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

City of Plano, Texas

September 30, 2010

Grant Thornton

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

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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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as 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.

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Our audit was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2010-01, that we consider to be a significant deficiency in the City's internal control over financial reporting.

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 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, 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
December 30, 2010

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Report of Independent Certified Public Accountants on Compliance With Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 And The State Of Texas Single Audit Circular

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The Honorable Mayor and Members of the City Council
The 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* 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, 2010. 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 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, 2010. However, the results of our audit procedures disclosed an instance of noncompliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2010-02, that is required to be reported in accordance with the State of Texas Single Audit Circular.

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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.

Our audit was also not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2010-02 that we consider to be a significant deficiency in the City's internal control over compliance.

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 management, the Mayor, City Council, 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
February 10, 2011

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Report of Independent Certified Public Accountants
On Supplementary Information

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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, 2010 and have issued our report thereon dated December 30, 2010, 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 is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of the City's management. The schedule 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.

Grant Thornton LLP

Dallas, Texas
December 30, 2010

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City of Plano, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2010

Federal grantor/pass-through grantor/program title	Federal CFDA number	Grant number	Federal Expenditures
U.S. Department of Homeland Security:			
Passed through Texas Division of Emergency Management			
2008 Urban Areas Security Initiative	97.008	08-SR 58016-01	$ 70,555
2008 Urban Areas Security Initiative - LEAP	97.008	08-SR 58016-01	61,218
2008 SHSP - LEAP	97.073	08-SR 58016-01	57,950
2009 Citizen Corps Program	97.053	09-SR 58016-03	581
2009 Urban Areas Security Initiative	97.008	09-SR 58016-03	6,629
Passed through North Central Texas Council of Governments			
2007 State Homeland Security Program/LETPP	97.074	N/A	1,617
2007 State Homeland Security Program/US&R	97.073	N/A	4,133
2007 State Homeland Security Program/HMR	97.073	N/A	8,049
Passed through Texas Engineering Extension Services			
Texas Task Force One - Haitian Relief	97.025	N/A	11,183
Texas Task Force One - Hurricane Alex	97.025	N/A	7,102
Total U.S. Department of Homeland Security			229,017
U.S. Department of Housing and Urban Development:			
Community Development Block Grant	14.218	B10-MC-48-0035	1,306,478
ARRA - Community Development Block Grant	14.253	B09-MY-48-0035	270,166
Subtotal CDBG Entitlement Grants Cluster			1,576,644
HOME Program	14.239	M10-MC-480234	669,659
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257	S09-MY-48-0013	358,777
Total U.S. Department of Housing and Urban Development			2,605,080
U.S. Department of Justice:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0167	22,807
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0685	16,995
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0586	28,001
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.804	2009-SB-B9-1417	93,350
Organized Crime Drug Enforcement Task Force	16.xxx	N/A	36,016
Subtotal Direct Programs – U.S. Department of Justice			197,169
Passed through the Office of the Governor, Criminal Justice Division			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DJ-09-A10-23764-01	4,500
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.803	SU-09-A10-22161-01	80,404
Passed through the Office of the Attorney General			
Project Safe Neighborhoods	16.609	806018	41,239
Passed through Navarro County Sheriff's Office			
HIDTA – North Texas	16.xxx	Various	18,713
Total U.S. Department of Justice			$ 342,025

City of Plano, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

September 30, 2010

Federal grantor/pass-through grantor/program title	Federal CFDA number	Grant number	Federal Expenditure
U.S. Department of Transportation:			
ARRA - Preston - Legacy	20.205	CSJ: 0091-05-055	$ 972,321
Passed through Texas Department of Transportation-			
Preston - Plano Parkway Intersection	20.205	CSJ: 0091-05-053	47,346
Spring Creek - Coit Intersection	20.205	CSJ: 0918-24-127	5,841
McDermott - Coit to Ohio	20.205	CSJ: 0918-24-119	1,240,014
15th Street - G Ave to US 75	20.205	CSJ: 0918-24-144	30,437
Windhaven - City Limit to Spring Creek	20.205	CSJ: 0918-24-143	55,969
Preston - Legacy	20.205	CSJ: 0091-05-055	276,623
ARRA - Preston - Legacy	20.205	CSJ: 0091-05-055	121,540
Subtotal Highway Planning and Construction			2,750,091
Passed through Texas Department of Transportation-			
STEP – Comprehensive	20.600	2010-PlanoPD-S-SYG-0060	195,930
STEP – Impaired Driving Mobilization	20.601	2010-PlanoPD_STEP IDM-00005	4,999
STEP – Click It or Ticket Mobilization	20.609	2010-PlanoPD-CIOT-00047	2,292
Subtotal STEP			203,221
Total U.S. Department of Transportation			2,953,312
U.S. Department of Treasury:			
FBI Computer Crime Lab Task Force	21.xxx	N/A	17,991
Joint Terrorism Task Force	21.xxx	N/A	6,534
North Texas Asset Forfeiture Task Force	21.xxx	N/A	20,416
North Texas Financial Crimes Task Force	21.xxx	N/A	5,171
Total U.S. Department of Treasury			50,112
U.S. Department of Energy:			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0000969	57,731
Total U.S. Department of Energy			57,731
Total federal expenditures			$6,237,277

The accompanying notes are an integral part of this schedule.

City of Plano, Texas

SCHEDULE OF EXPENDITURES OF STATE AWARDS

September 30, 2010

State grantor/pass-through grantor/program title	Grant number	State Expenditures
Governor's Division of Emergency Management:		
Passed through Texas Engineering Extension Service		
Texas Task Force One - Hurricane Alex	N/A	$ 2,368
Total Governor's Division of Emergency Management		2,368
Office of Attorney General:		
Texas Crime Victims Compensation	N/A	35,251
Total Office of the Attorney General		35,251
Texas Commission on Environmental Quality:		
Passed through the North Central Texas Council of Governments		
Community Swap Events	10-04-G10	6,479
Total Texas Commission on Environmental Quality		6,479
Texas Department of Transportation Cluster		
Rasor-Ohio to SH121	CSJ: 0918-24-159	2,265,054
14th Street - Avenue K to Ridgewood	CSJ: 0918-24-158	761,027
Independence Parkway Corridor	CSJ: 0918-24-153	17,904
Parker Road Corridor Improvement	CSJ: 0918-24-156	7,814
Spring Creek Parkway/Corridor Improvement	CSJ: 0918-24-157	5,635
Park Boulevard Corridor Improvements	CSJ: 0918-24-155	36,017
Preston - Legacy	CSJ: 0091-05-055	34,578
Preston - Plano Parkway Intersection	CSJ: 0091-05-053	5,918
Passed through the North Texas Council of Governments		
Park Boulevard / US 75 Pedestrian Crossing	N/A	30,352
Total Texas Department of Transportation Cluster		3,164,299
Texas Office of the Governor/Comptroller		
Law Enforcement Officer Standards and Education	N/A	24,031
Total Texas Office of the Governor/Comptroller		24,031
Texas State Library and Archives Commission		
Loan Star Libraries Grant	442-11690	288
Loan Star Libraries Grant	442-10212	157,923
Total State Library and Archives Commission		158,211
Texas Department of State Health Services		
Passed through North Central Texas Trauma Regional Advisory Council		
EMS/Trauma Care System Program	N/A	4,797
Total state expenditures		$3,395,436

The accompanying notes are an integral part of this schedule.

City of Plano, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

September 30, 2010

(1) General

The accompanying schedules of expenditures of federal and state awards includes the federal and state 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 presents 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 the schedule.

(2) Subrecipients

The City provided approximately $210,000 and $370,000 to subrecipients from the Community Development Block Grant and HOME program, respectively.

(3) Loans

At September 30, 2010, the amount of loans outstanding related to the Community Development Block Grant and HOME program were approximately $838,000 and $88,000, respectively.

City of Plano, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2010

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?	Yes
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?	Yes
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:	
20.205	Highway Planning and Construction Cluster
14.218, 14.253	CDBG 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

SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Finding 2010-01

Type of Finding:	Significant deficiency – Timely transfer of completed projects in construction in progress (CIP) to depreciable capital assets
Condition:	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.
Cause:	Inadequate lines of communication between the Engineering Department and Accounting Department resulted in completed projects remaining in CIP, instead of being transferred to depreciable capital assets.
Effect:	The overstatement of CIP and understatement of depreciable capital assets for completed projects resulted in an understatement of accumulated depreciation and overstatement of net capital assets.
Recommendation:	We recommend that the Accounting and Engineering Departments meet on a monthly basis to discuss the status of CIP projects and identify any projects which are 'substantially complete' or 'in use' for accounting purposes. Such projects should then be transferred out of CIP and into the appropriate depreciable capital asset category.
Views of responsible officials and planned corrective actions:	In order to ensure that construction in progress is recorded as depreciable capital assets on a timely basis, the City implemented the following processes. The Accounting Department (Accounting) and the Engineering Department (Engineering) will meet monthly to be proactive in determining what projects are active and which ones should be completed. Accounting and Engineering collectively agreed on when projects should be completed (once retainage has been paid.) Additionally, Accounting will attend the Monthly Status meetings with Engineering to keep apprised of ongoing projects. Lastly, within the general ledger software, engineering projects will be given more descriptive names to ensure they can be clearly identified. The City will explore using 7-digit projects codes versus 5-digit codes upon the system upgrade in January 2011 to eliminate the potential reuse of a project number.

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

Finding 2010-02

Grant Title:

Texas Department of Transportation Cluster

Award Number:

CSJ: 0918-24-153
CSJ: 0918-24-154
CSJ: 0918-24-155
CSJ: 0918-24-156
CSJ: 0918-24-157
CSJ: 0918-24-158
CSJ: 0918-24-159

Name of the State Agency:

Texas Department of Transportation

Type:

Significant deficiency and noncompliance

Criteria:

An adequate system of internal controls over financial reporting should include reporting of the status of projects in progress and timely updating of information regarding such projects underway. The grant requires the City to submit monthly expenditure reports to North Central Texas Council of Governments (NCTCOG).

Condition:

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.

Questioned Costs:

Not applicable

Context:

The required reports to be submitted monthly to NCTCOG were not submitted for grant year ending in fiscal year 2010.

Cause:

The City was unaware of the reporting requirements to the State.

Effect:

Grant performance and financial results were not reported to NCTCOG on a timely basis. NCTCOG was not informed of the status of the projects through the monthly financial/performance reports. The City's failure to adhere with program reporting requirements could result in noncompliance.

Recommendation:

We recommend that the City ensure that all required grant reports are filed with NCTCOG on a timely basis. The City should implement controls over financial/performance reporting, including controls to ensure the completeness and accuracy of reported data. These controls should include a formal review process and approval of these reports by supervisory personnel.

Views of responsible officials and planned corrective actions:

The City is in the process of developing an internal process to ensure compliance with all reporting 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, 2009.

Finding 2009-01 Material Weakness – Highway Planning and Construction Cluster

For each of the fiscal years ended September 30, 2007, 2008 and 2009, funds were expended for the Highway Planning and Construction Cluster grant but were not reported on the Schedules of Expenditures of Federal Awards and therefore not subjected to the A-133 Single Audit testing. This finding was remediated in 2010 through the following actions:

- Communications were made to City management several times to reiterate what constitutes a Federal Award and the importance of communicating this with the Accounting Department
- An annual training session was held with all departments to educate them on the compliance requirements as set forth in the OMB A-133 Compliance Supplement
- Accounting reviewed all City Council meeting minutes to ensure that any grants discussed were included on the Schedule of Expenditures of Federal Awards or the Schedule of Expenditures of State Awards
- Accounting worked with the Budget Department to determine the funding sources of projects, and
- Accounting carefully scrutinized any cash receipts that appeared to be from a Federal or State agency to determine if it related to a grant expenditure