

OMB Circular A-133 Single Audit - Federal and State Awards

City of Plano, Texas

September 30, 2011



**Report of Independent Certified Public Accountants on
Internal Control Over Financial Reporting and on Compliance and Other Matters**

Audit • Tax • Advisory

Grant Thornton LLP

1717 Main Street, Suite 1500
Dallas, TX 75201-4667

T 214.561.2300

F 214.561.2370

www.GrantThornton.com

The Honorable Mayor and Members of the City Council
The 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, 2011, which collectively comprise the City’s basic financial statements and have issued our report thereon dated January 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants 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 as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we express no such opinion.

A deficiency in internal control over financial reporting 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 over financial reporting, 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.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the City’s internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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*.

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

Grant Thornton LLP

Dallas, Texas
January 9, 2012



Report of Independent Certified Public Accountants on Compliance Related to Major Programs (OMB Circular A-133 and State of Texas Single Audit) and on Internal Control Over Compliance

The Honorable Mayor and Members of the City Council
The City of Plano, Texas

Audit • Tax • Advisory
Grant Thornton LLP
1717 Main Street, Suite 1500
Dallas, TX 75201-4667
T 214.561.2300
F 214.561.2370
www.GrantThornton.com

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* and the State of Texas Single Audit Circular that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2011. The City’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs 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 established by the American Institute of Certified Public Accountants, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State of Texas Single Audit Circular (SAC). Those standards, OMB Circular A-133 and SAC 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 or 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 opinion. Our audit does not provide a legal determination of the City’s compliance with those requirements.

In our opinion, the City of Plano, Texas complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2011. However, the results of our audit procedures disclosed an instance of noncompliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1, that is required to be reported in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular.

Internal Control Over Compliance

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 and state 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 or state program as a basis for designing audit procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of the City's internal control over compliance. Accordingly, we express no such opinion.

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 or state program on a timely basis. A material weakness 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 or state program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the City's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

We did not audit the City's written response to the matters described in the accompanying Schedule of Findings and Questioned Costs and accordingly, we express no opinion on it.

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

Grant Thornton LLP

Dallas, Texas
January 9, 2012



**Report of Independent Certified Public Accountants
On Supplementary Information**

Audit • Tax • Advisory

Grant Thornton LLP
1717 Main Street, Suite 1500
Dallas, TX 75201-4667

T 214.561.2300

F 214.561.2370

www.GrantThornton.com

The Honorable Mayor and Members of the City Council
The City of Plano, Texas

We have audited the basic financial statements of City of Plano, Texas (the "City") as of and for the year ended September 30, 2011 and have issued our report thereon dated January 9, 2012, which are presented in the City's Comprehensive Annual Financial Report . Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and accompanying Schedule of Expenditures of State Awards are presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Texas Single Audit, and are not a required part of the basic financial statements. These schedules are the responsibility of the City's management. The schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Grant Thornton LLP

Dallas, Texas
January 9, 2012

City of Plano, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2011

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Grant number</u>	<u>Federal Expenditures</u>
U.S. Department of Homeland Security:			
Assistance to Firefighters Grant Program	97.044	EMW-2009-FO-03886	\$ 13,916
Passed through Texas Division of Public Safety			
2008 Urban Areas Security Initiative	97.008	08-SR 58016-01	57,004
2008 Urban Areas Security Initiative - LEAP	97.008	08-SR 58016-01	87,726
2008 State Homeland Security Program - LEAP	97.073	08-SR 58016-01	22,000
2009 Citizen Corps Program	97.053	09-SR 58016-03	248
2009 Urban Areas Security Initiative	97.008	09-SR 58016-03	38,371
2010 Urban Areas Security Initiative	97.008	10-SR 58016-01	<u>1,589</u>
Total U.S. Department of Homeland Security			220,854
U.S. Department of Housing and Urban Development:			
Community Development Block Grant	14.218	B10-MC-48-0035	1,700,037
ARRA - Community Development Block Grant	14.253	B09-MY-48-0035	62,764
HOME Program	14.239	M10-MC-480234	532,050
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257	S09-MY-48-0013	<u>146,392</u>
Total U.S. Department of Housing and Urban Development			2,441,243
U.S. Department of Justice:			
2010 Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-1029	39,566
Joint East Texas Fugitive Task Force	16.xxx	N/A	17,315
Child Sexual Predator Program	16.710	2010CSWX0013	124,706
Organized Crime Drug Enforcement Task Force	16.xxx	N/A	<u>22,905</u>
Subtotal Direct Programs			204,492
Passed through the Office of the Governor, Criminal Justice Division			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DJ-09-A10-23764-01	55,000
Passed through Navarro County Sheriff's Office			
HIDTA – North Texas	16.xxx	Various	<u>15,819</u>
Total U.S. Department of Justice			275,311
U.S. Department of Transportation:			
Passed through Texas Department of Transportation-			
Spring Creek - Coit Intersection	20.205	CSJ: 0918-24-127	28,485
McDermott - Coit to Ohio	20.205	CSJ: 0918-24-119	571,298
Windhaven - City Limit to Spring Creek	20.205	CSJ: 0918-24-143	56,036
City-Wide Off-Peak Signal Retiming	20.205	CSJ: 0918-24-163	916
Trail Connections	20.205	CSJ: 0918-24-099	126,411
Preston - Legacy	20.205	CSJ: 0091-05-055	291,658
Passed through North Central Texas Council of Governments			
Clean Fleet Vehicle Project	20.205	N/A	<u>123,510</u>
Total U.S. Highway Planning and Construction			1,198,314
Passed through Texas Department of Transportation-			
TS-CIOTSTEP	20.602	2011-PlanoPD-CIOT-00037	6,347
STEP – Impaired Driving Mobilization	20.601	2011-PlanoPD-S-IDM-00016	<u>6,227</u>
Total U.S. Department of Transportation			1,210,888

City of Plano, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

September 30, 2011

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Grant number</u>	<u>Federal Expenditures</u>
U.S. Department of Treasury:			
FBI Computer Crime Lab Task Force	21.xxx	N/A	\$ 15,638
Joint Terrorism Task Force	21.xxx	N/A	13,475
North Texas Asset Forfeiture Task Force	21.xxx	N/A	13,385
North Texas Financial Crimes Task Force	21.xxx	N/A	<u>11,468</u>
Total U.S. Department of Treasury			53,966
U.S. Department of Energy:			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0000969	<u>1,422,963</u>
Total U.S. Department of Energy			<u>1,422,963</u>
Total federal expenditures			<u>\$5,625,225</u>

The accompanying notes are an integral part of this schedule.

City of Plano, Texas

SCHEDULE OF EXPENDITURES OF STATE AWARDS

September 30, 2011

<u>State grantor/pass-through grantor/program title</u>	<u>Grant number</u>	<u>State Expenditures</u>
Office of Attorney General:		
Texas Crime Victims Compensation	N/A	\$ <u>16,170</u>
Total Office of the Attorney General		16,170
Texas Commission on Environmental Quality:		
Passed through the North Central Texas Council of Governments		
Community Swap Events	10-04-G10	<u>21,915</u>
Total Texas Commission on Environmental Quality		21,915
Texas Department of Transportation		
Rasor-Ohio to SH121	CSJ: 0918-24-159	266,280
14th Street - Avenue K to Ridgewood	CSJ: 0918-24-158	2,789,340
Independence Parkway Corridor	CSJ: 0918-24-153	173,436
Parker Road Corridor Improvement	CSJ: 0918-24-156	8,002
Spring Creek Parkway/Corridor Improvement	CSJ: 0918-24-157	65,756
Park Boulevard Corridor Improvements	CSJ: 0918-24-155	120,728
Legacy Corridor Improvements	CSJ: 0918-24-154	23,017
Preston Road Corridor Improvements	CSJ: 0091-05-057	264,061
Preston - Legacy	CSJ: 0091-05-055	42,831
Passed through the North Texas Council of Governments		
Park Boulevard / US 75 Pedestrian Crossing	N/A	<u>34,321</u>
Total Texas Department of Transportation		3,787,772
Texas Office of the Governor/Comptroller		
Law Enforcement Officer Standards and Education	N/A	<u>38,108</u>
Total Texas Office of the Governor/Comptroller		38,108
Texas Office of the Governor/Criminal Justice Division		
Passed through the Criminal Justice Division		
Edward Byrne Memorial Justice Assistance Grant Program	SF-12-A10-23764-02	<u>4,432</u>
Total Texas Office of the Governor/Criminal Justice Division		4,432
Texas Department of Public Safety		
Texas Division of Emergency Management - Wildfire Deployments	N/A	165,240
Passed through Texas Engineering Extension Service		
Texas Task Force One - Superbowl XLV Mobilization Exercise	N/A	6,159
Texas Task Force One - Bastrop Wildfires	N/A	<u>5,403</u>
Total Texas Department of Public Safety		176,802
Texas State Library and Archives Commission		
Loan Star Libraries Grant	442-11690	<u>122,160</u>
Total State Library and Archives Commission		122,160
Texas Department of State Health Services		
Passed through North Central Texas Trauma Regional Advisory Council		
EMS/Trauma Care System Program	N/A	<u>5,329</u>
Total Texas Department of State Health Services		<u>5,329</u>
Total state expenditures		<u>\$4,172,688</u>

The accompanying notes are an integral part of this schedule.

City of Plano, Texas

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SCHEDULE OF
EXPENDITURES OF STATE AWARDS**

September 30, 2011

(1) General

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of the City of Plano, Texas (the City) and are presented on the modified accrual basis of accounting. The information in these schedules are presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas Single Audit. Therefore, some amounts presented in these schedules 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 and state awards received directly from federal and state agencies as well as federal and state awards passed through other government agencies are included on these schedules.

(2) Subrecipients

The City provided approximately \$314,000 and \$267,000 to subrecipients from the Community Development Block Grant and HOME program, respectively.

(3) Loans

At September 30, 2011, the amount of loans outstanding related to the Community Development Block Grant and HOME program were approximately \$756,000 and \$81,000, respectively.

City of Plano, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal and State Awards

Internal controls over major program:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

Identification of major programs:
CFDA/Grant Number/State Identification Number Name of Federal and State Program or Cluster
 Major Federal Programs:

81.128 Energy Efficiency and Conservation Block Grant Program

14.218, 14.253 Community Development Block Grant Entitlement Grants Cluster

14.257 Homelessness Prevention and Rapid Re-Housing Program

Major State Program:
 n/a Texas Department of Transportation Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000 for federal programs
 \$300,000 for state programs

Auditee qualified as low-risk auditee? No

City of Plano, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2011

SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS

The audit disclosed no findings required to be reported.

SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AND STATE AWARDS

Finding 2011-1

State Program: State Highway 121 – City Street Development

Federal Program: Energy Efficiency and Conservation Block Grant Program (EECBG)

CFDA: N/A Federal Award Number: N/A Award Year: 10/1/10 - 9/30/11

Type of Finding: Control Deficiency and Noncompliance – Suspension and Debarment

Compliance Requirement: Suspension and Debarment

Criteria: Per Article 26 of the Grant Agreement: “The Local Government shall not contract with any person that is suspended, debarred, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal agency or that is debarred or suspended by the State.”

Condition: During our testing of the State Highway 121 program, we noted the City did not have evidence that the vendor selected for testing was not suspended or debarred, either by (1) checking the Excluded Party List System (EPLS); or (2) collecting a certification from that vendor; or (3) adding a clause or condition to the covered transaction with that vendor.

During our testing of the EECBG program, we noted the City did not have evidence that the vendors selected for testing were not suspended or debarred, either by EPLS search or vendor certification.

Questioned Costs: None

Context: The City is unable to provide evidence that the vendor was not suspended or debarred at the time of contract award.

Cause: The failure to properly document the review of suspended and debarred parties occurred due to the following:

- The City performed the check of the EPLS but did not retain documentation of the results of their search of the EPLS.

Effect: The City could contract with a suspended or debarred vendor.

City of Plano, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2011

SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AND STATE AWARDS - Continued

Recommendation: We recommend that management develop a process and policies to ensure that the City does not contract with any person that is suspended, debarred, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal agency or that is debarred or suspended by the State. This can include checking the EPLS and clearly documenting this, collecting certifications from vendors, or adding a clause or condition to the covered transactions with vendors.

Management's Response: Management did check the EPLS website and noted that the vendors were not suspended or debarred; however, the supporting documentation was not retained. Management will develop a new policy to clearly indicate it is the responsibility of the department to determine if a vendor is suspended or debarred. The Purchasing Department will add language to a contract when they are notified that the purchase is to be made with grant funds. Further, management will hold a training session annually to educate the departments of these compliance requirements.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

For a complete description of the prior year audit findings, please refer to the OMB Circular A-133 Single Audit – Federal and State Awards report for the period ending September 30, 2010.

Finding 2010-01 Significant deficiency – Timely transfer of completed projects in construction in progress (CIP) to depreciable capital assets

During fiscal year 2010, the City of Plano's Accounting Department identified numerous projects in CIP that had been completed and the assets placed in service. These assets had been completed over the last several years and should have been moved to depreciable capital assets and depreciated from the time of completion. This finding was remediated in 2011 through the following actions:

Accounting, Engineering, and Parks & Recreation met to come to collective decision on when projects were to be placed into service. The criteria for an asset to be completed is as follows:

- The asset is being utilized or if the retainage is paid in full, whichever occurs first.
- If multiple programs exist under one capital project, the program that is completed is placed into service, except for the Capital Reserve fund, where each year the current year expenditures are completed.
- If funds on a capital project are leftover and the asset is placed into service or retainage paid, then complete the project. If spending still occurs because of the leftover funds, then complete the project for each year's spending.

Additionally, the Accounting Department is now reviewing the CIP projects each year to determine if those with no or little activity from year to year should be completed.

City of Plano, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2011

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS - Continued

**Finding 2010-02 Significant deficiency and noncompliance - Texas Department of
Transportation Cluster**

The City failed to report grant information to North Texas Council of Governments (NCTCOG) through the required monthly financial/performance reports. The City's system of internal controls did not ensure completion of these monthly reports during the current fiscal year. This finding was remediated in 2011 through the following actions:

The grant agreements were carefully reviewed to ensure that all requirements were determined. Appropriate individuals were notified of the reporting requirements. On a monthly basis, Accounting prepares the respective expense and interest income spreadsheets and submits this to the Engineering department to report to NCTCOG. The reports are submitted monthly and then reviewed by the Director of Public Works.