



**CITY OF HOUSTON**  
Finance and Administration Department

**Lee P. Brown, Mayor**

June 16, 2003

Katie S. Worsham, Director  
Office of Community Planning and Development  
801 Cherry Street (Burnett Plaza)  
Fort Worth, TX 76102

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Dear Ms. Worsham:

Enclosed for your review and approval are three City of Houston's Fiscal year 2004 OMB A-87 Cost Allocation Plans for: the Citywide, the Police Department and the Fire Department (the Plans). A copy of the City's FY 2002 CAFR is also enclosed. We have also enclosed four pages that show the calculations of the related indirect cost rates (for the Police Department, the Health and Human Services Department, Library Department and the Parks and Recreation Department) to be used in the fiscal year ending June 30, 2004.

The actual expenditures for the fiscal year ended June 30, 2002 (the base year) have been used in producing the Plans. Our consultants, Maximus, have reviewed the Plans and the indirect cost rates for the application of cost principles and procedures.

We have not enclosed the indirect cost rate for the City's Housing and Community Development Department (the Department) because the City's General Fund departments have not been reimbursed for any indirect costs for services performed for the benefit of the Department.

If you have any questions, please contact Jane Kuo, CPA at (713) 837-9656.

Sincerely,

Gary E. Gray, CPA  
Assistant Director  
Accounting and Auditing Division  
Finance and Administration Department

Enclosures

FN:F/W/Cost/HUD - FY 2004 Plans

CITY OF HOUSTON, TEXAS

FY 2004 OMB A-87 COST ALLOCATION PLAN

CERTIFICATION BY THE RESPONSIBLE CITY OFFICIAL

I hereby certify as the responsible official of the City of Houston, Texas, that the information contained in this FY 2004 OMB A-87 Cost Allocation Plan based on the actual expenditures for the fiscal year ended June 30, 2002, is correct and has been prepared in accordance with the policies and procedures contained in OMB Circular A-87. I further certify that a consistent approach has been followed in treating a given type of cost as direct or indirect and that in no case have costs that have been charged as direct costs of federally supported programs been included in the indirect costs in this Plan.

June 16, 2003

Date

  
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Gary E. Gray, C.P.A.

Assistant Director

Finance and Administration Department

# MAXIMUS<sup>®</sup>

HELPING GOVERNMENT SERVE THE PEOPLE<sup>®</sup>

June 9, 2003

Gary E. Gray, CPA  
Assistant Director  
Finance and Administration  
City of Houston  
611 Walker  
Houston, TX 77002

Dear Mr. Gray:

MAXIMUS, Inc. (MAXIMUS) has completed our limited review of the OMB Indirect Cost Allocation Plans (Plans) for the City of Houston, Texas, the Houston Police Department, and the Houston Fire Department for the FY 2004 based upon actual expenditures for FY 2002. Jane Kuo has answered all of our questions and concerns sufficiently and it is our understanding that adjustments have been made to the cost allocation plans. We believe that the cost allocation plans are acceptable for review by the federal negotiators for HUD, the Federal Aviation Administration and/or any other federal or state agencies that audit or review the City of Houston's Indirect Cost Allocation Plans.

We reviewed the Plans for reasonableness, consistency, and compliance with OMB Circular A-87. As we discussed earlier, the limited scope and budget in this project did not allow us to verify all financial data and allocation base information. However, we identified those areas where verification was needed and understand that the City has made adjustments, where needed. In summary, we feel that the allocation bases that were used in the final version provide for an equitable allocation to grant programs and all other citywide programs that receive service from the City of Houston's central service departments. Each basis reflects a quantitative presentation of the activity's cost of service. The allocated costs are allowable by the OMB Circular A-87, and the unallowable costs have been identified and disallowed.

Overall, the City of Houston's OMB Circular A-87 cost allocations plans were prepared quite competently and were well documented. MAXIMUS appreciates the opportunity to assist the City of Houston with the review of the internally prepared indirect cost allocation plans.

Please let us know if you require further assistance in any cost analysis project or issue that you may encounter in the coming months and years.

Sincerely,

MAXIMUS, INC.



J. Mark Carpenter  
Senior Manager

JMC/snn

The City of Houston, Texas Fiscal Year 2002 Comprehensive Annual Financial Report  
is available at the following web site:

<http://www.ci.houston.tx.us/citygovt/controller/cafr02.html>