



CITY OF PLANO, TEXAS

OMB A-133 Report

Year Ended September 30, 2004

CITY OF PLANO, TEXAS

Table of Contents

	Page
Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance With Requirements Applicable to Its Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and on Schedule of Expenditures of Federal Awards	3
Schedule of Expenditures of Federal Awards	5
Notes to Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7



KPMG LLP
Suite 3100
717 North Harwood Street
Dallas, TX 75201-6585

**Independent Auditors' Report on Internal Control Over Financial
Reporting and Compliance and Other Matters Based on an Audit of Basic
Financial Statements Performed in Accordance With *Government Auditing Standards***

The Honorable Mayor and City Council
City of Plano, Texas:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Plano, Texas (the City) as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 10, 2004. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

We noted certain matters that we reported to management of the City in a separate letter dated December 10, 2004.

This report is intended solely for the information and use of the Mayor, City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 10, 2004



KPMG LLP
Suite 3100
717 North Harwood Street
Dallas, TX 75201-6585

Independent Auditors' Report on Compliance With Requirements Applicable to Its Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and on Schedule of Expenditures of Federal Awards

The Honorable Mayor and City Council
City of Plano, Texas:

Compliance

We have audited the compliance of the City of Plano, Texas (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2004. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2004-01.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2004 and have issued our report thereon dated December 10, 2004. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 10, 2004

CITY OF PLANO, TEXAS
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2004

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Pass-through entity identifying number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:			
Community Development Block Grant	14.218		\$ 1,549,999
HOME Program – 2003	14.239		286,501
HOME Program – 2004	14.239		<u>4,433</u>
Total U.S. Department of Housing and Urban Development			<u>1,840,933</u>
U.S. Department of Transportation:			
Passed Through Texas Department of Transportation:			
TS-CIOTSTEP	20.604	583XXF6119	9,423
TS-CIOTSTEP	20.604	584XXF6153	7,413
TS-ITCSTEP	20.600	584XXF6019	<u>147,745</u>
Total U.S. Department of Transportation			<u>164,581</u>
U.S. Department of Agriculture:			
Passed Through Texas Department of Human Services:			
Parks and Recreation Summer Food Program	10.559	TX-043-1002	<u>22,771</u>
U.S. Department of Justice:			
Local Law Enforcement Block Grant	16.592		165,639
Bureau of Justice Assistance Bulletproof Vest Partnership	16.607		4,241
Federal Bureau of Investigation – OCDETF – Organized Crime Drug Enforcement Task Force	16.xxx		<u>27,764</u>
Subtotal Direct Programs			197,644
Passed Through Texas Engineering Extension Service:			
Domestic Preparedness Equipment Grant	97.004	Not Available	102,028
Passed Through Navarro County Sheriff's Office:			
HIDTA – North Texas	16.xxx	Various	14,333
Passed Through the University of North Texas:			
NIBIN – National Integrated Ballistic Information Network	16.609	2003-GP-CX-0516-72304-1	<u>18,029</u>
Total U.S. Department of Justice			<u>332,034</u>
U.S. Department of Treasury:			
MATF – Metro Alien Task Force	21.xxx		14,767
JTTF – Joint Terrorism Task Force	21.xxx		<u>7,428</u>
Total U.S. Department of Treasury			<u>22,195</u>
U.S. Environmental Protection Agency:			
Vulnerability Assessments and Related Security Improvements at Large Drinking Water Utilities	66.476		<u>3,450</u>
USDA Forest Service:			
Passed Through the Texas Forest Service, a member of the Texas A & M University System:			
Urban Forestry Partnership Grant Program	10.664	03-04-03	<u>5,074</u>
U.S. Food and Drug Administration:			
Health Department	30.xxx		<u>2,000</u>
U.S. Department of Homeland Security:			
FEMA Integrated Emergency Management Course	97.006		26,411
Passed Through Texas Engineering Extension Service:			
2003 Urban Area Security Initiative I	16.011	2003-EU-T3-0043	<u>472</u>
Total U.S. Department of Homeland Security			<u>26,883</u>
Centers for Disease Control:			
Passed Through the Collin County Homeland Security Office:			
2004 Bio-terrorism Preparedness, Response Grant	93.xxx	Not Available	<u>1,296</u>
Total federal expenditures			<u>\$ 2,421,217</u>

The accompanying notes are an integral part of this schedule.

CITY OF PLANO, TEXAS

Notes to Schedule of Expenditures of Federal Awards

September 30, 2004

(1) General

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Plano, Texas (the City) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The City's reporting entity is defined in note 1 to the City's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

(2) Subrecipients

The City provided approximately \$544,000 to subrecipients from the Community Development Block Grant.

(3) Loans

At September 30, 2004, the amount of loans outstanding related to the Community Development Block Grant was approximately \$1,070,000. The amount of federal awards expended in the form of noncash assistance was approximately \$103,000.

CITY OF PLANO, TEXAS

Schedule of Findings and Questioned Costs

For the year ended September 30, 2004

Section I. Summary of Auditors' Results:

Financial Statements

1. Type of auditors' report issued on the financial statements: Unqualified
2. Internal control over financial reporting:
 - Material weakness(es) identified? ___ yes x no
 - Reportable condition(s) identified that are not considered to be material weakness(es)? ___ yes x none reported
3. Noncompliance material to financial statements noted? ___ yes x no

Federal Awards

4. Internal controls over major program:
 - Material weakness(es) identified? ___ yes x no
 - Reportable condition(s) identified that are not considered to be material weakness(es)? ___ yes x none reported
5. Type of auditors' report on compliance for major program: Unqualified
6. Did the audit disclose findings that are required to be reported under Sec. 510(a): Yes
7. Major program includes:

<u>CFDA number</u>	<u>Name of federal program</u>
14.218	Community Development Block Grant

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as low-risk auditee: x yes ___ no

Section II. Financial Statement Findings

None

CITY OF PLANO, TEXAS

Schedule of Findings and Questioned Costs

For the year ended September 30, 2004

Section III. Federal Award Findings and Questioned Costs:

Finding #: 2004-01 – Subrecipient Monitoring

CFDA TITLE: Community Development Block Grants/ CFDA Number: 14.218
Entitlement Grants (CDBG)

FEDERAL AWARD NUMBER: B-03-MC-48-0035

FEDERAL AWARD YEAR: 2003-2004

FEDERAL AGENCY: Department of Housing and
Urban Development (HUD)

PASS-THROUGH ENTITY: N/A

Type:

Compliance Finding

Criteria or Specific Requirement:

The requirements for subrecipient monitoring are contained in the 31 USC 7502(f)(2)(B) (Single Audit Act Amendments of 1996 and OMB Circular A-133 (§__.225 and §__.400(d)). A pass-through entity is responsible for:

(1) Ensuring that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133, as revised) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient's audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Condition Found:

KPMG notes per the initial grant agreement, the City requires subrecipients to submit single audit reports when required, to meet the audit requirements of OMB Circular A-133. However, the City did not follow up with subrecipients to ensure these reports were obtained.

Question Costs:

None

Information to Provide Proper Perspective:

KPMG reviewed ten out of a total of twenty-one subrecipient files. KPMG noted the City did not require its subrecipients to submit single audit reports. The City provided approximately \$544,000 to subrecipients from the CDBG grant.

KPMG notes the City does perform several other functions to monitor their subrecipients. These include obtaining quarterly performance reports, reviewing reimbursement requests, and obtaining a signed written contract.

CITY OF PLANO, TEXAS

Schedule of Findings and Questioned Costs

For the year ended September 30, 2004

Possible Asserted Effect:

Subrecipient activities may impact the City's ability to comply with applicable federal regulations. HUD has the right to wholly and partly suspend or terminate the current grant award, condition a future grant or elect not to provide future grant funds, and/or withhold further awards for the program when there is a reason to believe through periodic monitoring or review that the City is not in compliance with the requirements established.

Recommendations:

KPMG recommends that the City ensure a report is submitted to them if the subrecipient meets the requirements of OMB Circular A-133. If the subrecipient does not meet the requirements of OMB Circular A-133 they should provide the City with written notification that an A-133 audit is not required for the subrecipient.

The City should be sure to review the submitted single audit reports to identify audit findings and to ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

Views of Responsible Officials:

The City has modified its grant application for subrecipients to include the following question:

Federal Funds: Does your agency expect to receive more than \$500,000 from all sources of federal funds during the year? If so, you will be required to provide a copy of your Single Audit.

Yes ___ No ___

State the amount of federal funds (from all sources) received in FY 2004-05: \$_____

If this amount is \$500,000 or more, please submit one copy of your Single Audit.

Agencies are already required by contract to provide us with a copy of their audit when it is completed. Upon receipt, we will check to see the amount of federal funds received, and thereby be able to know whether a Single Audit was required.