



City of Houston, Texas

*Single Audit Report for the Year Ended
June 30, 2003*

CITY OF HOUSTON, TEXAS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AND STATE AWARD PROGRAM AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

The Honorable Mayor, Members
of City Council and City Controller
of the City of Houston, Texas:

Compliance

We have audited the compliance of the City of Houston, 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 *Uniform Grant and Contract Management Standards ("UGCMS")* that are applicable to each of its major federal programs and major state programs for the year ended June 30, 2003. The City's major federal programs and major state programs are identified in the summary of auditors' 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 programs and major 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, 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 UGCMS. Those standards, OMB Circular A-133 and UGCMS 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 on 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 programs and major state programs for the year ended June 30, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and UGCMS and which are described in the accompanying Schedule of Findings and Questioned Costs as items 03-02 and 03-03.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs 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 program and a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and UGCMS.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program or major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal and State Awards

We have audited the basic financial statements of the City, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 23, 2003. 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 and state awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and UGCMS and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the City. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, Members of City Council, the City Controller, 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.

Deloitte & Touche LLP

March 29, 2004

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor, Members
of City Council and City Controller
of the City of Houston, Texas:

We have audited the basic financial statements of the City of Houston, Texas (the "City") as of and for the year ended June 30, 2003, and have issued our report thereon dated December 23, 2003, which included a reference to other auditors for certain blended and discretely presented component units and a paragraph concerning the adoption of certain new Government Accounting Standards Board statements. We conducted our audit 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 State of Texas Uniform Grant and Contract Management Standards ("UGCMS").

Compliance

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 grants, 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 instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying Schedule of Findings and Questioned Costs as items 03-02 and 03-03. In addition, we noted certain immaterial instances of noncompliance that we have reported to the management of City, in a separate letter dated December 23, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 03-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However we believe that the reportable condition described above is a material weakness.

This report is intended solely for the information and use of the Mayor, Members of City Council, the City Controller, 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.

Deloitte: Touche LLP

December 23, 2003

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2003

Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Executive Office of the President Office of National Drug Policy:			
Major Drug Squad/4	07	I1PHNP500	\$ 8,296
Joint Drug Intelligence/6	07	I1PHNP501	14,406
Currency Narcotics Trans/5	07	I1PHNP502	31,165
Narcotics Operations Control Center/5	07	I1PHNP503	808
Target Offenders Group/6	07	I1PHNP504	16,545
Drug Gang Network/8	07	I1PHNP505	(4,097)
Drug Gang Network/8	07	I1PHNP505	276
Houston Money Laundering/5	07	I1PHNP520	19,555
Major Drug Squad	07	I1PHNP500	105,517
Joint Drug Intelligence/7	07	I2PHNP501	125,907
Currency Narcotics Tranship/6	07	I2PHNP502	500,037
Currency Narcotics Tranship/6	07	I2PHNP502	1,395
Narcotics Operations Control Initiative/6	07	I2PHNP503	206,293
Houston Money Laundering/5	07	I2PHNP520	333,773
Violent Crime Initiative/2	07	I2PHNP523	28,784
Gang & Non-Traditional Gang Sq	07	I2PHNP525	192,740
Methamphetamine Initiative Group	07	I2PHNP529	13,086
Targeted Narcotics Enforcement	07	I2PHNP533	925
Targeted Narcotics Enforcement	07	I2PHNP533	545,538
Targeted Narcotics Enforcement	07	I3PHNP533	165,668
Total this grantor			\$ 2,306,616
Department of Agriculture— Plant and Animal Disease, Pest Control, and Animal Care	10.025	0284120611CA	\$ 5,404
Total this grantor			\$ 5,404
Department of Agriculture Texas Department of Human Services*:			
Special Supplemental Nutrition Program - WIC	10.557	001164002-11	\$ 2,689,341
Special Supplemental Nutrition Program - WIC	10.557	001164002-11	17,391
Special Supplemental Nutrition Program - WIC	10.557	001164003-12	4,886,617
Special Supplemental Nutrition Program - WIC	10.557	001164003-12	9,000
Summer Food Program for Children	10.559	02TX101-1007	1,731,253
Summer Food Program for Children	10.559	03TX101-1007	1,079,617
Total this grantor			\$ 10,413,219

Note: See accompanying notes to the Schedule of Federal and State Awards.

*Designates an indirect award; all others are direct.

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2003

Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Department of Agriculture			
Texas Department of Aging*:			
Nutrition Services Incentive	10.570	USD200216B	\$ 808,219
Nutrition Services Incentive	10.570	USD-2003-011	<u>819,858</u>
Total this grantor			<u>\$ 1,628,078</u>
Department of Agriculture:			
Cooperative Forestry Assistance	10.664	01-07-03	\$ 10,000
Cooperative Forestry Assistance	10.664	02-07-07	<u>1,538</u>
Total this grantor			<u>\$ 11,538</u>
Department of Housing and Urban Development:			
Community Development Block Grant	14.218	B00MC480018	\$ 35,001
Community Development Block Grant	14.218	B00MC480018	261,468
Community Development Block Grant	14.218	B00MC480018	(48,084)
Community Development Block Grant	14.218	B00MC480018	100,000
Community Development Block Grant	14.218	B00MC480018	131,465
Community Development Block Grant	14.218	B00MC480018	612
Community Development Block Grant	14.218	B00MC480018	161,853
Community Development Block Grant	14.218	B00MC480018	83,135
Community Development Block Grant	14.218	B00MC480018	270,971
Community Development Block Grant	14.218	B00MC480018	47,786
Community Development Block Grant	14.218	B00MC480018	7,074
Community Development Block Grant	14.218	B00MC480018	7,000
Community Development Block Grant	14.218	B00MC480018	163,521
Community Development Block Grant	14.218	B00MC480018	60
Community Development Block Grant	14.218	B00MC480018	188,630
Community Development Block Grant	14.218	B00MC480018	148
Community Development Block Grant	14.218	B00MC480018	43,472
Community Development Block Grant	14.218	B00MC480018	2,566
Community Development Block Grant	14.218	B00MC480018	296,677
Community Development Block Grant	14.218	B01MC480018	325,939
Community Development Block Grant	14.218	B01MC480018	31,983
Community Development Block Grant	14.218	B01MC480018	26,615
Community Development Block Grant	14.218	B01MC480018	780
Community Development Block Grant	14.218	B01MC480018	121,176
Community Development Block Grant	14.218	B01MC480018	27,115

Note: See accompanying notes to the Schedule of Federal and State Awards.

*Designates an indirect award; all others are direct.

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2003

Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Community Development Block Grant	14.218	B01MC480018	\$ (123,629)
Community Development Block Grant	14.218	B01MC480018	752,620
Community Development Block Grant	14.218	B01MC480018	108,329
Community Development Block Grant	14.218	B01MC480018	45,890
Community Development Block Grant	14.218	B01MC480018	455,605
Community Development Block Grant	14.218	B01MC480018	89,620
Community Development Block Grant	14.218	B01MC480018	3,049
Community Development Block Grant	14.218	B01MC480018	317,618
Community Development Block Grant	14.218	B01MC480018	658,502
Community Development Block Grant	14.218	B01MC480018	5,483
Community Development Block Grant	14.218	B01MC480018	80,529
Community Development Block Grant	14.218	B01MC480018	215,902
Community Development Block Grant	14.218	B01MC480018	2,096,519
Community Development Block Grant	14.218	B01MC480018	109,926
Community Development Block Grant	14.218	B01MC480018	20,979
Community Development Block Grant	14.218	B01MC480018	305,498
Community Development Block Grant	14.218	B01MC480018	3,576
Community Development Block Grant	14.218	B01MC480018	21,767
Community Development Block Grant	14.218	B01MC480018	19,359
Community Development Block Grant	14.218	B01MC480018	171,495
Community Development Block Grant	14.218	B01MC480018	5,094
Community Development Block Grant	14.218	B01MC480018	28,922
Community Development Block Grant	14.218	B01MC480018	62,506
Community Development Block Grant	14.218	B01MC480018	79,709
Community Development Block Grant	14.218	B01MC480018	24,332
Community Development Block Grant	14.218	B01MC480018	411,304
Community Development Block Grant	14.218	B01MC480018	31,207
Community Development Block Grant	14.218	B01MC480018	61,253
Community Development Block Grant	14.218	B01MC480018	183,393
Community Development Block Grant	14.218	B02MC480018	222,431
Community Development Block Grant	14.218	B02MC480018	22,798
Community Development Block Grant	14.218	B02MC480018	4,226,725
Community Development Block Grant	14.218	B02MC480018	77,899
Community Development Block Grant	14.218	B02MC480018	7,356
Community Development Block Grant	14.218	B02MC480018	620,176
Community Development Block Grant	14.218	B02MC480018	489,033
Community Development Block Grant	14.218	B02MC480018	3,704,006
Community Development Block Grant	14.218	B02MC480018	98,099
Community Development Block Grant	14.218	B02MC480018	445,426
Community Development Block Grant	14.218	B02MC480018	56,288
Community Development Block Grant	14.218	B02MC480018	289,029
Community Development Block Grant	14.218	B02MC480018	497,472
Community Development Block Grant	14.218	B02MC480018	268,687

Note: See accompanying notes to the Schedule of Federal and State Awards.
*Designates an indirect award; all others are direct.

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2003

Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Community Development Block Grant	14.218	B02MC480018	\$ 99,066
Community Development Block Grant	14.218	B02MC480018	175,353
Community Development Block Grant	14.218	B02MC480018	154,216
Community Development Block Grant	14.218	B02MC480018	150,979
Community Development Block Grant	14.218	B02MC480018	594,768
Community Development Block Grant	14.218	B02MC480018	92,023
Community Development Block Grant	14.218	B02MC480018	59,447
Community Development Block Grant	14.218	B02MC480018	451,695
Community Development Block Grant	14.218	B02MC480018	239,540
Community Development Block Grant	14.218	B02MC480018	513,818
Community Development Block Grant	14.218	B02MC480018	3,929,611
Community Development Block Grant	14.218	B02MC480018	85,870
Community Development Block Grant	14.218	B02MC480018	13,393
Community Development Block Grant	14.218	B02MC480018	147,620
Community Development Block Grant	14.218	B02MC480018	3,723
Community Development Block Grant	14.218	B02MC480018	176,664
Community Development Block Grant	14.218	B02MC480018	604,886
Community Development Block Grant	14.218	B88MC480018	21,833
Community Development Block Grant	14.218	B93MC480018	58,106
Community Development Block Grant	14.218	B94MC480018	14,527
Community Development Block Grant	14.218	B95MC480018	4,905
Community Development Block Grant	14.218	B95MC480018	250,000
Community Development Block Grant	14.218	B96MC480018	13,080
Community Development Block Grant	14.218	B96MC480018	915
Community Development Block Grant	14.218	B96MC480018	4,550
Community Development Block Grant	14.218	B96MC480018	6,551
Community Development Block Grant	14.218	B96MC480018	40,600
Community Development Block Grant	14.218	B96MC480018	6,756
Community Development Block Grant	14.218	B97MC480018	136,013
Community Development Block Grant	14.218	B97MC480018	(32)
Community Development Block Grant	14.218	B97MC480018	10,503
Community Development Block Grant	14.218	B97MC480018	65,746
Community Development Block Grant	14.218	B97MC480018	1,000
Community Development Block Grant	14.218	B97MC480018	193,787
Community Development Block Grant	14.218	B98MC480018	8,649
Community Development Block Grant	14.218	B98MC480018	119,987

Note: See accompanying notes to the Schedule of Federal and State Awards.

*Designates an indirect award; all others are direct.

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2003

Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Community Development Block Grant	14.218	B98MC480018	\$ 13,310
Community Development Block Grant	14.218	B98MC480018	(52)
Community Development Block Grant	14.218	B98MC480018	2,287
Community Development Block Grant	14.218	B98MC480018	44,411
Community Development Block Grant	14.218	B98MC480018	887
Community Development Block Grant	14.218	B98MC480018	96,326
Community Development Block Grant	14.218	B98MC480018	134,847
Community Development Block Grant	14.218	B98MC480018	26,133
Community Development Block Grant	14.218	B98MC480018	187,041
Community Development Block Grant	14.218	B98MC480018	36,529
Community Development Block Grant	14.218	B99MC480018	22,057
Community Development Block Grant	14.218	B99MC480018	150
Community Development Block Grant	14.218	B99MC480018	(87,842)
Community Development Block Grant	14.218	B99MC480018	(94)
Community Development Block Grant	14.218	B99MC480018	(25,693)
Community Development Block Grant	14.218	B99MC480018	496
Community Development Block Grant	14.218	B99MC480018	(10,138)
Community Development Block Grant	14.218	B99MC480018	(8,000)
Community Development Block Grant	14.218	B99MC480018	(54,175)
Community Development Block Grant	14.218	B99MC480018	85,125
Community Development Block Grant	14.218	B99MC480018	14,179
Community Development Block Grant	14.218	B99MC480018	263,678
Community Development Block Grant	14.218	B99MC480018	15,279
Community Development Block Grant	14.218	B99MC480018	(256,000)
Community Development Block Grant	14.218	B99MC480018	157,953
Community Development Block Grant	14.218	B99MC480018	402,865
Community Development Block Grant	14.218	B99MC480018	1,030
Community Development Block Grant	14.218	B99MC480018	190,864
Community Development Block Grant	14.218	B99MC480018	3,177
Special Purpose Grant	14.227	TX24SPG501	261,546
Emergency Shelter Grants Program	14.231	S01MC480002	208,033
Emergency Shelter Grants Program	14.231	S01MC480002	201,125
Emergency Shelter Grants Program	14.231	S01MC480002	211,037
Emergency Shelter Grants Program	14.231	S01MC480002	22,797
Emergency Shelter Grants Program	14.231	S02MC480002	141,095
Emergency Shelter Grants Program	14.231	S02MC480002	234,843
Emergency Shelter Grants Program	14.231	S02MC480002	188,170
Emergency Shelter Grants Program	14.231	S02MC480002	41,312

Note: See accompanying notes to the Schedule of Federal and State Awards.
*Designates an indirect award; all others are direct.

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2003

Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Emergency Shelter Grants Program	14.231	S99MC480002	\$ 1,538
HOME Investment Partnerships Program	14.239	M00MC480206	74,146
HOME Investment Partnerships Program	14.239	M00MC480206	82,393
HOME Investment Partnerships Program	14.239	M00MC480206	622,900
HOME Investment Partnerships Program	14.239	M01MC480206	516,367
HOME Investment Partnerships Program	14.239	M01MC480206	3,347,500
HOME Investment Partnerships Program	14.239	M01MC480206	459,472
HOME Investment Partnerships Program	14.239	M02MC480206	679,153
HOME Investment Partnerships Program	14.239	M02MC480206	959,600
HOME Investment Partnerships Program	14.239	M94MC480206	66,728
HOME Investment Partnerships Program	14.239	M94MC480206	1,005
HOME Investment Partnerships Program	14.239	M99MC480206	1,791,184
HOME Investment Partnerships Program	14.239	M97MC480206	57,815
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	65,647
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	249
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	4,915
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	45,589
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	3,426
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	271,525
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	33,872
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	228,234
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	71,841
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	1,000
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	11,448
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	182,889
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	270,781
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	8,000
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	135,735
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	31,574
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	8,592
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	56,198
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	115,175
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	571,701
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	20,844
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	354,557

Note: See accompanying notes to the Schedule of Federal and State Awards.

*Designates an indirect award; all others are direct.

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2003

Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	\$ 244,043
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	135,972
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	5,400
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	2,644
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	4,861
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	139,590
Housing Opportunities for Persons with AIDS	14.241	TX21H97-F060	(334)
Housing Opportunities for Persons with AIDS	14.241	TX21H98-F003	(105)
Housing Opportunities for Persons with AIDS	14.241	TX21H98-F003	105
Housing Opportunities for Persons with AIDS	14.241	TX21H98-F003	1,216
Housing Opportunities for Persons with AIDS	14.241	TX21H98-F003	3,647
Housing Opportunities for Persons with AIDS	14.241	TX21H98-F003	4,387
Housing Opportunities for Persons with AIDS	14.241	TX21H99-F060	16,979
Housing Opportunities for Persons with AIDS	14.241	TX21H99-F060	2,247
Housing Opportunities for Persons with AIDS	14.241	TX21H99-F060	155,786
Housing Opportunities for Persons with AIDS	14.241	TX21H99-F060	595,487
Housing Opportunities for Persons with AIDS	14.241	TX21H99-F060	54,509
Housing Opportunities for Persons with AIDS	14.241	TX21H99-F060	84,240
Housing Opportunities for Persons with AIDS	14.241	TX21H99-F060	57,828
Housing Opportunities for Persons with AIDS	14.241	TX21H99-F060	594,973
Housing Opportunities for Persons with AIDS	14.241	TX21H99-F060	972,993
CDBG / Brownfields Economic Development Initiative	14.246	B01SPTX0607	115,221
CDBG / Brownfields Economic Development Initiative	14.246	E95EZ480006	32,067
CDBG / Brownfields Economic Development Initiative	14.246	E95EZ480006	400,000
CDBG / Brownfields Economic Development Initiative	14.246	E95EZ480006	459,870
CDBG / Brownfields Economic Development Initiative	14.246	B00SPTX0377	5,000
CDBG - Section 108 Loan Guarantees	14.248	SECT108	246
CDBG - Section 108 Loan Guarantees	14.248	SECT108	9,500,000
CDBG - Section 108 Loan Guarantees	14.248	SECT108	70,000
CDBG - Section 108 Loan Guarantees	14.248	SECT108	(11,154)
CDBG - Section 108 Loan Guarantees	14.248	SECT108	1,298,698
CDBG - Section 108 Loan Guarantees	14.248	SECT108	729,934
CDBG - Section 108 Loan Guarantees	14.248	SECT108	1,881,355
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	TXLHB0229-02	4,116
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	TXLHB0229-02	65,226
Total this grantor			\$ 59,556,122

Note: See accompanying notes to the Schedule of Federal and State Awards.

*Designates an indirect award; all others are direct.

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2003

Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Department of Interior:			
Fish and Wildlife Management Assistance	15.608	982102G457	\$ 20,787
Total this grantor			\$ 20,787
Department of Justice:			
Cultural Awareness and Diversity Training	16	2001DDVXK002	\$ 39,818
Creating a Culture Integrity	16	2002HSWX0031	1,250
Shared Forfeited Property	16		1,418,415
Juvenile Justice and Delinquency Prevention - Special Emph.	16.541	1999MUMU0012	155,253
Gang-Free Schools and Communities - Community Based	16.544	2001JDFX0001	86,084
Gang-Free Schools and Communities - Community Based	16.544	2001JDFX0001	207
Title V Delinquency Prevention Program	16.548	JT00J2015704	99,520
Title V Delinquency Prevention Program	16.548	JT01J2115704	43,805
Title V Delinquency Prevention Program	16.548	JT00J2015703	21,474
Title V Delinquency Prevention Program	16.548	JT01J2115703	149,258
Crime Laboratory Improvement Combined Offender	16.564	2002DNBXX012	40,373
Crime Victim Assistance	16.575	VA0310100418	23,571
Local Law Enforcement Block Grants Program	16.592	2001LBBX2763	1,380,091
Local Law Enforcement Block Grants Program	16.592	00LBBX2102	298,838
Local Law Enforcement Block Grants Program	16.592	00LBBX2102	1,629,151
Local Law Enforcement Block Grants Program	16.592	99LBVX7374	11,661
Executive Office for Weed and Seed	16.595	2001WSQX0063	30,620
Executive Office for Weed and Seed	16.595	2001WSQX0152	149,699
Executive Office for Weed and Seed	16.595	2001WSQX0152	1,508
Executive Office for Weed and Seed	16.595	2001WSQX0152	17,189

Note: See accompanying notes to the Schedule of Federal and State Awards.

*Designates an indirect award; all others are direct.

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2003

Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Executive Office for Weed and Seed	16.595	2001WSQX0153	\$ 134,103
Executive Office for Weed and Seed	16.595	2001WSQX0153	21,820
Executive Office for Weed and Seed	16.595	2002WSQX0044	155,600
National Institute for Juvenile Justice and Delinquency	16.542	98-JN-FX0010	<u>50,958</u>
Total this grantor			<u>\$ 5,960,264</u>
Department of Justice			
Office of the Governor, Criminal Justice Division*:			
Juvenile Accountability Incentive Block Grants	16.523	JB01J2013322	\$ 512,260
Juvenile Accountability Incentive Block Grants	16.523	JB99J2013322	(483)
Juvenile Accountability Incentive Block Grants	16.523	JB00J2013322	899,736
Juvenile Accountability Incentive Block Grants	16.523	JA00220103	35,317
Juvenile Accountability Incentive Block Grants	16.523	JA01J2014777	<u>47,771</u>
Total this grantor			<u>\$ 1,494,602</u>
Department of Transportation			
Federal Aviation Administration:			
Hobby Airport:			
Airport Improvement Program	20.106	3-48-0110-19	\$ 26,937
Airport Improvement Program	20.106	3-48-0110-19	63,838
Airport Improvement Program	20.106	3-48-0110-20	10,251
Airport Improvement Program	20.106	3-48-0110-21	3,149,954
Airport Improvement Program	20.106	3-48-0110-22	1,180,429
Bush Intercontinental Airport:			
Airport Improvement Program	20.106	3-48-0111-30	105,693
Airport Improvement Program	20.106	3-48-0111-32	41,820
Airport Improvement Program	20.106	3-48-0111-33	180,625
Airport Improvement Program	20.106	3-48-0111-35	2,923,861
Airport Improvement Program	20.106	3-48-0111-40	3,524,677
Airport Improvement Program	20.106	3-48-0111-43	18,400,000

Note: See accompanying notes to the Schedule of Federal and State Awards.

*Designates an indirect award; all others are direct.

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2003

Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Airport Improvement Program	20.106	3-48-0111-44	\$ 2,283,772
Ellington Field:			
Airport Improvement Program	20.106	3-48-0290-13	\$ 942,465
Airport Improvement Program	20.106	3-48-0290-14	<u>9,529,474</u>
Total this grantor			<u>\$ 42,363,796</u>
Department of Transportation Federal Highway Administration:			
Highway Planning and Construction	20.205		\$ 6,355
Highway Planning and Construction	20.205	CMAQ96(728)	28,512
Highway Planning and Construction	20.205	STP94(215TE)	<u>135,915</u>
Total this grantor			<u>\$ 170,782</u>
Department of Transportation Texas Department of Highway and Public Transportation*:			
Highway Planning and Construction	20.205	TCSE004-Q69	\$ 141,786
Highway Planning and Construction	20.205	TCSP014-668	9,821
Highway Planning and Construction	20.205	TCSP2001-001	272,518
State and Community Highway Safety	20.600	010102A1BH	201,008
State and Community Highway Safety	20.600	010102A1DF	148,622
State and Community Highway Safety	20.600	010202B1AC	77,373
State and Community Highway Safety	20.600	0102A1JE	98,045
State and Community Highway Safety	20.600	020402A1AC	128,707
State and Community Highway Safety	20.600	021301A1AB	99,619
State and Community Highway Safety	20.600	030402B1AB	192,467
State and Community Highway Safety	20.600	031301A1AC	<u>177,340</u>
Total this grantor			<u>\$ 1,547,306</u>

Note: See accompanying notes to the Schedule of Federal and State Awards.

*Designates an indirect award; all others are direct.

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2003

Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Department of Transportation Transportation Security Administration: Transportation Safety/Homeland Security	20		\$ 3,087,408
Total this grantor			<u>\$ 3,087,408</u>
Department of Treasury: Shared Forfeited Property	21		\$ 1,503,925
Total this grantor			<u>\$ 1,503,925</u>
U.S. General Services Commission Texas General Services Commission*: Donation of Federal Surplus Personal Property	39.003		\$ 8,840
Total this grantor			<u>\$ 8,840</u>
Institute of Museum and Library Services: Institute of Museum and Library Services National Leadership.	45.312	CL-10023-01	\$ 309,314
Total this grantor			<u>\$ 309,314</u>
Institute of Museum and Library Services Texas State Library Commission*:			
State Library Program	45.310	771-03043	\$ 238,900
State Library Program	45.310	470-03008	1,333,833
State Library Program	45.310	476-03018	53,424
State Library Program	45.310	470-02008	658,931
State Library Program	45.310	476-02018	45,162
State Library Program	45.310	771-02043	55,506
Total this grantor			<u>\$ 2,385,756</u>

Note: See accompanying notes to the Schedule of Federal and State Awards.
*Designates an indirect award; all others are direct.

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2003

Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Environmental Protection Agency:			
Air Pollution Control Program Support	66.001	X827372-01-0	\$ 539
Surveys, Studies, Investigations and Special Purpose Grants	66.606	X986654010	4,960
Protection of Children and the Aging as a Fundamental Goal	66.609	X-98668901-0	<u>12,815</u>
Total this grantor			<u>\$ 18,314</u>
Environmental Protection Agency Texas Commission on Environmental Quality*:			
Air Pollution Control Program Support	66.001	582-1-87084	\$ 8,550
Air Pollution Control Program Support	66.001	582-2-89441	140,480
Air Pollution Control Program Support	66.001	582-2-89441	144,680
Air Pollution Control Program Support	66.001	582-3-5581	20,807
Superfund State, Political Subdivision, and Indian Tribe Site	66.802	SR-976071010	18,000
Superfund State, Political Subdivision, and Indian Tribe Site	66.802	SR9864330101	<u>2,873</u>
Total this grantor			<u>\$ 335,389</u>
Department of Energy:			
Conservation Research and Development	81.086	DEFG4897R810	<u>\$ 6,000</u>
Total this grantor			<u>\$ 6,000</u>

Note: See accompanying notes to the Schedule of Federal and State Awards.

*Designates an indirect award; all others are direct.

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2003

Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Federal Emergency Management Agency Texas Department of Public Safety*: Houston Emergency Management Assistance to Firefighters Grant	83.534 83.554	EMT9-97-PA-005 EMW01FG06772	\$ 140,000 492,695
Total this grantor			<u>\$ 632,695</u>
Department of Education: Fund for the Improvement of Education Fund for the Improvement of Education	84.215 84.215	R215K000059 R215K010210	\$ 97,775 126,654
Total this grantor			<u>\$ 224,429</u>
Department of Health and Human Services: Project Grants and Cooperative Agreements for TB Control Project Grants and Cooperative Agreements for TB Control	93.116 93.116	CCU600445-21 CCU600445-22	\$ 2,754,298 1,296,257
Childhood Lead Poisoning Preventions Projects Childhood Lead Poisoning Preventions Projects	93.197 93.197	CCU618506-02 CCU618506-03	29,670 356,433
Immunization Grants Immunization Grants Immunization Grants	93.268 93.268 93.268	CCH604490-12 CCH622532-01 CCH622532-01A	1,667,843 764,443 7,217,642
Centers for Disease Control and Prevention Centers for Disease Control and Prevention	93.283 93.283 93.283 93.283 93.283	CCU616804-03 CCU616804-03 CCU616804-04 CCU616804-04 CCU616804-04	372,064 150,262 21,508 1,817 81,470
Centers for Disease Control and Prevention Centers for Disease Control and Prevention	93.283 93.283	CCU619044-02 CCU619044-03	21,314 27,556
HIV Prevention Activities HIV Prevention Activities HIV Prevention Activities	93.940 93.940 93.940	CCU601171-13 CCU601171-14 CCU601171-15	(5,532) 4,035,886 2,318,989

Note: See accompanying notes to the Schedule of Federal and State Awards.

*Designates an indirect award; all others are direct.

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2003

Program Title	Federal CFDA Number	Grant Award Number	Expenditures
HIV / AIDS Surveillance	93.944	CCU606238-09	\$ 2
HIV / AIDS Surveillance	93.944	CCU606238-11	638,800
HIV / AIDS Surveillance	93.944	CCU606238-12	489,262
Total this Grantor			\$ 22,239,983
Department of Health and Human Services Harris County, Texas*:			
HIV Emergency Relief Project Grants	93.914	02GEN0123	\$ 149,968
HIV Emergency Relief Project Grants	93.914	01GEN0373	17,447
HIV Emergency Relief Project Grants	93.914	03GEN0104	46,771
Total this grantor			\$ 214,186
Department of Health and Human Services Texas Department on Aging*:			
Special Programs for the Aging Title VII, Chapter 3	93.041	EAP200216B	\$ 6,799
Special Programs for the Aging Title VII, Chapter 3	93.041	EAP2003-011	14,156
Special Programs for the Aging Title VII, Chapter 3	93.041	SUPP200216B3	23,667
Special Programs for the Aging Title VII, Chapter 3	93.041	SUPP200216B3	545,094
Special Programs for the Aging Title VII, Chapter 2	93.042	OAG-2003-011	48,066
Special Programs for the Aging Title VII, Chapter 2	93.042	OAG200216B	48,055
Special Programs for the Aging Title III, Part B	93.044	3B-2003-011	100,014
Special Programs for the Aging Title III, Part B	93.044	3B-2003-011	10,181
Special Programs for the Aging Title III, Part B	93.044	3B-2003-011	40,008
Special Programs for the Aging Title III, Part B	93.044	3B-2003-011	54,005
Special Programs for the Aging Title III, Part B	93.044	3B-2003-011	814,164
Special Programs for the Aging Title III, Part B	93.044	3B-2003-011	97,246
Special Programs for the Aging Title III, Part B	93.044	3D-2003-011	103,066
Special Programs for the Aging Title III, Part B	93.044	ADM2003-011	425,573
Special Programs for the Aging Title III, Part B	93.044	SUPP200116B1	(1,760)
Special Programs for the Aging Title III, Part B	93.044	SUPP200216B1	187,843
Special Programs for the Aging Title III, Part B	93.044	SUPP200216B2	26,811
Special Programs for the Aging Title III, Part B	93.044	SUPP200216B2	4,218
Special Programs for the Aging Title III, Part B	93.044	SUPP200216B2	55,767
Special Programs for the Aging Title III, Part B	93.044	SUPP200216B2	34,326
Special Programs for the Aging Title III, Part B	93.044	SUPP200216B2	32,190

Note: See accompanying notes to the Schedule of Federal and State Awards.

*Designates an indirect award; all others are direct.

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2003

Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Special Programs for the Aging Title III, Part B	93.044	SUPP200216B4	\$ 4,887
Special Programs for the Aging Title III, Part C	93.045	3C1-2003-011	822,694
Special Programs for the Aging Title III, Part C	93.045	3C2-2003-011	675,582
Special Programs for the Aging Title III, Part C	93.045	CGM200216B	436,330
Special Programs for the Aging Title III, Part C	93.045	HDM200216B	273,695
Special Programs for the Aging Title III, Part D	93.043	SUPP200216D	13,865
National Family Caregiver Support	93.052	3E-2003-011	319,873
National Family Caregiver Support	93.052	3E-2003-011	14,744
National Family Caregiver Support	93.052	SUPP200216E	270,389
National Family Caregiver Support	93.052	SUPP200216E1	16,121
Centers for Medicare/Medicaid Services Research	93.779	HCF2002-011	927
Total this grantor			<u>\$ 5,518,596</u>
Department of Health and Human Services Texas Department of Economic Development*: Social Service Block Grants	93.667	G9503TXECUR	\$ 47,378
Total this grantor			<u>\$ 47,378</u>
Department of Health and Human Services Texas Department of Health*: Hansen's Disease National Ambulatory Care Program	93.215	001164003-04	\$ 36,379
Hansen's Disease National Ambulatory Care Program	93.215	001164004-04	29,179
CDC and Prevention Investigations and Technical Assis.	93.283	001164002-09	28,516
CDC and Prevention Investigations and Technical Assis.	93.283	001164003-05	661,661
CDC and Prevention Investigations and Technical Assis.	93.283	001164003-13	128,914
CDC and Prevention Investigations and Technical Assis.	93.283	CCU622445-01	34,418
HIV Prevention Activities Health Department Based	93.940	001164004-01	\$ 26,049
HIV Prevention Activities Health Department Based	93.940	001164002-14	2,969
HIV Prevention Activities Health Department Based	93.940	001164003-01	11,067
HIV Prevention Activities Health Department Based	93.940	001164003-03	91,462
HIV Prevention Activities Health Department Based	93.940	001164004-03	27,805
HIV / AIDS Surveillance	93.944	001164003-11	13,156

Note: See accompanying notes to the Schedule of Federal and State Awards.

*Designates an indirect award; all others are direct.

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2003

Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Preventive Health Services - Sexually Transmitted Diseases	93.977	001164003-02	\$ 886,405
Preventive Health Services - Sexually Transmitted Diseases	93.977	00116400203	(37,955)
Preventive Health Services - Sexually Transmitted Diseases	93.977	001164004-02	578,427
Preventative Health and Health Services Block Grant	93.991	001164002-08	49,102
Preventative Health and Health Services Block Grant	93.991	001164003-08	329,498
Total this grantor			<u>\$ 2,897,053</u>
Total Expenditures of Federal Awards			<u>\$ 164,907,780</u>

Note: See accompanying notes to the Schedule of Federal and State Awards.

*Designates an indirect award; all others are direct.

CITY OF HOUSTON, TEXAS

SCHEDULE OF STATE AWARDS YEAR ENDED JUNE 30, 2003

Program Title	Grant Award Number	Expenditures
Harris County:		
Campo Del Sol	FC53512	\$ 32,497
Campo Del Sol	FC54636	16,049
Gulfton Youth	FC53511	3,981
Gulfton Youth	FC54635	6,809
HCFM Fire Setters		<u>11,684</u>
Total this grantor		<u>\$ 71,020</u>
Office of the Attorney General:		
VADG/Hispanic Victims Outreach Project	02G02906	\$ 33,321
VADG/Hispanic Victims Outreach Project	02G02906	<u>1,033</u>
Total this grantor		<u>\$ 34,354</u>
Office of the Governor, Criminal Justice Division—		
Shared Forfeited Property	N/A	<u>\$ 4,046,049</u>
		<u>\$ 4,046,049</u>
Texas Commission on Environmental Quality, Houston-Galveston Area Council*:		
HGAC Source Reduction & Training	03-16-G06	\$ 73,958
Solid Waste Local Enforcement	03-16-G16	5,995
2003 HGAC Clean Rivers - Water/Lab	CR03-54709	27,957
2003 HGAC Clean Rivers - Water/Lab	CR03-54709	4,614
2001 Clean Rivers Air and Lab	CR-0601-06	9,330
2001 Clean Rivers Air and Lab	CR-0601-06	356
Clean Burning Diesel Fuels #1	HGACCMAQ00T1	30,314
Clean Burning Diesel Fuels #2	HGACCMAQ00T2	<u>96,827</u>
Total this grantor		<u>\$ 249,351</u>
Texas Library & Archives Commission:		
2002 Lone Star Libraries Grant	442-02229	\$ 320,570
2003 Lone Star Libraries Grant	442-03229	123,669
2001 Telecommunications Infrastructure	QE2000LTA4C	41,560
2003 Telecommunications Infrastructure	QE2002LB10C	<u>56,300</u>
Total this grantor		<u>\$ 542,098</u>

CITY OF HOUSTON, TEXAS

SCHEDULE OF STATE AWARDS YEAR ENDED JUNE 30, 2003

Program Title	Grant Award Number	Expenditures
Texas Auto Theft Prevention Authority:		
Major Accessory Shop/10	SAT041005402	\$ 1,929
Major Accessory Shop/10	SAT041005402	240,262
Major Accessory Shop/11	SAT041005403	757,098
Major Accessory Shop/11	SAT041005403	<u>7,914</u>
Total this grantor		<u>\$ 1,007,203</u>
Texas Department of Health:		
2001 HIV/STD Prev(s)	00116400105	\$ (178)
2001 BRLHO Asthma Surveillance	001164001-11	3,979
2002 Tuberculosis State	001164002-05	360,418
2002 HIV/STD(s)	001164002-07	124,377
2002 HIV/STD(s)	001164002-07	7,247
2002 Immunization State	001164002-10	311,696
2002 Bioterrorism Preparedness Lab	001164002-13	3,318
2003 HIV/STD Prev(s)	001164003-06	240,182
2003 HIV/STD Prev(s)	001164003-06	2,486
2003 HIV/STD Prev(s)	001164003-06	9,416
2003 Tuberculosis State	001164003-07	1,298,490
2003 Assoc Commissioner Family, Part B	001164003-09	40,000
2003 Immunization State	001164003-10	333,177
2003 Immunization State	001164003-10	2,368
2003 Immunization State	001164003-10	28,042
2002 Assoc Commissioner Family, Part A	0011640A0203	545,178
2002 Assoc Commissioner Family Plan	0011640A0204	(248,177)
2002 Assoc Commissioner Family Health Plan	0011640A0204	520
2003 Assoc Commissioner Family, Part A	0011640A0301	733,885
2003 Assoc Commissioner Family, Part A	0011640A0301	463
2003 Assoc Commissioner Family, Part A	0011640A0301	88,357
2003 Assoc Commissioner Health Family Plan	0011640A0302	311,305
2003 Milk & Dairy	0011640A3-04	<u>19,024</u>
Total this grantor		<u>\$ 4,215,572</u>

CITY OF HOUSTON, TEXAS

SCHEDULE OF STATE AWARDS YEAR ENDED JUNE 30, 2003

Program Title	Grant Award Number	Expenditures
Texas Department on Aging:		
2002 Assisted Living Advocacy	ALP200216B	\$ 12,436
2003 Assisted Living Advocacy	ALP2003-011	36,455
2002 State Nutrition Aging	SGR200216B	110,937
2003 State Nutrition Aging	SGR-2003-011	<u>424,932</u>
Total this grantor		<u>\$ 584,760</u>
Texas Commission on Environmental Quality:		
Two Bayou to the Bay Education Project	582-1-32236	\$ 2,205
2002 Interlocal Contract	582-2-47341	138,816
2003 Emission Reduction Incentive	582-2-48670	70,092
2003 TCEQ Interlocal Contract	582-3-51316	<u>1,096,194</u>
Total this grantor		<u>\$ 1,307,307</u>
TOTAL EXPENDITURES OF STATE AWARDS		<u>\$ 12,057,714</u>

CITY OF HOUSTON, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2003

- The accompanying schedule of expenditures of federal and state awards includes the federal grant activity and state grant activity of the City of Houston, Texas (the "City") and is presented on the modified accrued basis of accounting for the governmental funds and the accrual basis of accounting for the enterprise funds, which is described in Note 1 to the City's financial statement. 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* and the State of Texas *Uniform Grant and Contracts Management Standards ("UGCMS")*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Federal and state awards provided to subrecipients are treated as an expenditure when paid to the subrecipient.

- Federal and State Awards are reported in the City's Comprehensive Annual Financial Report ("CAFR") as follows (in thousands):

	Federal	State
General Fund	\$ 3,096	\$ -
Federal Grant Funds	116,640	8,012
Nonmajor Governmental Fund	2,922	4,046
Enterprise Fund—Airport System Fund	42,364	
Other	(114)	
	<u>\$ 164,908</u>	<u>\$ 12,058</u>
Total		

- Amounts reported in the Schedule of Federal and State Awards may not agree with the amounts reported in the related financial reports filed with grantor agencies because of accruals which would be included in the next report filed with the agencies.
- Reporting Entity—The City, for purposes of the supplementary schedule of expenditures of federal and state awards includes all the funds of the primary government as defined by the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." It does not include the following component unit of the City as follows:

	Federal Awards Received
Cultural Arts Council	\$ 429,658

This component unit also receives federal financial assistance but separately satisfies the audit requirements of OMB Circular A-133 by engaging other auditors to perform an audit in accordance with OMB Circular A-133.

5. Noncash Awards—Certain federal financial award programs do not involve cash awards to the City. These programs include donated vaccines as follows:

U.S. Department of Health and Human Services

Donated Vaccine (CFDA #93.268)

Value of vaccines issued	\$7,217,642
Value of vaccines on hand	1,381,674

6. Intergovernmental revenues from reimbursable grants and capital projects is recognized when the related expenditures is incurred. However; in the case of Tropical Storm Allison and Tropical Storm Frances, related reimbursements were received in fiscal year 2003 although the related storm damage recovery expenditures occurred in prior years. The amount received for these programs in fiscal year 2003 were as follows:

CFDA Number	Description	Grant Number	Amount
83.544	Tropical Storm Allison	FEMA-1379DR	\$6,722,323
83.544	Tropical Storm Allison	FEMA-1245DR	51,169

7. The following is the Federal Subrecipient Awards:

Federal Subrecipients

*Of the federal awards presented in the schedule,
the City of Houston provided federal awards to subrecipients as follows:*

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Nutrition Services Incentive	10.570	\$ 2,348,078
Community Development Block Grant	14.218	9,315,034
Special Purpose Grant	14.227	261,546
Emergency Shelter Grants Program	14.231	1,249,952
HOME Investments Partnerships Program	14.239	5,739,214
Housing Opportunities for Persons w/AIDS	14.241	4,628,311
CDBG / Brownfields Economic Development	14.246	400,000
CDBG Section 108 Loan Guarantees	14.248	3,452,132
Title V Delinquency Prevention Program	16.548	170,732
Title V Delinquency Prevention Program	16.548	143,324
Highway Planning and Construction	20.205	535,000
Special Programs for the Aging Title VII	93.041	6,799
Special Programs for the Aging Title VIICp.3	93.041	515,092
Special Programs for the Aging Title VIICp.3	93.041	14,156
Special Programs for the Aging Title VIICp.2	93.042	48,055
Special Programs for the Aging Title VIICp.2	93.042	48,066
Special Programs for the Aging Title III, Part B	93.044	810,389
Special Programs for the Aging Title III, Part B	93.044	103,066
Special Programs for the Aging Title III, Part C	93.045	436,330
Special Programs for the Aging Title III, Part C	93.045	201,341
Special Programs for the Aging Title III, Part C	93.045	822,694
Special Programs for the Aging Title III, Part C	93.045	675,582
Special Programs for the Aging Title III, Part D	93.043	13,865
National Family Caregiver Support	93.052	254,502
National Family Caregiver Support	93.052	319,873
Immunization Grants	93.268	114,734
HIV Prevention Activities Health Dept. Based	93.940	31,240
HIV Prevention Activities Health Dept. Based	93.940	2,332,793
HIV Prevention Activities Health Dept. Based	93.940	16,055
HIV Prevention Activities Health Dept. Based	93.940	1,133,278
Preventive Health Services STD Grants	93.977	39,260
Preventive Health and Health Services Block	93.991	58,235
Total		<u>\$36,238,728</u>

8. The following is the State Subrecipient awards:

*Of the state expenditures presented in the schedule,
the City of Houston provided state awards to subrecipients as follows:*

Program Title	Grant Award Number	Amount Provided to Subrecipients
2003 Assoc Community Health PT B	001164003-09	\$ 40,000
2002 Assoc Community Health PT A	0011640A0203	654
2002 Assisted Living Advocacy	ALP200216B	12,436
2003 Assisted Living Advocacy	ALP2003-011	36,455
Major Accessory Shop/10	SAT041005402	41,899
2002 State Nutrition Aging	SGR200216B	110,937
2003 State General Revenue	SGR-2003-011	<u>424,932</u>
		<u>\$ 667,313</u>

CITY OF HOUSTON, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2003

I. SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the basic financial statements expressed an unqualified opinion.
2. A reportable condition in internal control over financial reporting was identified and is considered to be a material weakness.
3. No instances of noncompliance considered material to the basic financial statements were disclosed in the audit.
4. No material weakness in internal control over compliance with requirements applicable to major federal and state awards programs were identified.
5. The independent auditors' report on compliance with requirements applicable to major federal and state awards programs expressed an unqualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The City's major programs were:

Name of Major Federal/State Program	CFDA Number
HOME Investment Partnerships Program	14.239
Housing Opportunities for Persons with AIDS	14.241
CDBG-Section 108 Loan Guarantees	14.248
Local Law Enforcement Block Grants Program	16.592
Transportation Safety/Homeland Security	20
Airport Improvement Program	20.106
Project Grants and Cooperative Agreements for TB Control	93.116
Immunization Grants	93.268
TCEQ Interlocal Contract	State
Lone Star Libraries Grant	State
Immunization—State	State
Tuberculosis—State	State

8. For federal awards and state awards, a dollar threshold of \$3,000,000 and \$300,000, respectively, was used to distinguish between Type A and Type B programs, as defined in OMB Circular A-133.
9. The City qualified as a low-risk auditee, as defined in OMB Circular A-133.

II. FINANCIAL STATEMENT FINDINGS SECTION

Program

Finding/Noncompliance
Finding 03-01

Questioned
Cost

Finding: The City's financial reporting process does not appear to be adequate in order to ensure that nonroutine accounting transactions are being properly captured and recorded by the City.

Background: Due to the City's diverse operations, there are a number of complex accounting and financial reporting transactions that are entered into each year. The City was required to record a number of auditor proposed adjustments including restatements of the June 30, 2002 basic financial statements for a number of unrelated accounting and financial reporting items. Included within these audit adjustments and restatements were items related to capital assets, pensions, accrued liabilities, deferred revenues and inventory. These adjustments relate to business-type activities in the City's enterprise funds as well as activities reported in the governmental funds.

Recommendation for Corrective Action: The City should evaluate its current financial accounting and reporting process. Within the evaluation there should be a critical review of the way in which financial information flows to and from departments and the City Controller's Office. The City should also evaluate the current financial accounting and reporting structure to assure that before the end of the fiscal year 2004 there are adequate resources in place to limit the likelihood of future accounting errors.

Corrective Action Plan of Management: A separate group, Financial reporting, has been reestablished within the Controller's Office and a Deputy City Controller has been hired to manage this group in an effort to ensure that all resources are maximized. The Financial Reporting staff will meet regularly with departmental personnel. This will give the Financial Reporting staff the opportunity to learn of any current or pending non-routine accounting transactions and to work with the departmental personnel on various accounting issues. Also, the Financial Reporting staff will review all City Council actions to ensure that financial information is known and, therefore can be accounted for properly.

Estimated Completion Date: May 31, 2004

City Contact Persons: Susan Bandy

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance Finding 03-02	Questioned Cost
Aviation Improvement Program, CFDA No. 20.106	<p>Finding: Direct costs are billed by the City's Police and Fire Departments to the Aviation System for those portions of the police and fire functions that directly serve the airports. These direct costs are billed monthly to Aviation and are based on the budgeted amounts provided as of the beginning of the year. Aviation procedures anticipate that an adjustment should be made to record the difference between actual costs and budgeted costs once actual direct costs of the Police and Fire Departments are computed. However, no such settle up on direct costs was made during fiscal year 2003.</p>	Unknown

Background: OMB cost circulars require that costs charged to federal programs represent actual costs incurred; such costs should not be based on budgeted or estimated amounts.

Recommendation: Implement procedures to ensure the budgeted direct costs of the Police and Fire Departments charged to the Aviation System are adjusted to reflect actual costs once those costs are calculated. Individual responsibility for ensuring this this adjustment is properly recorded should be assigned in all three departments.

Corrective Action Plan of Management: Procedures are in place to monitor and ensure that the Houston Airport System ("HAS") pays for only services for which benefit is received by HAS. The Houston Police Department and the Houston Fire Department are currently preparing reconciliation adjustments for FY 2003. This reconciliation should be completed no later than April 30, 2004. For future years, the target date for prior year settlement each year is September 30. All three departments will identify individuals who will be responsible for this reconciliation.

Estimated Completion Date: December 31, 2004

City Contact Persons: Richard Berrones

Program	Finding/Noncompliance Finding 03-03	Questioned Cost
CFDA No. 93.268 Immunization Grants	<u>Finding:</u> We noted that 16 of the 27 City locations that are tracked for vaccine usage had differences if the inventory records ranging from \$1,115 to \$28,054 resulting in a net overstatement of vaccines expenditures of \$4,023.	\$ 4,023

Background: The City arrives at vaccine inventory usage during the year by calculating the difference between beginning inventory balances, plus receipts, less ending inventory balances. This method of tracking inventory should be enhanced by requiring clinic sites, as well as pass through entities, to provide support for actual usage of vaccines. The actual usage of vaccines should include the number of vaccines administered plus documentation of destroyed vaccines due to expiration dates or improper temperature storage.

Recommendation: The City should enhance its inventory tracking and monitoring procedures.

Corrective Action Plan of Management: The City determined the variances were due to recording errors between the central vaccine depot and 16 of its 27 vaccine distribution sites. Previously, Texas Department of Health ("TDH") shipped all vaccines directly to the the City's central vaccine depot, which in turn, re-distributed the vaccines to the 27 locations. This system enabled the City to maintain proper documentation and recording of vaccines received and distributed. During the audited period, TDH began direct deliveries to the City's 27 vaccine distribution sites. The City has begun the process of reviewing and modifying inventory control policies and procedures to avoid similar errors in the future.

Additionally, the City is in the process of studying the inventory systems applied by other medical entities, i.e., Texas Children's Hospital, and will select the most suitable system to enhance the inventory tracking and monitoring procedures. Further, the City is assessing funds to purchase the proper system and assigned a full time employee to assume responsibility.

Estimated Completion Date: December 31, 2004

City Contact Persons: Earl Travis

IV. STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No findings on questioned costs were reported for the year ended June 30, 2002.