



City of Houston, Texas

*Single Audit Report for the Year Ended
June 30, 2004*

CITY OF HOUSTON, TEXAS

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 (the "City"), as of and for the year ended June 30, 2004, and have issued our report thereon dated December 23, 2004, which included a reference to other auditors for certain blended and discretely presented component units. We conducted our audit in accordance with 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, and the State of Texas *Uniform Grant and Contract Management Standards* ("UGCMS").

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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. Reportable conditions are described in the accompanying Schedule of Findings and Responses as items 2004-1 and 2004-2.

A material weakness is a reportable 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 caused by error or fraud 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 none of the reportable conditions described above is a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items 2004-3 through 2004-15. In addition, we noted certain immaterial instances of noncompliance that we have reported to management of the City, in a separate letter dated December 23, 2004.

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, 2004



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL 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 for the year ended June 30, 2004. 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 grant agreements 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 and 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 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 and state programs for the year ended June 30, 2004. 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 2004-3 through 2004-15.

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 grant agreements applicable to federal and state programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program and major state programs 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 City's internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 grant agreements caused by error or fraud 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. We noted no matters involving the City's 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, 2004, and have issued our report thereon dated December 23, 2004. 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

April 29, 2005

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Executive Office of the President			
Office of National Drug Policy:			
Cpot-Tnet Operation Bluemarin	07.XXX	I3PHNP999	\$ 2,856
Houston Intell Support Center	07.XXX	I4PHNP501	55,789
Major Drug Squad/4	07.XXX	I1PHNP500	1,995
Major Drug Squad/5	07.XXX	I2PHNP500	474
Major Drug Squad/6	07.XXX	I3PHNP500A	203,843
Major Drug Squad/7	07.XXX	I4PHNP500A	24,077
Joint Drug Intelligence Groups	07.XXX	I0PHNP501	4,802
Joint Drug Intelligence/8	07.XXX	I3PHNP501	178,626
Narcotics Operations Control Center/6	07.XXX	I2PHNP503	128,805
Narcotics Operations Control Center/7	07.XXX	I3PHNP503	154,707
Target Offenders Group/5	07.XXX	I0PHNP504	287
Drug Gang Intelligence Network	07.XXX	I0PHNP505	8,272
Drug Gang Network/8	07.XXX	I1PHNP505	16,072
Joint Drug Intelligence/7	07.XXX	I2PHNP501	826
Currency Narcotics Tranship/4	07.XXX	I0PHNP502	3,547
Currency Narcotics Tranship/6	07.XXX	I2PHNP502	25,415
Houston Money Laundering/4	07.XXX	I0PHNP520	5
Houston Money Laundering/5	07.XXX	I2PHNP520	34,146
Houston Money Laundering/7	07.XXX	I3PHNP520	403,151
Houston Money Laundering/8	07.XXX	I4PHNP520	49,070
Violent Crime Initiative/3	07.XXX	I3PHNP523	41,121
Violent Crime Initiative/3	07.XXX	I4PHNP523	8,015
Gang & Non-Traditional Gang Squad	07.XXX	I2PHNP525	130,195
Gang & Non-Traditional Gang Squad/2	07.XXX	I3PHNP525	356,984
Gang & Non-Traditional Gang Squad/3	07.XXX	I4PHNP525	55,557
Methamphetamine Initiative Group/2	07.XXX	I3PHNP529	16,300
Methamphetamine Initiative Group/3	07.XXX	I4PHNP529	1,892
Truck Air Rail and Port	07.XXX	I3PHNP502	563,880
Truck Air Rail and Port/2	07.XXX	I4PHNP502	70,034
Targeted Narcotics Enforcement	07.XXX	I2PHNP533	18,540
Targeted Narcotics Enforcement/2	07.XXX	I3PHNP533	533,883
Targeted Narcotics Enforcement/3	07.XXX	I4PHNP533	88,847
			\$ 3,182,013
Total Office of National Drug Policy			
Department of Agriculture Passed Through—			
Texas Department of Agriculture*:			
Plant and Animal Disease, Pest Control, and			
Animal Care	10.025	0284120611CA	\$ 2,329

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Special Supplemental Nutrition Program—WIC	10.557	001164003-12	\$ 2,921,023
Special Supplemental Nutrition Program—WIC	10.557	001164004-09	<u>5,919,663</u>
Total Special Supplemental Nutrition Program			<u>\$ 8,840,686</u>
Total Texas Department of Agriculture			<u>\$ 8,843,015</u>
Department of Agriculture Passed Through— Texas Department of Human Services*:			
Summer Food Program for Children	10.559	03TX101-1007	\$ 1,269,082
Summer Food Program for Children	10.559	04TX101-1007	<u>791,840</u>
Total Texas Department of Human Services			<u>\$ 2,060,922</u>
Department of Agriculture Passed Through— Texas Department of Aging*—			
Nutrition Services Incentive	10.570	USD-2003-011	<u>\$ 96,188</u>
Total Texas Department of Aging			<u>\$ 96,188</u>
Department of Agriculture Passed Through— Texas Forestry Service*:			
Forestry Research	10.652	ASIANDODDER	\$ 3,801
Cooperative Forestry Assistance	10.664	02-07-2007	<u>16,923</u>
Total Texas Forestry Service			<u>\$ 20,724</u>
Total Department of Agriculture			<u>\$ 11,020,849</u>
Department of Housing and Urban Development:			
Community Development Block Grant	14.218	B00MC480018	\$ 13,822
Community Development Block Grant	14.218	B00MC480018	(135,992)
Community Development Block Grant	14.218	B00MC480018	240,316
Community Development Block Grant	14.218	B00MC480018	59,985
Community Development Block Grant	14.218	B00MC480018	392,000

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CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Community Development Block Grant	14.218	B00MC480018	11,964
Community Development Block Grant	14.218	B00MC480018	1,667
Community Development Block Grant	14.218	B00MC480018	(5,583)
Community Development Block Grant	14.218	B00MC480018	5,311
Community Development Block Grant	14.218	B00MC480018	350
Community Development Block Grant	14.218	B00MC480018	690
Community Development Block Grant	14.218	B00MC480018	(464)
Community Development Block Grant	14.218	B00MC480018	80,860
Community Development Block Grant	14.218	B00MC480018	3,310
Community Development Block Grant	14.218	B00MC480018	300,000
Community Development Block Grant	14.218	B00MC480018	378,392
Community Development Block Grant	14.218	B00MC480018	1,220
Community Development Block Grant	14.218	B00MC480018	554
Community Development Block Grant	14.218	B00MC480018	3,320
Community Development Block Grant	14.218	B01MC480018	4,025
Community Development Block Grant	14.218	B01MC480018	1,940,050
Community Development Block Grant	14.218	B01MC480018	3,000,000
Community Development Block Grant	14.218	B01MC480018	14,263
Community Development Block Grant	14.218	B01MC480018	23,180
Community Development Block Grant	14.218	B01MC480018	335,079
Community Development Block Grant	14.218	B01MC480018	63,495
Community Development Block Grant	14.218	B01MC480018	(1,221)
Community Development Block Grant	14.218	B01MC480018	(2,807)
Community Development Block Grant	14.218	B01MC480018	(1,476)
Community Development Block Grant	14.218	B01MC480018	18,960
Community Development Block Grant	14.218	B01MC480018	989
Community Development Block Grant	14.218	B01MC480018	19,565
Community Development Block Grant	14.218	B01MC480018	14,036
Community Development Block Grant	14.218	B01MC480018	6,353
Community Development Block Grant	14.218	B01MC480018	200,137
Community Development Block Grant	14.218	B01MC480018	74,313
Community Development Block Grant	14.218	B01MC480018	300,000
Community Development Block Grant	14.218	B01MC480018	3,980
Community Development Block Grant	14.218	B01MC480018	133,820
Community Development Block Grant	14.218	B01MC480018	1,380
Community Development Block Grant	14.218	B01MC480018	470,168
Community Development Block Grant	14.218	B01MC480018	175,763
Community Development Block Grant	14.218	B02MC480018	19,914

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Community Development Block Grant	14.218	B02MC480018	1,348,696
Community Development Block Grant	14.218	B02MC480018	10,167
Community Development Block Grant	14.218	B02MC480018	24,850
Community Development Block Grant	14.218	B02MC480018	85,705
Community Development Block Grant	14.218	B02MC480018	122,200
Community Development Block Grant	14.218	B02MC480018	687,500
Community Development Block Grant	14.218	B02MC480018	40,069
Community Development Block Grant	14.218	B02MC480018	847,911
Community Development Block Grant	14.218	B02MC480018	(2,523,538)
Community Development Block Grant	14.218	B02MC480018	218,570
Community Development Block Grant	14.218	B02MC480018	34,556
Community Development Block Grant	14.218	B02MC480018	206,213
Community Development Block Grant	14.218	B02MC480018	595,713
Community Development Block Grant	14.218	B02MC480018	760,149
Community Development Block Grant	14.218	B02MC480018	91,359
Community Development Block Grant	14.218	B02MC480018	431,313
Community Development Block Grant	14.218	B02MC480018	784
Community Development Block Grant	14.218	B02MC480018	103,221
Community Development Block Grant	14.218	B02MC480018	539,277
Community Development Block Grant	14.218	B02MC480018	2,110,406
Community Development Block Grant	14.218	B02MC480018	938,595
Community Development Block Grant	14.218	B02MC480018	(93,878)
Community Development Block Grant	14.218	B02MC480018	95,850
Community Development Block Grant	14.218	B02MC480018	363,305
Community Development Block Grant	14.218	B02MC480018	40,130
Community Development Block Grant	14.218	B02MC480018	50,419
Community Development Block Grant	14.218	B02MC480018	18,336
Community Development Block Grant	14.218	B02MC480018	(103)
Community Development Block Grant	14.218	B02MC480018	203,625
Community Development Block Grant	14.218	B02MC480018	180,271
Community Development Block Grant	14.218	B02MC480018	5,114
Community Development Block Grant	14.218	B02MC480018	75,029
Community Development Block Grant	14.218	B02MC480018	166,722
Community Development Block Grant	14.218	B02MC480018	145,946
Community Development Block Grant	14.218	B02MC480018	470,109
Community Development Block Grant	14.218	B02MC480018	23,190
Community Development Block Grant	14.218	B02MC480018	15,661
Community Development Block Grant	14.218	B02MC480018	42,364

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Community Development Block Grant	14.218	B03MC480018	544,663
Community Development Block Grant	14.218	B03MC480018	1,638,075
Community Development Block Grant	14.218	B03MC480018	25,875
Community Development Block Grant	14.218	B03MC480018	260,638
Community Development Block Grant	14.218	B03MC480018	(65,534)
Community Development Block Grant	14.218	B03MC480018	1,660,000
Community Development Block Grant	14.218	B03MC480018	4,306,931
Community Development Block Grant	14.218	B03MC480018	382,420
Community Development Block Grant	14.218	B03MC480018	5,480
Community Development Block Grant	14.218	B03MC480018	51,798
Community Development Block Grant	14.218	B03MC480018	540,801
Community Development Block Grant	14.218	B03MC480018	95,229
Community Development Block Grant	14.218	B03MC480018	37,373
Community Development Block Grant	14.218	B03MC480018	316,131
Community Development Block Grant	14.218	B03MC480018	142,067
Community Development Block Grant	14.218	B03MC480018	179,630
Community Development Block Grant	14.218	B03MC480018	206,629
Community Development Block Grant	14.218	B03MC480018	21,530
Community Development Block Grant	14.218	B03MC480018	472,652
Community Development Block Grant	14.218	B03MC480018	9,555
Community Development Block Grant	14.218	B03MC480018	1,515,000
Community Development Block Grant	14.218	B03MC480018	98,286
Community Development Block Grant	14.218	B03MC480018	300,000
Community Development Block Grant	14.218	B03MC480018	572,000
Community Development Block Grant	14.218	B03MC480018	469,300
Community Development Block Grant	14.218	B03MC480018	181,700
Community Development Block Grant	14.218	B03MC480018	50,293
Community Development Block Grant	14.218	B03MC480018	637,538
Community Development Block Grant	14.218	B03MC480018	17,371
Community Development Block Grant	14.218	B03MC480018	567,695
Community Development Block Grant	14.218	B03MC480018	6,817
Community Development Block Grant	14.218	B03MC480018	580,200
Community Development Block Grant	14.218	B03MC480018	104,039
Community Development Block Grant	14.218	B03MC480018	104,300
Community Development Block Grant	14.218	B03MC480018	3,400,859
Community Development Block Grant	14.218	B03MC480018	775
Community Development Block Grant	14.218	B03MC480018	527,377
Community Development Block Grant	14.218	B03MC480018	250,535

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS			
Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Community Development Block Grant	14.218	B84MC480018	103
Community Development Block Grant	14.218	B85MC480018	80,000
Community Development Block Grant	14.218	B86MC480018	25,000
Community Development Block Grant	14.218	B87MC480018	1,152
Community Development Block Grant	14.218	B88MC480018	50,025
Community Development Block Grant	14.218	B89MC480018	140
Community Development Block Grant	14.218	B90MC480018	5,888
Community Development Block Grant	14.218	B91MC480018	3,053
Community Development Block Grant	14.218	B92MC480018	42,440
Community Development Block Grant	14.218	B93MC480018	129,511
Community Development Block Grant	14.218	B94MC480019	(3,434)
Community Development Block Grant	14.218	B94MC480020	500
Community Development Block Grant	14.218	B94MC480021	10,267
Community Development Block Grant	14.218	B94MC480022	489
Community Development Block Grant	14.218	B94MC480023	6,593
Community Development Block Grant	14.218	B95MC480018	33,273
Community Development Block Grant	14.218	B95MC480018	19,000
Community Development Block Grant	14.218	B95MC480018	687
Community Development Block Grant	14.218	B95MC480018	(328)
Community Development Block Grant	14.218	B95MC480018	111,649
Community Development Block Grant	14.218	B96MC480018	4,433
Community Development Block Grant	14.218	B96MC480018	(559)
Community Development Block Grant	14.218	B96MC480018	433
Community Development Block Grant	14.218	B96MC480018	30,225
Community Development Block Grant	14.218	B96MC480018	264,789
Community Development Block Grant	14.218	B96MC480018	120,000
Community Development Block Grant	14.218	B97MC480018	66,559
Community Development Block Grant	14.218	B97MC480018	(301)
Community Development Block Grant	14.218	B97MC480018	(1,033)
Community Development Block Grant	14.218	B97MC480018	40,000
Community Development Block Grant	14.218	B97MC480018	1,334
Community Development Block Grant	14.218	B97MC480018	53,485
Community Development Block Grant	14.218	B97MC480018	337,296
Community Development Block Grant	14.218	B97MC480018	93,244
Community Development Block Grant	14.218	B97MC480018	88,126
Community Development Block Grant	14.218	B98MC480018	23,523
Community Development Block Grant	14.218	B98MC480018	(316)
Community Development Block Grant	14.218	B98MC480018	(1,766)

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

Program Title	FEDERAL AWARDS Federal CFDA Number	Grant Award Number	Expenditures
Community Development Block Grant	14.218	B98MC480018	(3,160)
Community Development Block Grant	14.218	B98MC480018	1,240
Community Development Block Grant	14.218	B98MC480018	33,091
Community Development Block Grant	14.218	B98MC480018	402,103
Community Development Block Grant	14.218	B98MC480018	3,887
Community Development Block Grant	14.218	B98MC480018	21,592
Community Development Block Grant	14.218	B98MC480018	5,080
Community Development Block Grant	14.218	B98MC480018	(102)
Community Development Block Grant	14.218	B99MC480018	(93,575)
Community Development Block Grant	14.218	B99MC480018	(760)
Community Development Block Grant	14.218	B99MC480018	518
Community Development Block Grant	14.218	B99MC480018	(11,081)
Community Development Block Grant	14.218	B99MC480018	1,016
Community Development Block Grant	14.218	B99MC480018	1,909
Community Development Block Grant	14.218	B99MC480018	68
Community Development Block Grant	14.218	B99MC480018	(161,326)
Community Development Block Grant	14.218	B99MC480018	3,839
Community Development Block Grant	14.218	B99MC480018	6,321
Community Development Block Grant	14.218	B99MC480018	<u>12,726</u>
Total Community Development Block Grant			<u>\$ 38,716,388</u>
Emergency Shelter Grants Program	14.231	S02MC480002	20,637
Emergency Shelter Grants Program	14.231	S02MC480002	183,530
Emergency Shelter Grants Program	14.231	S02MC480002	198,807
Emergency Shelter Grants Program	14.231	S02MC480002	230,605
Emergency Shelter Grants Program	14.231	S03MC480002	40,181
Emergency Shelter Grants Program	14.231	S03MC480002	165,394
Emergency Shelter Grants Program	14.231	S03MC480002	254,795
Emergency Shelter Grants Program	14.231	S03MC480002	<u>204,955</u>
Total Emergency Shelter Grants Program			<u>\$ 1,298,904</u>
HOME Investment Partnerships Program	14.239	M00MC480206	930,869
HOME Investment Partnerships Program	14.239	M00MC480206	1,128,752
HOME Investment Partnerships Program	14.239	M01MC480206	30,182
HOME Investment Partnerships Program	14.239	M01MC480206	2,687,781

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
HOME Investment Partnerships Program	14.239	M01MC480206	167,500
HOME Investment Partnerships Program	14.239	M02MC480206	587,563
HOME Investment Partnerships Program	14.239	M02MC480206	2,763,900
HOME Investment Partnerships Program	14.239	M03MC480206	722,733
HOME Investment Partnerships Program	14.239	M03MC480206	(9,500)
HOME Investment Partnerships Program	14.239	M03MC480206	1,024,633
HOME Investment Partnerships Program	14.239	M93MC480206	3,800
HOME Investment Partnerships Program	14.239	M97MC480206	12,433
HOME Investment Partnerships Program	14.239	M98MC480206	25,958
HOME Investment Partnerships Program	14.239	M98MC480206	1,940,707
HOME Investment Partnerships Program	14.239	M99MC480206	721,055
HOME Investment Partnerships Program	14.239	M99MC480206	79,788
			<u>12,818,154</u>
Total HOME Investment Partnerships Program			<u>\$ 12,818,154</u>
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	309,775
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	54,240
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	8,054
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	288,381
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	675,854
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	46,575
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	302,884
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	268,080
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	236,390
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	13,354
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	41,597
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	12,195
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	38,638
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	37,233
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	323,791
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	63,404
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	33,440
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	(78,259)
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	102,807
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	156,659
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	3,903
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	96,102

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	13,032
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	26,547
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	115,106
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	(5,570)
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	3,508
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	625,835
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	(1,028)
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	77,993
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	(2,410)
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	237,555
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	104,272
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	651,620
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	(19,965)
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	213
Housing Opportunities for Persons with AIDS	14.241	TX21H03-F003	152,070
Housing Opportunities for Persons with AIDS	14.241	TX21H03-F003	2,282
Housing Opportunities for Persons with AIDS	14.241	TX21H03-F003	(33,811)
Housing Opportunities for Persons with AIDS	14.241	TX21H03-F003	41,981
Housing Opportunities for Persons with AIDS	14.241	TX21H03-F003	102,818
Housing Opportunities for Persons with AIDS	14.241	TX21H03-F003	92,193
Housing Opportunities for Persons with AIDS	14.241	TX21H03-F003	15,598
Housing Opportunities for Persons with AIDS	14.241	TX21H03-F003	90,983
Housing Opportunities for Persons with AIDS	14.241	TX21H03-F003	(752,157)
Housing Opportunities for Persons with AIDS	14.241	TX21H03-F003	107,023
Housing Opportunities for Persons with AIDS	14.241	TX21H97-F060	334
Housing Opportunities for Persons with AIDS	14.241	TX21H98-F003	97
Housing Opportunities for Persons with AIDS	14.241	TX21H99-F060	339
Housing Opportunities for Persons with AIDS	14.241	TX21H99-F060	<u>9,771</u>
 Total Housing Opportunities for Persons with AIDS			 <u>\$ 4,691,326</u>
 CDBG/Brownfields Economic Development Initiative	14.246	B01SPTX0607	310,291
CDBG/Brownfields Economic Development Initiative	14.246	B02SPTX0703	45,361
CDBG/Brownfields Economic Development Initiative	14.246	E95EZ480006	150
CDBG/Brownfields Economic Development Initiative	14.246	E95EZ480006	2,600
CDBG/Brownfields Economic Development Initiative	14.246	E95EZ480006	(245,570)

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
CDBG/Brownfields Economic Development Initiative	14.246	E95EZ480006	283,875
CDBG/Brownfields Economic Development Initiative	14.246	E95EZ480006	653,000
CDBG/Brownfields Economic Development Initiative	14.246	E95EZ480006	<u>22,697</u>
Total CDBG/Brownfields Economic Development Initiative			<u>\$ 1,072,404</u>
CDBG - Section 108 Loan Guarantees	14.248	SECT108	(1,298,698)
CDBG - Section 108 Loan Guarantees	14.248	SECT108	245,720
CDBG - Section 108 Loan Guarantees	14.248	SECT108	2,074,161
CDBG - Section 108 Loan Guarantees	14.248	SECT108	163
CDBG - Section 108 Loan Guarantees	14.248	SECT108	<u>13</u>
Total CDBG - Section 108 Loan Guarantees			<u>\$ 1,021,359</u>
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	TXLHB0229-02	<u>\$ 953,158</u>
Total Department of Housing and Urban Development			<u>\$ 60,571,693</u>
Department of Interior— Fish and Wildlife Management Assistance	15.608	982102G457	<u>\$ 33,540</u>
Total Department of Interior			<u>\$ 33,540</u>
Department of Justice: Cultural Awareness and Diversity Training	16.XXX	2001DDVXK002	<u>\$ 48,674</u>
Creating a Culture Integrity	16.XXX	2002HSWX0031	<u>\$ 47,704</u>
Shared Forfeited Property	16.XXX		\$ 568,986
Shared Forfeited Property	16.XXX		453,430
Shared Forfeited Property	16.XXX		<u>50,629</u>
Total Shared Forfeited Property			<u>\$ 1,073,045</u>

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Developing, Testing and Demonstrating Promising New Programs	16.541	1999MUMU0012	81,030
Developing, Testing and Demonstrating Promising New Programs	16.541	1999MUMU0012	<u>(2,221)</u>
Total Developing, Testing and Demonstrating Promising New Programs			<u>\$ 78,809</u>
Gang-Free Schools and Communities— Community Based	16.544	2001JDFX0001	\$ 7,609
Gang-Free Schools and Communities— Community Based	16.544	2001JDFX0001	<u>179,899</u>
Total Gang-Free Schools and Communities— Community Based			<u>\$ 187,508</u>
Local Law Enforcement Block Grants Program	16.592	2001LBBX2763	\$ 968,563
Local Law Enforcement Block Grants Program	16.592	2001LBBX2763	(346)
Local Law Enforcement Block Grants Program	16.592	2001LBBX2763	95,001
Local Law Enforcement Block Grants Program	16.592	2002LBBX2531	1,745,858
Local Law Enforcement Block Grants Program	16.592	2002LBBX2531	22,873
Local Law Enforcement Block Grants Program	16.592	2003LBBX2257	<u>7,370</u>
Total Local Law Enforcement Block Grants Program			<u>\$ 2,839,319</u>
Executive Office for Weed and Seed	16.595	2001WSQX0152	\$ 21,033
Executive Office for Weed and Seed	16.595	2001WSQX0152	159,273
Executive Office for Weed and Seed	16.595	2001WSQX0153	16,882
Executive Office for Weed and Seed	16.595	2001WSQX0153	198,997
Executive Office for Weed and Seed	16.595	2002WSQX0044	65,351
Executive Office for Weed and Seed	16.595	2003WSQX0123	<u>151,189</u>
Total Executive Office for Weed and Seed			<u>\$ 612,725</u>
Public Safety Partnership and Community Policing Grants	16.710	2003INWX0003	<u>\$ 3,776</u>

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Department of Justice Passed Through—			
Texas Department of Public Safety*:			
Crime Laboratory Improvement Combined Offender	16.564	2002DNBXX012	\$ 580,939
Crime Laboratory Improvement Combined Offender	16.564	2003DNBXX024	<u>10,177</u>
Total Texas Department of Public Safety			<u>\$ 591,116</u>
Department of Justice Passed Through—			
Texas Engineering Extension Service*:			
Urban Area Security Initiative	16.011	2003TUTX0003	\$ 617
Urban Area Security Initiative II	16.011	2003EUT30043	38,837
Homeland Security Grant	16.011	FC55357	<u>501,837</u>
Total Texas Engineering Extension Service			<u>\$ 541,291</u>
Department of Justice Passed Through—			
Gulfcoast Workforce Development*—			
ASAP-Gulfcoast Workforce	16.259	04ASAPGCW	<u>\$ 2,505</u>
Total Gulfcoast Workforce Development			<u>\$ 2,505</u>
Department of Justice Passed Through—			
Office of the Governor, Criminal Justice Division*:			
Juvenile Accountability Incentive Block Grants	16.523	JB00J2013322	\$ 1,100
Juvenile Accountability Incentive Block Grants	16.523	JB01J2013322	535,394
Juvenile Accountability Incentive Block Grants	16.523	JB02J2013322	<u>823,415</u>
Total Juvenile Accountability Incentive Block Grants			<u>\$ 1,359,909</u>
Title V Delinquency Prevention Program	16.548	JA00220103	\$ 6,701
Title V Delinquency Prevention Program	16.548	JT01J2115703	65,863
Title V Delinquency Prevention Program	16.548	JT01J2115704	<u>149,961</u>
Total Title V Delinquency Prevention Program			<u>\$ 222,525</u>

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Crime Victim Assistance	16.575	VA0310100418	\$ 890
Crime Victim Assistance	16.575	VA03V3013592	<u>27,716</u>
Total Crime Victim Assistance			<u>\$ 28,606</u>
Total Office of the Governor, Criminal Justice Division			<u>\$ 1,611,040</u>
Department of Justice Passed Through— Sam Houston State University*:			
Community Prosecution and Project Safe Neighborhoods	16.609	S04D77205	\$ 24,680
Community Prosecution and Project Safe Neighborhoods	16.609	S04D77206	<u>40,099</u>
Total Sam Houston State University			<u>\$ 64,779</u>
Total Department of Justice			<u>\$ 7,702,291</u>
Department of Labor Passed Through— Houston Works USA*—			
Youth Offender Demonstration	17.XXX	FC55546	<u>\$ 17,678</u>
Total Department of Labor			<u>\$ 17,678</u>
Department of Transportation			
National Highway Traffic Safety Administration— NCBM-Buckle Up America	20.XXX	03NCBM	<u>\$ 30,832</u>
Total National Highway Traffic Safety Administration			<u>\$ 30,832</u>
Department of Transportation			
Federal Aviation Administration:			
Hobby Airport:			
Airport Improvement Program	20.106	3-48-0110-19	\$ 21,406
Airport Improvement Program	20.106	3-48-0110-22	535,374

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Bush Intercontinental Airport:			
Airport Improvement Program	20.106	3-48-0111-44	918,483
Airport Improvement Program	20.106	3-48-0111-44	3,088,726
Airport Improvement Program	20.106	3-48-0111-45	2,483,429
Airport Improvement Program	20.106	3-48-0111-46	5,819,427
Airport Improvement Program	20.106	3-48-0111-46	113,294
Airport Improvement Program	20.106	3-48-0111-46	1,033,315
Airport Improvement Program	20.106	3-48-0111-46	9,809,847
Airport Improvement Program	20.106	3-48-0111-48	969,387
Airport Improvement Program	20.106	3-48-0111-48	580,746
Airport Improvement Program	20.106	3-48-0111-49	11,572,864
Ellington Field:			
Airport Improvement Program	20.106	3-48-0290-09	111,577
Airport Improvement Program	20.106	3-48-0290-10	12,640
Airport Improvement Program	20.106	3-48-0290-13	388,808
Airport Improvement Program	20.106	3-48-0290-15	<u>5,248,764</u>
Total Federal Aviation Administration			<u>\$ 42,708,087</u>
Department of Transportation Passed Through— Texas Department of Highway and Public Transportation*:			
Highway Planning and Construction	20.205	STP94(217TE)	\$ (1,478)
Highway Planning and Construction	20.205	STP94(217TE)	1,088
Highway Planning and Construction	20.205	TCSE004-Q69	133,437
Highway Planning and Construction	20.205	TCSE010	16,686
Highway Planning and Construction	20.205	TCSE010	76,037
Highway Planning and Construction	20.205	TCSP2001-001	79,723
Highway Planning and Construction	20.205	TCSP-TX096	7,540
Highway Planning and Construction	20.205	TCSP-TX096	<u>90</u>
Total Highway Planning and Construction			<u>\$ 313,123</u>
State and Community Highway Safety	20.600	010102A1BH	\$ 83,104
State and Community Highway Safety	20.600	010102A1DF	61,571
State and Community Highway Safety	20.600	010202B1AC	4,408

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
State and Community Highway Safety	20.600	030402B1AB	107,402
State and Community Highway Safety	20.600	031301A1AC	134,084
State and Community Highway Safety	20.600	030202B1BM	45,627
State and Community Highway Safety	20.600	030405A1BR	158,855
State and Community Highway Safety	20.600	040101A1AG	101,270
State and Community Highway Safety	20.600	040101C1AB	134,162
State and Community Highway Safety	20.600	040202B1BC	41,696
State and Community Highway Safety	20.600	040402B1AA	211,934
State and Community Highway Safety	20.600	040405D1AT	76,521
State and Community Highway Safety	20.600	041301B1AA	<u>207,891</u>
Total State and Community Highway Safety			<u>\$ 1,368,525</u>
Total Texas Department of Highway and Public Transportation			<u>\$ 1,681,648</u>
Department of Transportation Passed Through—			
Texas Parks & Wildlife Department*—			
Recreational Trails Program	20.219	88594	<u>\$ 16,828</u>
Total Texas Parks & Wildlife Department			<u>\$ 16,828</u>
Total Department of Transportation			<u>\$ 44,437,395</u>
Department of Treasury:			
Shared Forfeited Property	21.XXX		\$ 77,157
Shared Forfeited Property	21.XXX		3,625
Shared Forfeited Property	21.XXX		79,633
Shared Forfeited Property	21.XXX		<u>70,485</u>
Total Department of Treasury			<u>\$ 230,900</u>
Institute of Museum and Library Services Passed Through—			
Texas State Library Commission*:			
State Library Program	45.310	470-03008	\$ 476,216
State Library Program	45.310	470-04008	1,233,414

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
State Library Program	45.310	476-03018	26,576
State Library Program	45.310	476-04018	56,082
State Library Program	45.310	476-04018	2,115
State Library Program	45.310	771-03043	75,350
State Library Program	45.310	771-04043	<u>281,353</u>
Total Institute of Museum and Library Services			<u>\$ 2,151,106</u>
Environmental Protection Agency:			
Air Pollution Control Program Support	66.001	X827372-01-0	<u>\$ 19,186</u>
Houston Brownfields	66.811	V996565010	\$ 66,993
Houston Brownfields	66.811	V996565010	<u>2,125</u>
Total Houston Brownfields			<u>\$ 69,118</u>
Environmental Protection Agency Passed Through—			
Texas Commission on Environmental Quality*:			
Air Pollution Control Program Support	66.001	582-2-89441	\$ 8,015
Air Pollution Control Program Support	66.001	582-2-89441	148,196
Air Pollution Control Program Support	66.001	582-3-5581	53,732
Air Pollution Control Program Support	66.001	582-3-5581	129,095
Air Pollution Control Program Support	66.001	582-4-55827	<u>147,288</u>
Total Texas Commission on Environmental Quality			<u>\$ 486,326</u>
Total Environmental Protection Agency			<u>\$ 574,630</u>
Federal Emergency Management Agency Passed Through—			
Texas Department of Public Safety*:			
Houston Emergency Management	83.534	EMT9-97-PA-005	\$ 140,000
Facilities and Equipment Grant	83.552		8,025
Assistance to Firefighters Grant	83.554	EMW02FG18431	<u>664,482</u>
Total Federal Emergency Management Agency			<u>\$ 812,507</u>

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Department of Education:			
Fund for the Improvement of Education	84.215	Q215F031131	\$ 12,381
Fund for the Improvement of Education	84.215	R215K010210	<u>121,385</u>
Total Department of Education			<u>\$ 133,766</u>
Department of Health and Human Services:			
Project Grants and Cooperative Agreements for TB Control	93.116	CCU600445-22	\$ 1,496,493
Project Grants and Cooperative Agreements for TB Control	93.116	CCU600445-23	1,092,767
Project Grants and Cooperative Agreements for TB Control	93.116	CCU600445-23	<u>32,822</u>
Total Project Grants and Cooperative Agreements for TB Control			<u>\$ 2,622,082</u>
Childhood Lead Poisoning Preventions Projects	93.197	CCU618506-03	<u>\$ 43,919</u>
Immunization Grants	93.268	CCH604490-12	\$ 410,121
Immunization Grants	93.268	CCH622532-01	1,331,731
Immunization Grants	93.268	CCH622532-01	(2)
Immunization Grants	93.268	CCH622532-02	885,740
Immunization Grants	93.268	CCH622532-02	20,252
Immunization Grants	93.268	CCH622532-02A	<u>6,082,111</u>
Total Immunization Grants			<u>\$ 8,729,953</u>
Centers for Disease Control and Prevention	93.283	CCU616804-04	\$ 549,216
Centers for Disease Control and Prevention	93.283	CCU616804-04	104,441
Centers for Disease Control and Prevention	93.283	CCU616804-04	244,945
Centers for Disease Control and Prevention	93.283	CCU616804-04	5,686
Centers for Disease Control and Prevention	93.283	CCU619044-03	47,345
Centers for Disease Control and Prevention	93.283	CCU622445-01	92,983
Centers for Disease Control and Prevention	93.283	CCU622445-02	185,089
Centers for Disease Control and Prevention	93.283	CCU622445-02	2,715
Centers for Disease Control and Prevention	93.283	CCU623269-01	28,022

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Centers for Disease Control and Prevention	93.283	CCU623672-01	65,849
Centers for Disease Control and Prevention	93.283	CCU623672-01	28,330
Centers for Disease Control and Prevention	93.283	CCU623672-01	<u>36,871</u>
Total Centers for Disease Control and Prevention			<u>\$ 1,391,492</u>
HIV Prevention Activities	93.940	CCU023512-01	\$ 2,214,165
HIV Prevention Activities	93.940	CCU023512-01	41,880
HIV Prevention Activities	93.940	CCU601171-15	3,630,389
HIV Prevention Activities	93.940	CCU601171-15	<u>(392)</u>
Total Centers for Disease Control and Prevention			<u>\$ 5,886,042</u>
HIV / AIDS Surveillance	93.944	CCU606238-12	\$ 1,627,933
HIV / AIDS Surveillance	93.944	CCU623559-01	<u>221,133</u>
Total HIV / AIDS Surveillance			<u>\$ 1,849,066</u>
Department of Health and Human Services			
Passed Through—			
Harris County, Texas*:			
HIV Emergency Relief	93.914	03GEN0104	\$ 105,143
HIV Emergency Relief	93.914	04GEN0181	<u>74,841</u>
Total Harris County, Texas			<u>\$ 179,984</u>
Department of Health and Human Services Passed			
Through—			
Texas Department on Aging*:			
Special Programs for the Aging Title VII, Chapter 3	93.041	2004-EAP-13	\$ 20,902
Special Programs for the Aging Title VII, Chapter 3	93.041	EAP2003-011	<u>40,074</u>
Total Special Programs for the Aging Title VII, Chapter 3			<u>\$ 60,976</u>

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Special Programs for the Aging Title VII, Chapter 2	93.042	2004-OAG-13	\$ 7,128
Special Programs for the Aging Title VII, Chapter 2	93.042	OAG-2003-011	<u>25,218</u>
Total Special Programs for the Aging Title VII, Chapter 2			<u>\$ 32,346</u>
Special Programs for the Aging Title III, Part B	93.044	3B-2003-011	\$ 33,419
Special Programs for the Aging Title III, Part B	93.044	3B-2003-011	10,306
Special Programs for the Aging Title III, Part B	93.044	3B-2003-011	517,474
Special Programs for the Aging Title III, Part B	93.044	3B-2003-011	47,090
Special Programs for the Aging Title III, Part B	93.044	3B-2003-011	7,890
Special Programs for the Aging Title III, Part B	93.044	3B-2003-011	4,454
Special Programs for the Aging Title III, Part B	93.044	3D-2003-011	5,204
Special Programs for the Aging Title III, Part B	93.044	3D-2003-011	2,390
Special Programs for the Aging Title III, Part B	93.044	ADM2003-011	176,637
Special Programs for the Aging Title III, Part B	93.044	2004-3B-13	11,021
Special Programs for the Aging Title III, Part B	93.044	2004-3B-13	90,063
Special Programs for the Aging Title III, Part B	93.044	2004-3B-13	12,257
Special Programs for the Aging Title III, Part B	93.044	2004-3B-13	20,865
Special Programs for the Aging Title III, Part B	93.044	2004-3B-13	176,248
Special Programs for the Aging Title III, Part B	93.044	2004-3B-13	637,507
Special Programs for the Aging Title III, Part B	93.044	2004-3B-13	16,235
Special Programs for the Aging Title III, Part B	93.044	2004-3B-13	123,293
Special Programs for the Aging Title III, Part B	93.044	2004-3B-13	5,258
Special Programs for the Aging Title III, Part B	93.044	2004-3B-13	20,857
Special Programs for the Aging Title III, Part B	93.044	2004-3B-13	12,646
Special Programs for the Aging Title III, Part B	93.044	2004-3D-13	13,943
Special Programs for the Aging Title III, Part B	93.044	2004-3D-13	24,813
Special Programs for the Aging Title III, Part B	93.044	2004-ADM-13	<u>424,453</u>
Total Special Programs for the Aging Title III, Part B			<u>\$ 2,394,323</u>
Special Programs for the Aging Title III, Part C	93.045	2004-3C1-013	\$ 870,828
Special Programs for the Aging Title III, Part C	93.045	2004-3C2-013	601,828
Special Programs for the Aging Title III, Part C	93.045	2004-3C2-013	498,412
Special Programs for the Aging Title III, Part C	93.045	3C1-2003-011	480,229
Special Programs for the Aging Title III, Part C	93.045	3C2-2003-011	<u>834,949</u>
Total Special Programs for the Aging Title III, Part C			<u>\$ 3,286,246</u>

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CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
National Family Caregiver Support	93.052	2004-3E-13	\$ 702,330
National Family Caregiver Support	93.052	2004-3E-13	69,992
National Family Caregiver Support	93.052	3E-2003-011	351,065
National Family Caregiver Support	93.052	3E-2003-011	<u>76,268</u>
Total National Family Caregiver Support			<u>\$ 1,199,655</u>
Nutrition Services Incentive Program	93.053	2004-USD-13	<u>\$ 594,704</u>
Total Texas Department on Aging			<u>\$ 7,568,250</u>
Department of Health and Human Services			
Passed Through—			
Texas Department of Economic Development*—			
Social Service Block Grants	93.667	G9503TXECUR	<u>\$ 2,500</u>
Total Texas Department of Economic Development			<u>\$ 2,500</u>
Department of Health and Human Services			
Passed Through—			
Texas Department of Health*:			
Occupational Safety and Health Research Projects	93.262	001164004-05	<u>\$ 197,419</u>
Hansen's Disease National Ambulatory Care Program	93.215	001164005-01	\$ 32,889
Hansen's Disease National Ambulatory Care Program	93.215	001164004-04	<u>16,411</u>
Total Hansen's Disease National Ambulatory Care Program			<u>\$ 49,300</u>
Centers for Disease Control and Prevention	93.283	001164003-05	\$ 831,348
Centers for Disease Control and Prevention	93.283	001164003-13	503,055
Centers for Disease Control and Prevention	93.283	001164004-06	151,388
Centers for Disease Control and Prevention	93.283	001164004-07	262,951
Centers for Disease Control and Prevention	93.283	001164004-07	364,996
Centers for Disease Control and Prevention	93.283	001164004-07	201,528

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Centers for Disease Control and Prevention	93.283	001164004-07	68,276
Centers for Disease Control and Prevention	93.283	001164004-07	<u>127,069</u>
Total Centers for Disease Control and Prevention			\$ <u>2,510,611</u>
HIV Prevention Activities Health Department Based	93.940	001164004-01	\$ 9,866
HIV Prevention Activities Health Department Based	93.940	001164004-03	123,363
HIV Prevention Activities Health Department Based	93.940	001164005-02	5,767
HIV Prevention Activities Health Department Based	93.940	001164005-03	<u>50,800</u>
Total HIV Prevention Activities Health Department Based			\$ <u>189,796</u>
HIV/AIDS Surveillance	93.944	001164003-11	\$ 44,299
HIV/AIDS Surveillance	93.944	001164004-11	49,093
HIV/AIDS Surveillance	93.944	001164004-11	<u>13,911</u>
Total HIV/AIDS Surveillance			\$ <u>107,303</u>
Preventive Health Services—Sexually Transmitted Diseases	93.977	001164004-02	\$ 718,797
Preventive Health Services—Sexually Transmitted Diseases	93.977	001164005-04	<u>845,072</u>
Total HIV/AIDS Surveillance			\$ <u>1,563,869</u>
Preventative Health and Health Services Block Grant	93.991	001164003-08	\$ 71,927
Preventative Health and Health Services Block Grant	93.991	001164004-13	<u>373,312</u>
Total Preventative Health and Health Services Block Grant			\$ <u>445,239</u>
Maternal and Child Health Services Block Grant to the States	93.994	0011640A0401	\$ 49,925
Maternal and Child Health Services Block Grant to the States	93.994	0011640A0401	482,367

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Maternal and Child Health Services Block Grant to the States	93.994	0011640A0401	14,938
Maternal and Child Health Services Block Grant to the States	93.994	0011640A0401	<u>54,983</u>
Total Maternal and Child Health Services Block Grant to the States			<u>\$ 602,213</u>
Total Texas Department of Health			<u>\$ 5,665,750</u>
Total Department of Health and Human Services			<u>\$ 33,939,038</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 164,807,406</u>

(Concluded)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

STATE AWARDS		Grant Award Number	Expenditures
Program Title			
Harris County:			
Campo Del Sol		FC54636	\$ 67,291
Campo Del Sol		FC55359	14,404
Gulfton Youth		FC54635	4,063
HCFM Fire Setters		C0253959	29,234
United Minds Project		FC55360	<u>19,267</u>
Total Harris County			<u>\$ 134,259</u>
Office of the Attorney General:			
VADG/Hispanic Victims Outreach Project		02G02906	\$ 10,223
Hispanic Victims Outreach Project		04G01896	35,513
Hispanic Victims Outreach Project		04G01896	<u>1,990</u>
Total Office of the Attorney General			<u>\$ 47,726</u>
Office of the Governor, Criminal Justice Division:			
Shared Forfeited Property		N/A	\$ 1,560,213
Shared Forfeited Property		N/A	412,148
Shared Forfeited Property		N/A	<u>674,437</u>
Total Office of the Governor, Criminal Justice Division			<u>\$ 2,646,798</u>
Texas Commission on Environmental Quality:			
2003 Emission Reduction Incentive		582-2-48670	\$ 430,588
2003 TCEQ Interlocal Contract		582-3-51316	437,423
2004 TCEQ Interlocal Contract		582-4-64433	1,355,493
2004 TCEQ Interlocal Contract		582-4-64433	1,233
2004 TCEQ Interlocal Contract		582-4-64433	<u>79,273</u>
Total Texas Commission on Environmental Quality			<u>\$ 2,304,010</u>
Texas Commission on Environmental Quality Passed Through Houston-Galveston Area Council*:			
HGAC Household Hazardous Waste		03-16-G12	\$ 24,244
HGAC Education and Training		03-16-G02	32,174
HGAC Source Reduction and Training		03-16-G06	46,648
Solid Waste Education / Training		03-16-G11	12,195
Solid Waste Local Enforcement		03-16-G16	209,844
2003 HGAC Clean Rivers - Water/Lab		CR03-54709	21,490

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

STATE AWARDS		Grant Award Number	Expenditures
Program Title			
2003 HGAC Clean Rivers - Water/Lab		CR03-54709	27,958
Clean Burning Diesel Fuels #2		HGACCMAQ00T2	<u>51,859</u>
Total Houston-Galveston Area Council			<u>\$ 426,412</u>
Texas Library & Archives Commission:			
2003 Lone Star Libraries Grant		442-03229	\$ 178,612
2004 Lone Star Libraries Grant		442-04228	89,893
2004 Lone Star Libraries Grant		442-04228	74,481
2003 Telecommunications Infrastructure		QE2002LB1OC	<u>101,104</u>
Total Texas Library & Archives Commission			<u>\$ 444,090</u>
Texas Auto Theft Prevention Authority:			
Major Accessory Shop/11		SAT041005403	\$ 79,994
Major Accessory Shop/12		SAT01005404	<u>472,379</u>
Total Texas Auto Theft Prevention Authority			<u>\$ 552,373</u>
Texas Comptroller of Public Accounts:			
Tobacco Compliance/5		002005TOBACC	\$ 16,745
Tobacco Compliance/7		004007TOBACC	<u>20,117</u>
Total Texas Comptroller of Public Accounts			<u>\$ 36,862</u>
Texas Department of Health:			
2002 HIV/STD Prev(s)		001164002-07	\$ (141)
2003 HIV/STD Prev(s)		001164003-06	67,978
2003 HIV/STD Prev(s)		001164003-06	(765)
2004 HIV/STD Prev(s)		001164004-12	244,220
2004 HIV/STD Prev(s)		001164004-12	5,884
2003 Tuberculosis State		001164003-07	321,036
2004 Tuberculosis State		001164004-10	66
2004 Tuberculosis State		001164004-10	1,152,389
2004 Tuberculosis State		001164004-10	1,158
2004 Tuberculosis State		001164004-10	1,922
2003 Immunization State		001164003-10	324,999
2003 Immunization State		001164003-10	120,481
2004 Immunization State		001164005-05	194,266
2004 Immunization State		001164005-05	7,047
2004 Immunization State		001164005-05	16,213
2003 Assoc Commissioner Family, Part A		0011640A0301	93,219
2003 Assoc Commissioner Family, Part A		0011640A0301	45,094

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

Program Title	STATE AWARDS	Grant Award Number	Expenditures
2003 Assoc Commissioner Health Family Plan		0011640A0302	40,909
2003 Assoc Commissioner Health Family Plan		0011640A0402	229,638
2003 Assoc Commissioner Family, Part B		001164003-09	10,669
2003 Milk & Dairy		0011640A3-04	5,976
2004 Milk & Dairy		0011640A4-03	<u>21,453</u>
Total Texas Department of Health			<u>\$ 2,903,711</u>
Texas Department on Aging:			
2003 Assisted Living Advocacy		ALP2003-011	\$ 18,742
2004 Assisted Living Pilot		2004-ALP-13	22,139
2003 State Nutrition Aging		SGR-2003-011	101,101
2004 Title III-B-Aging		2004-SGR-13	368,685
2004 DPS Program Income Aging		2004-DPS-13	<u>1,794</u>
Total Texas Department on Aging			<u>\$ 512,461</u>
Texas Parks and Wildlife Department:			
Houston ER & Ann Taylor Park		50-00293	\$ 183,663
Willow Waterhole Park		53-00002	257,800
Hhouston Wild		52000310	<u>2,257</u>
Total Texas Parks and Wildlife Department			<u>\$ 443,720</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>\$ 10,452,422</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 175,259,828</u>
			(Concluded)

CITY OF HOUSTON, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2004

- 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	\$ 148	\$ -
Federal Grant Funds	120,647	7,806
Nonmajor Governmental Fund	1,304	2,646
Enterprise Fund—Airport System Fund	<u>42,708</u>	<u> </u>
Total	<u>\$ 164,807</u>	<u>\$ 10,452</u>

- 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	\$ 268,016

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.

- 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	\$6,082,111
Value of vaccines on hand	685,102

6. Intergovernmental revenues from reimbursable grants and capital projects is recognized when the related expenditures is incurred. However; in the case of Tropical Storm, related reimbursements were received in FY 2004 although the related storm damage recovery expenditures occurred in prior years. Similarly, reimbursements received for fire trucks for the Houston Airport System acquired last year. The amount received for these programs are as follows:

CFDA Number	Description	Grant Number	Amount
83.544	Tropical Storm Allison	FEMA-1379DR	\$1,100,215
20.106	Airport Improvement System		1,624,117

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	\$ 96,188
Community Development Block Grant	14.218	13,715,550
Emergency Shelter Grants Program	14.231	1,298,905
HOME Investments Partnerships Program	14.239	12,126,979
Housing Opportunities for Persons w/AIDS	14.241	4,508,477
CDBG / Brownfields Economic Development	14.246	331,841
CDBG Section 108 Loan Guarantees	14.248	(1,052,978)
Gang-Free Schools and Communities - Community Based	16.544	31,538
Title V Delinquency Prevention Program	16.548	65,862
Title V Delinquency Prevention Program	16.548	149,961
Executive Office for Weed and Seed	16.595	161,670
Air Pollution Control Program Support	66.001	19,186
Assistance to Firefighters Grant	83.554	24,785
Special Programs for the Aging Title VII	93.041	40,074
Special Programs for the Aging Title VIICp.3	93.041	20,902
Special Programs for the Aging Title VIICp.2	93.042	7,128
Special Programs for the Aging Title VIICp.2	93.042	25,218
Special Programs for the Aging Title III, Part B	93.044	510,495
Special Programs for the Aging Title III, Part B	93.044	38,756
Special Programs for the Aging Title III, Part B	93.044	813,501
Special Programs for the Aging Title III, Part C	93.045	480,228
Special Programs for the Aging Title III, Part C	93.045	791,916
Special Programs for the Aging Title III, Part C	93.045	870,828
Special Programs for the Aging Title III, Part C	93.045	1,100,240
National Family Caregiver Support	93.052	351,065
National Family Caregiver Support	93.052	702,330
Nutrition Services Incentive Program	93.053	594,704
Immunization Grants	93.268	80,938
Centers for Disease Control and Prevention	93.283	417,442
Centers for Disease Control and Prevention	93.283	8,844
Centers for Disease Control and Prevention	93.283	64,750
Centers for Disease Control and Prevention	93.283	70,750
Social Service Block Grants	93.667	2,500
HIV Prevention Activities Health Dept. Based	93.940	67,565
HIV Prevention Activities Health Dept. Based	93.940	1,721,177
HIV Prevention Activities Health Dept. Based	93.940	17,855
HIV Prevention Activities Health Dept. Based	93.940	1,103,709
HIV / AIDS Surveillance	93.944	189,171
Preventive Health Services STD Grants	93.977	74,230
Preventive Health Services STD Grants	93.977	18,432
Preventive Health and Health Services Block	93.991	37,270
Preventive Health and Health Services Block	93.991	87,157
Total		<u>\$41,787,139</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 Tuberculosis State	001164003-07	\$ 4,219
2003 Assc Comm Family PT	001164003-09	10,000
2004 Assisted Living Pilot	2004-ALP-13	22,139
2004 Title IIIB Aging	2004-SGR-13	368,685
2003 Assisted Living Advocacy	ALP2003-011	18,742
HCFM Fire Setters	C0253959	720
Major Accessory Shop / 11	SAT041005403	188
Major Accessory Shop / 12	SAT01005404	40
2003 State General Revenue	SGR-2003-011	<u>101,101</u>
		<u>\$ 525,834</u>

* * * * *

CITY OF HOUSTON, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2004

I. SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the basic financial statements expressed an unqualified opinion.
2. Reportable condition in internal control over financial reporting were identified, none of which are considered to be material weaknesses.
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
Special Supplemental Nutrition Program—WIC	10.557
Community Development Block Grant	14.218
Airport Improvement Program	20.106
Center for Disease Control and Prevention	93.283
HIV Prevention Activities	93.940
Shared Forfeited Property	State
TCEQ Interlocal Contract	State
State Nutrition Aging	State
Emission Reduction Incentive	State
HIV / STD Prevention	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 did not qualify as a low-risk auditee, as defined in OMB Circular A-133.

II. FINANCIAL STATEMENT FINDINGS SECTION

Program	Finding/Noncompliance	Questioned Cost
Finding 2004-1.		
Community Development Block Grant – CFDA# 14.218;	<u>Finding:</u> A number of significant audit adjustments related to the Housing and Community Development Department (“HCDD”) notes receivable grant funds were required to be recorded during the 2004 audit for various items, including the following:	N/A
HOME Investment Partnerships Program – CFDA# 14.239;	<ul style="list-style-type: none"> • Notes receivable balances that were recorded on the general ledger of the City had not been evaluated and written down to their appropriate balance as of year-end resulting in a material write-down of such balances; • Some notes receivables that should have been reflected on the City’s general ledger were not included on the books of the City, which resulted in such notes receivables having to be added to the general ledger for financial reporting purposes. 	
Housing Opportunities for Persons with AIDS – CFDA# 14.241;	<ul style="list-style-type: none"> • It did not appear that the HCCD loan servicing division and the HCCD accounting division regularly communicated related to the status of notes receivable balances. 	
<p><u>Recommendation:</u> HCCD should investigate balances that are, or should be, reflected in the general ledger of the City to ensure that such balances are properly represented for financial reporting purposes.</p>		
<p><u>Corrective Action Plan of Management:</u> HCDD will regularly investigate balances that are, or should be, reflected in the general ledger of the City to ensure that such balances are properly represented for financial reporting purposes. Every Note Receivable related to Single-Family assistance and Multi-Family projects is in the process of being evaluated for its accuracy and its ability to be collected.</p>		
<p><u>Estimated Completion Date:</u> June 30, 2005</p>		
<p><u>City Contact Person:</u> Jack Lippincott</p>		

Program	Finding/Noncompliance	Questioned Cost
N/A	<p data-bbox="719 344 964 375" style="text-align: center;">FINDING 2004-2.</p> <p data-bbox="472 415 1206 646"><u>Finding:</u> The City's accounting for property transactions does not appear to be a coordinated effort which has led to material adjustments being made during the annual audit process. We noted instances in which property balances were not reconciled to the appropriate property subledgers and property transactions were not properly reflected in the City's general ledger system.</p> <p data-bbox="472 680 1206 810"><u>Recommendation:</u> The City should perform a critical review of the information flowing in and out of the various subledger systems and evaluate how this information should be reconciled to the general ledger of the City.</p> <p data-bbox="472 844 1206 1245"><u>Corrective Action Plan of Management:</u> The City is in the process of converting the City's GFAMS asset system to the AIIMS asset system that is being used by the Public Works & Engineering Department. This will enable departments and high-level users of the application to have better control of reconciling the asset system (subledger) to other subledgers such as CIP and real estate (land) and the general ledger. The Information Technology project team is developing enhancements for implementation to the application to comply with the required reporting standards as established by the City Controller's Office to meet all Consolidated Annual Financial Report requirements.</p> <p data-bbox="472 1281 1206 1514">Additionally, the City is in the process of completing an Enterprise Resource Planning Project that will enable the City to create and control all asset entries with automated business processes to create GL data through the integrated subledgers. The ERP Project will replace the City's current financial, purchasing, asset, human resources and general ledger systems.</p> <p data-bbox="472 1549 1206 1648"><u>Estimated Completion Date:</u> Database conversion by June 1, 2005. Application enhancements for FY05 year-end reporting by August 1, 2005.</p> <p data-bbox="472 1684 1206 1711"><u>City Contact Person:</u> Judy Gray Johnson or Richard Lewis</p>	N/A

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
HOME Investment Partnerships Program – CFDA# 14.239	<p style="text-align: center;">Finding 2004-3.</p> <p><u>Finding:</u> In August 2004, the U.S. Department of Housing and Urban Development (“HUD”) conducted a monitoring review of the City’s HOME program that included twenty-five findings, and required that the City suspend all disbursements of HOME funds, except to pay the City’s administrative costs. It was HUD’s belief that the City has failed to manage the HOME program to ensure that HOME funds were used in accordance with HOME program requirements and to take action to address any findings. The findings also included, among other things, that the City could not demonstrate that HOME funds were being utilized to ensure that housing met the HUD property standards, that families receiving assistance were low-income as defined by HUD, that all costs and activities were eligible and reasonable and that housing met the affordability requirements for the affordability period. In addition, HUD determined that the City was not performing the following required activities:</p> <ul style="list-style-type: none"> • Monitoring subrecipients adequately • Completing environmental reviews • Inspecting properties to ensure compliance with HOME property standards • Requiring written agreements between the homebuyers and the City or its subrecipients • Determining the income of HOME program beneficiaries • Accounting for program income properly • Ensuring that owners of the City’s HOME-assisted rental housing projects adopted and followed written tenant selection criteria and complied with the City’s affirmative marketing procedures <p>The City is currently in discussions with HUD related to action that is being taken to resolve these matters.</p>	N/A

Program	Finding/Noncompliance	Questioned Cost
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Finding 2004-3 continued.

Recommendation for Corrective Action: Continue to reevaluate all procedures and operational processes to ensure that corrective actions will be taken to ensure compliance with HUD HOME requirements.

Corrective Action Plan of Management: Current processes and procedures are being evaluated, and additional procedures are being developed, to ensure continued compliance with all HUD HOME requirements. The results of an independent review of departmental policies and procedures are currently under assessment for improved compliance with HUD requirements and are expected to be implemented shortly.

Estimated Completion Date: September 30, 2005

City Contact Person: Jack Lippincott

Finding 2004-4.

**HOME
Investment
Partnerships
Program –
CFDA# 14.239;**

Finding: It was noted that out of thirty-one selections subject to testing one selection totaling \$46,215 was initially recorded twice in fiscal year 2004. The expenditure, however, was correctly reported in the grantor’s fiscal year grant period. The recoding of the expenditure was properly reflected in the City’s Schedule of Federal and State Awards as of June 30, 2004.

N/A

Recommendation: Policies and procedures need to be established to ensure that all expenditures are properly recorded.

Corrective Action Plan of Management: The transaction was corrected prior to the issuance of the financial statements. Current policies and procedures are being evaluated and updated as necessary to ensure that all expenditures are properly recorded.

Estimated Completion Date: September 30, 2005

City Contact Person: Jack Lippincott

Program	Finding/Noncompliance	Questioned Cost																
Finding 2004-5.																		
Houston Money Laundering – CFDA# 7.XXX;	<u>Finding:</u> It was noted that out of thirty-one selections subject to testing, a total of \$611,274 representing ten selections, were initially recorded in the wrong fiscal year. The expenditures were recorded as fiscal year 2005 expenditures when they should have been charged as fiscal year 2004 expenditures. The expenditures, however, were correctly reported in the grantor’s fiscal year grant period. The recoding of the expenditures was properly reflected in the City’s Schedule of Federal and State Awards as of June 30, 2004. The breakdown of expenditure amount by federal and state grant is as follows:	N/A																
Summer Food Program for Children – CFDA# 10.559;	<table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Houston Money Laundering</td> <td style="text-align: right;">\$ 4,964</td> </tr> <tr> <td>Summer Food Program for Children</td> <td style="text-align: right;">119,269</td> </tr> <tr> <td>Community Development Block Grant</td> <td style="text-align: right;">57,636</td> </tr> <tr> <td>State Library Program</td> <td style="text-align: right;">549</td> </tr> <tr> <td>Special Programs for the Aging Title III, Part C</td> <td style="text-align: right;">54,695</td> </tr> <tr> <td>HIV Prevention</td> <td style="text-align: right;">41,880</td> </tr> <tr> <td>Lone Star Libraries Grant</td> <td style="text-align: right;">74,481</td> </tr> <tr> <td>Willow Waterhole Park</td> <td style="text-align: right;">257,800</td> </tr> </table>	Houston Money Laundering	\$ 4,964	Summer Food Program for Children	119,269	Community Development Block Grant	57,636	State Library Program	549	Special Programs for the Aging Title III, Part C	54,695	HIV Prevention	41,880	Lone Star Libraries Grant	74,481	Willow Waterhole Park	257,800	
Houston Money Laundering	\$ 4,964																	
Summer Food Program for Children	119,269																	
Community Development Block Grant	57,636																	
State Library Program	549																	
Special Programs for the Aging Title III, Part C	54,695																	
HIV Prevention	41,880																	
Lone Star Libraries Grant	74,481																	
Willow Waterhole Park	257,800																	
Community Development Block Grant – CFDA# 14.218;	<u>Recommendation:</u> Policies and procedures need to be established to ensure that all expenditures are recorded in the proper fiscal year.																	
State Library Program – CFDA# 45.310;	<u>Corrective Action Plan of Management:</u>																	
Special Programs for the Aging Title III, Part C – CFDA# 93.045;	07.000: Budget and Finance in HPD will adhere to the policies and procedures of year-end closing as given by the Controller’s Office and have all year-end payments of a fiscal year accrued prior to the end of the fiscal year.																	
HIV Prevention – CFDA# 93.940;	10.559: Implement a policy where before closing the fiscal year all year-end expenditures related to that fiscal year are accrued. Expenditures processed during year-end closing will be monitored more closely.																	
Lone Star Libraries Grant – 442-04228;	14.218: Current policies and procedures are being reviewed and updated as necessary to ensure that all expenditures are properly recorded. The department will adhere to the policies and procedures issued by the City Controller’s Office for year-end closing.																	
Willow Waterhole Park – 53-00002																		

Program

Finding/Noncompliance

**Questioned
Cost**

Finding 2004-5 continued.

45.310; 442-04228: Invoices paid during the year-end closing period will be monitored closely for posting to the proper fiscal year. The department will adhere to the policies and procedures issued by the City Controller's Office for year-end closing.

53-00002: Implement a policy where if our department has not received the invoice, the amount of expenditure for the fiscal year should be accrued. The department will adhere to the policies and procedures issued by the City Controller's Office for year-end closing.

93.045; 93.940: Department policy is to pay June invoices during the 13th period of the fiscal year. This policy will be emphasized when preparing and distributing the fiscal year end close instructions to the department. In addition, dates and reporting periods of the documents will receive additional monitoring and review by the Accounts Payable section to assure proper coding of June invoices. The department will adhere to the policies and procedures issued by the City Controller's Office for year-end closing.

Estimated Completion Date: June 30, 2005

City Contact Person:

07.000: Deborah L. Webb

10.559; 53-00002: Isabel Kato

14.218: Jack Lippincott

45.310; 442-04228: Jim Fontana

93.045; 93.940: Sally Switek

Program	Finding/Noncompliance	Questioned Cost
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Finding 2004-6.

Special Supplemental Nutrition Program – WIC – CFDA# 10.557

Finding: The programmatic reports related to “Program of Operations” and “Performance Measures” for the months of July and August could not be located.

N/A

Recommendation: Policies and procedures need to be established to ensure that all reports prepared for the program are maintained in accordance with the record retention policy of the program.

Corrective Action Plan of Management: All reports shall be signed and dated by the Bureau Chief or designee in her absence on the day of submission and a signed copy placed in the office files.

Estimated Completion Date: Effective immediately

City Contact Person: Faye Walker

Finding 2004-7.

CDC and Prevention Investigations and Technical Assistance – CFDA# 93.283

Finding: The programmatic report for the Online Infectious Disease program for the period September 20, 2003 through March 31, 2004 could not be located.

N/A

Recommendation: Policies and procedures need to be established to ensure that all reports prepared for the program are maintained in accordance with the record retention policy of the program.

Corrective Action Plan of Management: The report has been completed and submitted to Centers for Disease Control. The employee responsible for submission of this report is no longer working with the City. Future reports will be submitted on time. A calendar event has been created to notify managers when the reports are due.

Estimated Completion Date: March 25, 2005

City Contact Person: Tina Zelaya

Program	Finding/Noncompliance	Questioned Cost
Airport Improvement Program – CFDA# 20.106	<p data-bbox="740 338 951 369" style="text-align: center;">Finding 2004-8.</p> <p data-bbox="456 415 1219 810"><u>Finding:</u> Direct costs are billed by the City’s Police and Fire Departments and the 311 Citizen Assistance Line 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 based on 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. Aviation properly settled up with the Fire Department during fiscal year 2004, but has not settled up on direct costs with the Police Department or the 311 Citizen Assistance Line during fiscal year 2004.</p> <p data-bbox="456 848 1187 947"><u>Background:</u> OMB costs circular require that costs charged to federal programs represent actual costs incurred; such costs should not be based on budgeted or estimated amounts.</p> <p data-bbox="456 984 1219 1178"><u>Recommendation:</u> 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 adjustment is properly recorded should be assigned in all three departments.</p> <p data-bbox="456 1215 1235 1514"><u>Corrective Action Plan of Management:</u> The Houston Police Department has prepared a reconciliation of actual costs to budgeted amounts billed as required. However, the Houston Airport System does not agree that the reconciliation provided by HPD is accurate. Therefore, auditors from the City’s Finance & Administration Department have been assigned to review the reconciliation and verify the accuracy of the information presented. The Finance & Administration staff is working with HPD to improve the documentation supporting the reconciliation.</p> <p data-bbox="456 1551 967 1583"><u>Estimated Completion Date:</u> June 30, 2005</p> <p data-bbox="456 1621 1073 1652"><u>City Contact Person:</u> David Tyler and Susan Taylor</p>	Unknown

Program	Finding/Noncompliance	Questioned Cost
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Finding 2004-9.

CDC and Prevention Investigations and Technical Assistance – CFDA# 93.283

Finding: During our physical verification of selected assets, it was noted that of the seven assets physically inspected five did not have tags adhered to the asset for identification purposes. The assets that were not tagged were all laboratory assets.

N/A

Recommendation: All assets purchased with federal or state moneys should be tagged to ensure proper safeguarding and tracking of such assets.

Corrective Action Plan of Management: Items identified have been issued a fixed asset tag. E. Byron Marbley will ensure that all items ordered for the Lab are shipped directly to the warehouse for tagging.

Estimated Completion Date: March 24, 2005

City Contact Person: E. Byron Marbley

Finding 2004-10.

HIV Prevention Activities Health Department Based – CFDA# 93.940

Finding: The January 2004 – March 2004 quarterly Financial Status Report (“FSR”) for HIV Surveillance was submitted after the April 30, 2004 due date and the July 2003- September 2003 quarterly FSR for HIV Unique was submitted after the October 31, 2003 due date.

N/A

Recommendation: Policies and procedures need to be established to ensure that all reporting requirements are met.

Corrective Action Plan of Management: A procedure will be put in place to ensure that reporting requirements are met. A program will be set up to notify the supervisor and the accountant of reporting due dates.

Estimated Completion Date: May 2005

City Contact Person: Monica Mitchell

Program	Finding/Noncompliance	Questioned Cost
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Finding 2004-11.

HIV Prevention Activities Health Department Based – CFDA# 93.940

Finding: Through a review of the sub-recipient contract, it was noted that Community Level Interventions (“CLI”) - CDC is a minimum of 1.5 hour activity where a minimum of 30 clients should be reached. Similarly, it was noted that Individual Level Interventions (“ILI”) requires a minimum of 30 minutes. As a result of testwork performed for CLI - CDC, one instance was noted where the number of people that services were provided to was only 28. Four instances were noted where the session time for ILIs was only 15 minutes. It was noted that one of the ILI was disallowed but the remaining three were reimbursed.

N/A

Recommendation: Policies and procedures need to be established to ensure that all sessions are conducted according to the minimum standards.

Corrective Action Plan of Management: A check and balance system has been put in place by having all documents reviewed. The program supervisors will audit the document prior to being reviewed and approved by contract compliance. Contractor was contacted concerning oversight and was made aware of the problem. Contract Compliance did an in-house audit review of HACS, Inc. documents. No additional errors were found.

Estimated Completion Date: February 28, 2005

City Contact Person: Lorenzo Harris

Finding 2004-12.

HIV Prevention Activities Health Department Based – CFDA# 93.940

Finding: Through a review of sub-recipient contract, it was noted that Targeted Street Outreach is a minimum of 1.5 hour activity where a minimum of 30 clients should be reached. However, through a review of the activity report form, it was noted that there were two instances noted where time spent for the activity was not reported by the sub-recipient. Further, there were two instances where the number of clients reached was not identified in the Standard Activity form.

N/A

Recommendation: Policies and procedures need to be established to ensure that all sessions are conducted according to the minimum standards.

Program

Finding/Noncompliance

**Questioned
Cost**

Finding 2004-12 continued.

Corrective Action Plan of Management: An in-house review of eleven additional months was done by compliance section. No additional errors were found. A check and balance system has been put in place by having all documents reviewed. The program supervisors will review the document prior to being reviewed and approved by contract compliance. An attempt to contact WAM, Inc. has been to no avail. WAM, Inc is no longer in business and officers of the organization could not be located to discuss the audit findings

Estimated Completion Date: February 2005

City Contact Person: Lorenzo Harris

Finding 2004-13.

**HIV Prevention
Activities
Health
Department
Based –
CFDA# 93.940**

Finding: For contract year 2003, the program is required to provide an average of 1,653 Prevention Case Management (“PCM”) interventions per client to an estimated 90 unduplicated clients who are women of child-bearing age for Harris County. For contract year 2004, the program is required to provide an average of 700 PCM interventions per client to an estimated 45 unduplicated clients who are women of child-bearing age for Harris County. While the City performs some PCM interventions, the majority are performed by sub-contractors.

N/A

The number of PCM interventions for contract year 2003 per the performance measure report was 1446, thus the City did not initially appear to meet the level of effort requirement. Upon further investigation we noted that the number of sessions reported included only the PCM sessions performed by sub-contractors as the sessions conducted directly by the City were neither being tracked nor reported. Thus to prove compliance with this requirement, the City then reviewed the client’s medical charts to determine the number of sessions directly conducted by the City. Such review identified an additional 400 PCM interventions, resulting in the total number of PCM interventions exceeding the 1,653 requirement and thus meeting the compliance requirement.

Recommendation: Policies and procedures need to be established to ensure that all sessions conducted directly by the City are tracked and included in the numbers reported to ensure that the level of effort compliance requirement is met.

Program

Finding/Noncompliance

**Questioned
Cost**

Finding 2004-13 continued.

Corrective Action Plan of Management: Policies and procedures will be established to ensure that all sessions conducted directly by the City are traced and included in the numbers reported quarterly to make sure that the compliance requirement is met.

Estimated Completion Date: March 30, 2005

City Contact Person: Cathy Wiley

Finding 2004-14.

**State Nutrition
Aging**

Finding: One of the 25 invoices tested, dated in June 2003 was incorrectly reported as an expenditure in fiscal year 2004. The expenditure was included in the July 2003 reimbursement request form.

\$45,197

Recommendation: Policies and procedures need to be established to ensure that all expenditures are properly recorded in the correct period.

Corrective Action Plan of Management: Department policy is to pay June invoices during the 13th period of the fiscal year. This policy will be emphasized when preparing and distributing the fiscal year end close instructions to the department. In addition, dates and reporting periods of the documents will receive additional monitoring and review by the Accounts Payable section to assure proper coding of June invoices

Estimated Completion Date: March 25, 2005

City Contact Person: Sally Switek

Program	Finding/Noncompliance	Questioned Cost
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Finding 2004-15.

Housing Opportunities for Persons with AIDS

Finding: It was noted that an electronic fund transfers totaling \$117,261 which was initiated in July 2004 was initially recorded in June 2004 which resulted in a double recording of expenditures. The reversal of the expenditure was properly reflected in the City's Schedule of Federal and State Awards as of June 30, 2004.

N/A

Recommendation: Policies and procedures need to be established to ensure that all expenditures are properly recorded in the correct period.

Corrective Action Plan of Management: Financial transactions recorded during the year-end closing period will be monitored closely for posting to the proper fiscal year. The department will adhere to the policies and procedures issued by the City Controller's Office for year-end closing.

Estimated Completion Date: June 30, 2005

City Contact Person: Jack Lippincott

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

Program	Finding/Noncompliance	Questioned Cost
N/A	Finding 2003-1.	N/A
	<p><u>Finding:</u> 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.</p>	
	<p><u>Background:</u> 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 revenue and inventory. These adjustments relate to business-type activities in the City’s enterprise funds as well as activities reported in governmental funds.</p>	
	<p><u>Recommendation:</u> 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.</p>	
<p><u>Status:</u> 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. The Financial Reporting staff has been meeting regularly with departmental staff to become aware of non-routine accounting transactions. The Financial Reporting staff also reviews all Requests for City Council actions for financial information and ensures that it is accounted for properly.</p>		

Program	Finding/Noncompliance	Questioned Cost
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Finding 2003-2.

Aviation Improvement Program- CFDA# 20.106

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.

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 that this adjustment is properly recorded should be assigned in all three departments.

Status: The Houston Police Department has prepared a reconciliation of actual costs to budgeted amounts billed as required. However, the Houston Airport System does not agree that the reconciliation provided by HPD is accurate. Therefore, auditors from the City’s Finance & Administration Department have been assigned to review the reconciliation and verify the accuracy of the information presented. The Finance & Administration staff is working with HPD to improve its documentation in support of its reconciliation.

Program	Finding/Noncompliance	Questioned Cost
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Finding 2003-3.

**Immunization
Grants – CFDA#
93.268**

Finding: We noted that 16 of the 27 City locations that are tracked for vaccine usage had differences in the inventory records ranging from \$1,115 to \$28,054 resulting in an overstatement of vaccine expenditures of \$4,023.

N/A

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.

Status. The City has reviewed and modified its inventory control policies and procedures for these vaccines. The Vaccines for Children (VFC) program has now required city distribution sites to submit lists to confirm inventory received by the individual sites. These lists supplement the inventory distribution lists from the two depots that ship vaccines to the sites: The vaccines are shipped from the VFC depot and the Texas Department of State Health Services’ (DSHS) contract distributor, General Injectable Vaccines (GIV).

The State of Texas, Department of State Health Services (DSHS), has developed a web-based system that will be used for all Vaccines for Children (VFC) inventory management and ordering activities. The system that has been developed and is in final testing and pilot implementation is the Pharmacy Inventory Control System (PICS). The use of this system will be **required** by all public health entities participating in the VFC program. The PICS software is scheduled for implementation in Houston in calendar year 2005. The Pharmacy Inventory Control System (PICS) will be made available to the City of Houston at no expense. Darlene Robinson is the VFC staff member that will be assigned responsibility for implementation of the PICS system and is currently responsible for monitoring all vaccine inventory management activities.