

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

City of Plano, Texas

September 30, 2009



**Report on Compliance with Requirements Applicable to Each
Major Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133 and
the State of Texas Single Audit Circular**

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

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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 are applicable to each of its major federal and state programs for the year ended September 30, 2009. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying restated 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 are 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 as 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; and 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 are applicable to each of its major federal and state programs for the year ended September 30, 2009.

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 the federal or state programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program as a basis for designing our audit procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we express no such opinion.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency in a City's internal control over compliance 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 noncompliance on a timely basis with a type of compliance requirement of a federal or state program. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected. We consider the deficiency in internal control described in the accompanying restated schedule of findings and questioned costs as item 2009-1 to be a material weakness.

The City's response to the findings identified in our audit is described in the accompanying restated schedule of findings and questioned costs. We did not audit the City's response 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.



Dallas, Texas

December 31, 2009 (except for Note 4, as to which the date is February 10, 2011)



**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, 2009 and have issued our report thereon dated December 31, 2009, 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.

A handwritten signature in black ink that reads "Grant Thornton LLP".

Dallas, Texas
December 31, 2009 (except for Note 4, as to which the date is February 10, 2011)

City of Plano, Texas

RESTATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2009

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA Number</u>	<u>Grant number</u>	<u>Federal expenditures</u>
Governor's Office of General Counsel and Criminal Justice			
U.S. Department of Homeland Security:			
Passed through Governor's Division of Emergency Management			
2007 Law Enforcement Terrorism Prevention Program	97.074	07-GA 58016-03	\$ 152,350
2007 Urban Areas Security Initiative	97.008	07-GA 58016-03	120,500
2008 Urban Areas Security Initiative	97.008	08-SR 58016-01	11,141
Passed through North Central Texas Council of Governments			
2007 State Homeland Security Program	97.073	N/A	18,370
Passed through Texas Engineering Extension Services			
Texas Task Force One	97.025	N/A	<u>1,598</u>
Total U.S. Department of Homeland Security			303,959
U.S. Department of Housing and Urban Development:			
Community Development Block Grant	14.218	B09-MC-48-0035	1,025,412
HOME Program	14.239	M09-MC-48-0234	476,601
ARRA Homelessness Prevention and Rapid Re-Housing Program	14.257	S09-MY-48-0013	<u>265</u>
Total U.S. Department of Housing and Urban Development			1,502,278
U.S. Department of Justice:			
Bulletproof Vest Partnership Program	16.607	N/A	8,539
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0167	2,333
Organized Crime Drug Enforcement Task Force	16.xxx	N/A	<u>34,130</u>
Subtotal Direct Programs – U.S. Department of Justice			45,002
Passed through the Office of the Attorney General			
Project Safe Neighborhoods	16.609	806018	53,322
Passed through Navarro County Sheriff's Office			
HIDTA – North Texas	16.xxx	Various	<u>16,290</u>
Total U.S. Department of Justice			114,614
U.S. Department of Transportation:			
Passed through Texas Department of Transportation-			
Preston - Plano Parkway Intersection	20.205	CSJ: 0091-05-053	6,252
McDermott - Coit to Ohio	20.205	CSJ: 0918-24-119	4,427
15th Street - G Ave to US 75	20.205	CSJ: 0918-24-144	4,856
Windhaven to Spring Creek	20.205	CSJ: 0918-24-143	12,383
Jupiter - Plano Parkway Intersection Improvements	20.205	CSJ: 0918-24-118	639,118
Preston - Legacy	20.205	CSJ: 0091-05-055	<u>47,291</u>
Subtotal Highway Planning and Construction			714,327
Passed through Texas Department of Transportation-			
STEP – Comprehensive	20.600	588EGF6092	242,881
STEP – Impaired Driving Mobilization	20.601	588EGF6013	19,935
STEP – Click It or Ticket	20.609	588XXI6023	<u>4,090</u>
Subtotal STEP			266,906
Total U.S. Department of Transportation			981,233

The accompanying notes are an integral part of this schedule.

City of Plano, Texas

RESTATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

September 30, 2009

<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	\$ 1,204
Joint Terrorism Task Force	21.xxx	N/A	1,750
North Texas Asset Forfeiture Task Force	21.xxx	N/A	16,559
North Texas Financial Crimes Task Force	21.xxx	N/A	<u>7,965</u>
Total U.S. Department of Treasury			27,478
U.S. Environmental Protection Agency:			
Passed through the Texas Commission on Environmental Quality			
City of Plano Air Quality	66.605	582-8-89283	<u>211,586</u>
Total U.S. Environmental Protection Agency			<u>211,586</u>
Total federal expenditures			<u>\$3,141,148</u>

The accompanying notes are an integral part of this schedule.

City of Plano, Texas

SCHEDULE OF EXPENDITURES OF STATE AWARDS

September 30, 2009

<u>State grantor/pass-through grantor/program title</u>	<u>Pass-through entity identifying number</u>	<u>State expenditures</u>
Governor's Division of Emergency Management:		
Passed through Texas Engineering Extension Service		
Hurricane Ike-State Mutual Aid	N/A	\$ 5,196
Wildfires April 2009-State Mutual Aid	N/A	<u>21,950</u>
Total Governor's Division of Emergency Management		27,146
Office of Attorney General:		
Texas Crime Victims Compensation	N/A	<u>33,309</u>
Total Office of the Attorney General		33,309
Texas Commission on Environmental Quality:		
Passed through the North Central Texas Council of Governments		
Commercial Recycling Incentive Program	08-04-G02	16,250
Multi-Family Recycling Program	08-04-G28	12,681
CFL Recycling	08-04-G29	15,220
Recycle Bank Pilot Project	09-04-G19	58,995
Compost Fair Enhancement Project	09-04-G21	<u>25,065</u>
Total Texas Commission on Environmental Quality		128,211
Texas Department of Transportation		
Rasor-Ohio to SH121	CSJ# 0918-24-159	<u>737,411</u>
Total Texas Department of Transportation		737,411
Texas Office of the Governor/Comptroller		
Law Enforcement Officer Standards and Education	N/A	<u>21,944</u>
Total Texas Office of the Governor/Comptroller		21,944
Texas State Library and Archives Commission		
Loan Star Libraries Grant	442-09389	124,530
Loan Star Libraries Grant	442-10212	<u>480</u>
Total State Library and Archives Commission		<u>125,010</u>
Total state expenditures		<u>\$1,073,031</u>

The accompanying notes are an integral part of this schedule.

City of Plano, Texas

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

September 30, 2009

(1) General

The accompanying restated schedule of expenditures of federal awards and schedule of expenditures of 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 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 the schedule.

(2) Subrecipients

The City provided approximately \$322,000 and \$204,000 to subrecipients from the Community Development Block Grant and HOME program, respectively.

(3) Loans

At September 30, 2009, the amount of loans outstanding related to the Community Development Block Grant and HOME program were approximately \$859,000 and \$96,000, respectively.

(4) Restatement

The accompanying Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs have been restated to include \$714,327 in expenditures of the Highway Planning and Construction Cluster program (CFDA 20.205) and to note the cluster was audited as a major program for the fiscal year ended September 30, 2009 as it met the criteria of a high-risk Type A program.

The summary of auditor's result section of the accompanying Schedule of Findings and Questioned Costs has been restated to include the City of Plano Air Quality program (CFDA 66.605) as a major program. The program was audited as a major program for the fiscal year ended September 30, 2009 to obtain coverage as the City's qualification for low-risk auditee changed due to the material weakness in internal control over major programs identified in the 2007 and 2008 audits of the schedule of expenditures of federal awards.

City of Plano, Texas

RESTATED SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2009

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?	None reported
Noncompliance material to financial statements noted?	No

Federal and State Awards

Internal controls over major program:	
• 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 program:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes
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Identification of major programs: <u>CFDA/Grant Number/State Identification Number</u>	<u>Name of Federal and State Program or Cluster</u>
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Major Federal Programs:	
20.600, 20.601, 20.609	Highway Safety Cluster
14.239	HOME
20.205	Highway Planning and Construction Cluster
66.605	City of Plano Air Quality

Major State Program: n/a	Texas Department of Transportation Rasor-Ohio to SH-121
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Dollar threshold used to distinguish between type A and type B programs:	\$300,000 for federal programs \$300,000 for state programs
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Auditee qualified as low-risk auditee?	No
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City of Plano, Texas

RESTATED SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2009

SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS

The results of our procedures disclosed no findings to be reported for the year ended September 30, 2009.

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

Finding 2009-01

Grant Title and CFDA Number:

Highway Planning and Construction Cluster, 20.205

Award Number:

CSJ: 0091-05-053 2004
CSJ: 0918-24-119 2004
CSJ: 0918-24-144 2006
CSJ: 0919-24-143 2007
CSJ: 0918-24-118 2004
CSJ: 0091-05-055 2005

Name of the Federal Agency:

U.S. Department of Transportation

Type:

Material weakness

Criteria:

An award is considered to be expended when the expenditure or the expense transaction associated with the grant occurs. When expenditures are incurred related to a federal award, these expenditures should be included in the Schedule of Expenditures of Federal Awards.

Condition:

Funds were expended for the Highway Planning and Construction Cluster grant during fiscal year 2009, but were not reported on the Schedules of Expenditures of Federal Awards and therefore not subjected to the A-133 Single Audit testing.

Questioned Costs:

None.

City of Plano, Texas

RESTATED SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2009

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

Context:

The City failed to report \$714,327 of federal expenditures related to the Highway Planning and Construction Cluster Program on the Schedule of Expenditures of Federal Awards.

Cause:

The City did not have the appropriate controls in place to identify all expenditures of federal awards that should have been reported on the Schedule of Expenditures of Federal Awards.

Effect:

The Schedule of Expenditures of Federal Awards was misstated, as these expenditures were not included. Additionally, as a result, the Highway Planning and Construction Cluster was not originally audited as a major program in fiscal year 2009. Additionally, as a result of the above matter, the low risk auditee determination changed that resulted in an additional program required to be tested to meet the coverage calculation.

Recommendation:

The City should implement controls to ensure completeness of the Schedule of Expenditures of Federal Awards. The City's Accounting Department should review City Council meeting minutes for indications of potential federal and state grants; provide training/information to other departments of the City regarding federal and state grants; and communicate with/inquire of other departments about funding sources of projects/programs and federal and state grant awards.

Views of Responsible Officials and Planned Corrective Action

The City has taken several measures to ensure that all expenditures of Federal Awards are included on the Schedule of Expenditures of Federal Awards (SEFA). Communications have been made to City management several times to reiterate what constitutes a Federal Award and the importance of communicating this with the Accounting Department. Additionally, the Accounting Department will develop an annual training session to be held with all departments to educate them on the compliance requirements as set forth in the OMB A-133 Compliance Supplement. The Accounting Department is reviewing all City Council meeting minutes to ensure that any grant discussed is included on the SEFA. The Accounting Department will also work with the Budget Department to determine the funding sources of projects. Lastly, the Accounting Department will carefully scrutinize any cash receipts that appear to be from a Federal or State agency to determine if it relates to a grant expenditure.