

City of Allen, Texas

Single Audit Report

Year Ended September 30, 2020



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**Independent Auditor's Report 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**

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

We have audited, in accordance with the 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 Allen, Texas (the City) as of and for the year ended September 30, 2020, 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 22, 2021.

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 determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be significant deficiencies.

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*.

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

City of Allen's Response to Findings

City of Allen's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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 communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 22, 2021



**Independent Auditor's Report on Compliance for
Each Major Federal Program and Report on Internal Control over
Compliance in Accordance with the Uniform Guidance, and on the
Schedule of Expenditures of Federal Awards**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Allen, Texas (the City) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2020. The City's major federal 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal 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 Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

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 major federal programs for the year ended September 30, 2020.

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 requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

Weaver and Tidwell, L.L.P.
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The Honorable Mayor and Members of the City Council
City of Allen, Texas

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 program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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 September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic statements. We issued our report thereon dated March 22, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance) and is not a required part of the basic financial statements. Such 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 financial statements and certain additional procedures, including comparing and reconciling such 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 federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 22, 2021

City of Allen, Texas

Schedule of Expenditures of Federal Awards For The Fiscal Year Ended September 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Awards				
Community Development Block Grant	14.218	N/A	\$ 139,262	\$ 65,549
Community Development Block Grant	14.218	N/A	<u>400,867</u>	<u>47,897</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>540,129</u>	<u>113,446</u>
U.S. DEPARTMENT OF JUSTICE				
Direct Awards				
Federal Seizure Forfeitures	16.000	N/A	89,459	-
Passed Through Office of the Governor - Criminal Justice Division: Edward Byrne Memorial Justice Assistance Grant Program	16.738	3119401	<u>80,000</u>	<u>-</u>
Total U.S. Department of Justice			<u>169,459</u>	<u>-</u>
DEPARTMENT OF TREASURY				
Passed through Collin County				
Coronavirus Aid, Relief and Economic Security Act - Municipal Direct Expense Funding	21.019	N/A	927,710	-
Coronavirus Aid, Relief and Economic Security Act - Economic Grant Incentives	21.019	N/A	3,000,000	3,000,000
Coronavirus Aid, Relief and Economic Security Act - Professional Services	21.019	N/A	236,000	-
Coronavirus Aid, Relief and Economic Security Act - COVID-19 Emergency Housing and Living Assistance Program	21.019	N/A	<u>1,416,965</u>	<u>-</u>
Total Department of Treasury			<u>5,580,675</u>	<u>3,000,000</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Passed through Texas State Library and Archives Commission Library Grant	45.310	451-20006	<u>3,843</u>	<u>-</u>
Total Institute of Museum and Library Services			<u>3,843</u>	<u>-</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through Texas Department of Public Safety State Homeland Security Program	97.067	N/A	<u>20,259</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>20,259</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,314,365</u>	<u>\$ 3,113,446</u>

City of Allen, Texas

Notes to Schedule of Expenditures of Federal Awards

Note 1 – General

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of the federal award programs of the City of Allen, Texas (the City). The City's reporting entity is defined in Note 1 to its basic financial statements. The SEFA includes all federal awards received directly from federal agencies and federal awards passed-through other governmental agencies. In addition, the SEFA includes local, state and other expenditures matched along with the federal award expenditures.

Note 2 – Basis of Presentation

The accompanying schedule is presented using the modified accrual basis of accounting for program expenditures accounted for in the governmental funds and the accrual basis of accounting for program expenditures accounted for in the proprietary funds as described in Note 1 to the City's basic financial statements.

For reimbursable grants, the City recognizes revenues commencing on the date of grant approval (provided all eligibility requirements are met) since this is when the City is eligible to claim expenditures for reimbursements. Pass-through entity identifying numbers are presented where available. The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Contingencies

The City participates in several 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, 2020 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.

City of Allen, Texas

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2020

Section I – Summary of Auditors’ Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes None reported

An unmodified opinion was issued on compliance for major federal programs.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major programs:

CFDA Number

21.019

Program Title

Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs?

\$750,000

Auditee qualified as low-risk auditee? Yes No

City of Allen, Texas

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2020

Section II – Financial Statement Findings

Finding 2020-001: Financial Statement Adjustments

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Criteria

Management is responsible for the accuracy and completeness of the financial records and related information and for establishing and maintaining effective internal control over financial reporting. The existence of audit adjustments of an entity's financial statements is an indication of a deficiency in internal control.

Condition

The financial information for the year ended September 30, 2020 included errors that were identified and corrected during our audit. The audit adjustments related to improper grant revenue recognition and correcting the allocation of property tax revenue between the general fund and debt service fund.

Cause

Because these errors were detected during the audit and not detected by the City, there is an indication that closing procedures, specifically the monitoring and review of financial information, are not being effectively performed.

Effect or Potential Effect

Failure to establish effective monitoring and closing procedures will allow possible irregularities to exist and continue without notice.

Recommendation

We recommend the City establish monitoring and closing policies and procedures for grant revenues, grant expenditures, and property tax revenue.

Views of Responsible Official(s) and Planned Corrective Actions

Fiscal year 2020 was an unusual year, and the City not only navigated responding to the coronavirus pandemic but also had a significant amount of turnover in the finance department. Accounting procedures will be reviewed and updated, if necessary, to ensure that effective monitoring and closing policies and procedures are in place and that the procedures require all balance sheet accounts to be reconciled to supporting statements and schedules.

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Prior Audit Findings

None