	34,410	
2019-20 Veterans Treatment Court Grant	VTC-19-007	100,000	22,046	
Total Texas Veterans Commission		175,000	56,456	
<b>Tax Allocation Section of State Comptroller's Office</b>				
LEOSE - Law Enforcement Officer Standards and Education	17560005088-074	5,142	1,830	
LEOSE - Law Enforcement Officer Standards and Education	17560005088-077	177,301	177,301	
Total Tax Allocation Section of State Comptroller's Office		182,443	179,131	
Total State Assistance		<u>\$ 36,562,071</u>	<u>\$ 7,977,797</u>	<u>\$ 2,312,089</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, 2019

**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	\$	74,820
Nonoperating revenue to proprietary funds from intergovernmental grants		8,966
Operating revenue to proprietary funds from intergovernmental grants - Aviation		215
Less intergovernmental awards from federal government (federal expenditures)		(62,801)
Less intergovernmental awards from sources other than federal and state awards		<u>(13,222)</u>
Total expenditures per Schedule of Expenditures of State Awards	\$	<u>7,978</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, 2019**

**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, 2019 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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**GRANT THORNTON LLP**1717 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  
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

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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 *Uniform Grant Management Standards* (UGMS) that could have a direct and material effect on each of its major state programs for the year ended September 30, 2019. 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 SH161 Strategic Mobility Plan Project**

As described in the accompanying schedule of findings and questioned costs , the City did not comply with the requirements regarding CSJ 0918-47-245 SH161 Strategic Mobility Plan Project as described in finding number 2019-003 for Reporting. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

**Qualified opinion on SH161 Strategic Mobility Plan Project**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on SH161 Strategic Mobility Plan 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 SH121 Strategic Mobility Plan Project for the year ended September 30, 2019.

**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, 2019.

**Other matters**

The results of our audit procedures disclosed instances of noncompliance, described in the accompanying schedule of findings and questioned costs as item 2019-002, that is required to be reported in accordance with the UGMS. Our opinion on each major state program is not modified with respect to these 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.

In our report dated June 12, 2020, we expressed an unmodified opinion that the City complied, in all material respects, with the requirements referred to above (excluding the SH161 Strategic Mobility Plan Project) that could have a direct and material effect on its major state programs for the year ended September 30, 2019. Subsequent to our report date, the SH161 Strategic Mobility Plan Project was determined to be a major state program and subject to audit. Accordingly, our report on compliance for each major state program dated June 12, 2020 is being reissued and replaced with the report presented herein. Due to our qualified opinion, described in the Basis for qualified opinion on SH161 Strategic Mobility Plan Project paragraph, our present opinions on the City's compliance with the types of compliance requirements that could have a direct and material effect on each of its major state programs for the year ended September 30, 2019, as presented herein, are different from the opinions expressed in our previous report.

## 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.

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 2019-002, and 2019-003, 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 12, 2020 (except for the SH161 Strategic Mobility Plan Project, as to which the date is August 13, 2020)

City of Dallas, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2019

**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 TxDOT RTR SH161 Strategic Mobility Plan Project, which was 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, 2019**

Identification of Major Programs:	
State Identifying Number	State Program or Cluster
608-18-DPD0000/ 608-19-DPD0000/ 608-20-DPD0000	ABTPA Cargo Auto Theft Interdiction Squad
CSJ: 0918-47-026	Zang Triangle Sustainable Development Infrastructure Project
N/A	Confiscated Monies - State
3483001	CJD Rifle-Resistant Body Armor Grant Program
55-000039	TPWD Urban Outdoor-Runyon Creek Trail Phase 2
CSJ 0918-47-245	TxDOT RTR SH161 Strategic Mobility Plan Project
Dollar threshold used to distinguish between type A and type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

City of Dallas, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended 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 - CONTINUED**

**Year ended 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 - CONTINUED

Year ended September 30, 2019

**SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS**

**Finding #:** 2019-002  
**Program Title:** TPWD Urban Outdoor-Runyon Creek Trail Phase 2  
**State Agency:** Texas Park and Wildlife Department  
**State Award Number:** 55-000039  
**Program Year:** 2018 - 2019  
**Compliance Requirement:** Suspension and Debarment  
**Type of Finding:** Material Weakness

**Criteria:**

Per the Uniform Grant Management Standards (“UGMS”) Subpart C 35, “subawards to debarred and suspended parties”, grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs under Executive Order 12549, “Debarment and Suspension”.

**Condition:**

As a result of our audit, it was noted that the City’s parks and recreation department failed to perform a search to ensure that the vendor was not suspended or debarred as required by the UGMS.

**Context:**

There was only one general contractor selected for the respective project.

**Cause:**

The City’s parks and recreation department was unaware of the requirement to perform the search.

**Effect:**

Lack of controls over the procurement process as it related to the verification that a vendor is not suspended or debarred could result in the City’s noncompliance.

**Questioned Costs:**

None.

**Repeat finding:**

No

**City of Dallas, Texas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

**Year ended September 30, 2019**

**Recommendation:**

We recommend that the City perform in house training to all personnel responsible and involved in the procurement process to ensure they understand the requirements. Additionally, the City's policies should be updated to include this requirement for state grants.

**Views of Responsible Officials:**

Management will revise the procedures and provide training to all personnel involved in the grant procurement process to ensure that the department follows grant compliance requirements for suspension and debarment. Management did perform a search to determine if the vendor was suspended or debarred: however, the search was completed after the contract was executed with the vendor. The vendor was not suspended or debarred from federal assistance programs. Management will implement the new procedures and provide training by September 30, 2020.

City of Dallas, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2019

**Finding #:** 2019-003  
**Program Title:** TxDOT RTR SH161-Strategic Mobility Plan Project  
**State Agency:** Texas Department of Transportation  
**State Award Number:** CSJ 0918-47-245  
**Program Year:** 2018 – 2019  
**Compliance Requirement:** Reporting  
**Type of Finding:** Material Weakness and Material Noncompliance

**Criteria:**

Uniform Grant Management Standards (UGMS) 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.

Per the UGMS Subpart C 20(b)(1) Financial reporting. “Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.”

Article 23. 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 as shown in Attachment A, 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 161 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:**

As a result of our audit, it was noted that the City’s transportation department failed to submit the monthly report of expenses as required by the advanced funding agreement and the UGMS.

**Context:**

The City was required to submit a monthly report. Based on the award period, the City should have submitted six (6) reports during the fiscal year.

**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, 2019**

**Questioned Costs:**

None.

**Repeat finding:**

No

**Recommendation:**

We recommend that the City perform in house training to all personnel responsible and involved in grant program management to ensure they understand the requirements.

**Views of Responsible Officials:**

Management will revise procedures and provide training to staff to ensure the City complies with all requirements of the grant. Management is working with the NCTCOG to obtain a template for the required grant reporting. Management will submit all applicable grant reports to the NCTCOG as required by the grant agreement. Management is in the process of updating its procedures for a consistent folder structure set up to ensure proper records keeping and management consistent with International Organization for Standardization (ISO) principles. Several staff members are scheduled to attend TxDOT's Local Government Projects Procedures training (LGP101) in September 2020. Management will submit all delinquent grant reports, implement the new procedures, and ensure that staff receives the necessary training by September 30, 2020.

City of Dallas, Texas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended September 30, 2019

**Finding #:** 2018-001

**Type of Finding:** Significant Deficiency

**Finding Summary:**

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.

**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

**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

**Finding Summary:**

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

**Status of Prior Year Finding:**

Management has submitted all delinquent reports and request for reimbursements for the grant, and the City is current on all reporting requirements of the grant. Management has developed a comprehensive grant chart and scheduled regular reporting dates for the grant on the network calendar. Management has updated 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. The new procedures were implemented in February of 2020.

**City of Dallas, Texas**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED**

**Year ended September 30, 2019**

**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

**Finding Summary:**

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

**Status of Prior Year Finding:**

Management is working to ensure all 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. Management expects to complete all the reporting for fiscal years 2018 and 2019, and close out the project by July 31, 2020. Management is working on updating 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. The new procedures will be implemented by August 28, 2020.

City of Dallas, Texas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED

Year ended September 30, 2019

**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

**Finding Summary:**

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.

**Status of Prior Year Finding:**

Management updated the project management procedures manual for the grant, and it was published on September 30, 2019. The manual addresses 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 for the grant. Additionally, the North Central Texas Council of Governments provided grant training to the City's staff on November 21, 2019. The grant training addressed different types of funding sources, the process for executing projects that receive federal or state financial assistance, program rules, eligible expenses, and the agreement and amendments to the agreement.