

City of Houston, Texas

*Single Audit Report for the
Year Ended June 30, 2007*

CITY OF HOUSTON, TEXAS

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the basic financial statements of the City of Houston, Texas (the "City"), as of and for the year ended June 30, 2007, and have issued our report thereon dated June 30, 2008. We did not audit the financial statements of the Firefighter's Relief and Retirement Pension Trust Fund, the Municipal Employees' Pension Trust Fund and the Police Officers' Pension Trust Fund, blended component units of the City, which, in aggregate, represent 100% of the assets of the pension trust funds, within the fiduciary funds. In addition we did not audit the financial statements of the nonmajor business-type enterprise fund, which represents 2% and 0% of the assets and revenues of business-type activities of the City. We also did not audit the financial statements of any governmental or business-type discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for such business-type activities, pension trust funds and governmental and business-type discretely presented component units, is based solely on the reports of the other auditors. 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 Management Standards* (UGMS). The financial statements noted above as being audited by other auditors were audited in accordance with generally accepted auditing standards, but were not audited in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, except for the Houston Business Development Inc., a governmental discretely presented component unit, which was audited in accordance with *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated June 30, 2008.

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Mayor, Members of City Council, the City Controller, others within the City, 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's Touche LLP

June 30, 2008

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL AND STATE AWARD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

To 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 Management Standards* (UGMS) that are applicable to each of its major federal and state programs for the year ended June 30, 2007. The City's major federal and state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and UGMS. Those standards, OMB Circular A-133 and UGMS 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.

As described in items 2007-2, 2007-4, 2007-5 and 2007-6, in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with the requirements regarding allowable costs that are applicable to its Immunization Grants — Federal; Immunization Grants — State, and the requirements regarding reporting and the Davis-Bacon Act that are applicable to its Acres Home Program — State. Compliance with such requirement is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2007. The results of our auditing procedures also disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and UGMS and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2007-3, 2007-7 through 2007-12.

The City's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the City's response and, accordingly, we express no opinion on it.

INTERNAL CONTROL OVER COMPLIANCE

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to 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 and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-2, 2007-4, 2007-5 and 2007-6 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider the significant deficiencies noted above to be material weaknesses.

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

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, 2007, and have issued our report thereon dated June 30, 2008. 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 UGMS 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

June 30, 2008

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Program Title	FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Executive Office of the President —				
Office of National Drug Policy —				
Houston High Intensity Drug Trafficking Area (HIDTA):				
Cpot-Tnet Opr Blmrln		07.XXX	I3PHNP999	\$ 24,998
Currency Narc Trans		07.XXX	I2PHNP502	(282)
Gang-Non-Trad Sq/1		07.XXX	I2PHNP525	512
Gang-Non-Trad Sq/3		07.XXX	I4PHNP525	39,819
Gang-Non-Trad Sq/6		07.XXX	I7PHNP525	7,912
HIDTA 2005		07.XXX	I5PHNP500Z	445,767
HIDTA 2006		07.XXX	I6PHNP500Z	1,840,218
Houston Intl Sp Cnt/1		07.XXX	I4PHNP501	1,680
Houston Money Lnd/6		07.XXX	I2PHNP520	137
Joint Drug Intell/8		07.XXX	I3PHNP501	208
Major Drug Squad/6		07.XXX	I3PHNP500A	80
Major Drug Squad/7		07.XXX	I4PHNP500A	7,785
Meth Initiative/2		07.XXX	I3PHNP529	76
Narc Ops Ctrl Int/11		07.XXX	I7PHNP503	547
Narc Ops Ctrl Int/6		07.XXX	I2PHNP503	350
Target Narc Enfrc/3		07.XXX	I4PHNP533	71,517
Target Narc Enfrc/6		07.XXX	I7PHNP533	10,840
Truck-Air-Rail-Prt/1		07.XXX	I3PHNP502	16,899
Truck-Air-Rail-Prt/2		07.XXX	I4PHNP502	8,438
Truck-Air-Rail-Prt/5		07.XXX	I7PHNP502	<u>6,555</u>
Total Office of National Drug Policy				<u>\$ 2,484,056</u>
Department of Agriculture Passed Through — TX Dept. of AG.:				
Special Supplemental Nutrition Program — WIC		10.557	7460011640-06-11	\$ 2,687,282
Special Supplemental Nutrition Program — WIC		10.557	2007-020879-001	<u>7,314,119</u>
Total Texas Department of Agriculture				<u>10,001,401</u>
Department of Agriculture Passed Through — TX Dept. of Human Services:				
FY2006 Summer Food Service Program for Children		10.559	06TX1011007	988,617
FY2006 Summer Food Service Program for Children		10.559	07TX1011007	<u>1,394,303</u>
Total Texas Department of Human Services				<u>2,382,920</u>
Department of Agriculture Passed Through — Texas:				
Forestry Service				
Cooperative Forestry Prog		10.664	50707	7,319
Cooperative Forestry Prog		10.664	50707	12,120
Cooperative Forestry Prtns		10.664	05-07-06	<u>10,000</u>
Total Texas Forestry Service				<u>29,439</u>
Total Department of Agriculture				<u>\$ 12,413,760</u>

See Notes to Schedule of Expenditures of Federal and State Awards

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CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Program Title	FEDERAL AWARDS Federal CFDA Number	Grant Award Number	Expenditures
Department of Housing and Urban Development:			
Community Development Block Grant	14.218	B99MC480018	\$ 395,185
Community Development Block Grant	14.218	B00MC480018	272,445
Community Development Block Grant	14.218	B01MC480018	1,474,665
Community Development Block Grant	14.218	B02MC480018	1,971,937
Community Development Block Grant	14.218	B03MC480018	1,356,830
Community Development Block Grant	14.218	B04MC480018	6,577,996
Community Development Block Grant	14.218	B05MC480018	6,965,703
Community Development Block Grant	14.218	B06MC480018	19,814,074
Community Development Block Grant	14.218	B93MC480018	168,452
Community Development Block Grant	14.218	B94MC480018	658,512
Community Development Block Grant	14.218	B95MC480018	5,513
Community Development Block Grant	14.218	B96MC480018	116,541
Community Development Block Grant	14.218	B97MC480018	342,106
Community Development Block Grant	14.218	B98MC480018	<u>163,518</u>
Total Community Development Block Grant			<u>40,283,476</u>
Emergency Shelter Grants Program	14.231	S06MC480002	1,096,405
Emergency Shelter Grants Program	14.231	S04MC480002	13,374
Emergency Shelter Grants Program	14.231	S05MC480002	<u>703,696</u>
Total Emergency Shelter Grants Program			<u>1,813,476</u>
HOME Investment Partnerships Program	14.239	M06MC480206	1,213,246
HOME Investment Partnerships Program	14.239	M03MC480206	1,115,506
HOME Investment Partnerships Program	14.239	M04MC480206	3,463,081
HOME Investment Partnerships Program	14.239	M05MC480206	1,295,906
HOME Investment Partnerships Program	14.239	M01MC480206	105,853
HOME Investment Partnerships Program	14.239	M02MC480206	205,154
HOME Investment Partnerships Program	14.239	M93MC480206	<u>4,549</u>
Total HOME Investment Partnership Program			<u>7,403,295</u>
Housing Opportunities for Persons with AIDS	14.241	TX21H06-F003	348,278
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	(3,459)
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	18,215
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	(563)
Housing Opportunities for Persons with AIDS	14.241	TX21H03-F003	279,804
Housing Opportunities for Persons with AIDS	14.241	TX21H04-F003	454,774
Housing Opportunities for Persons with AIDS	14.241	TX21H05-F003	<u>3,950,575</u>
Total Housing Opportunities for Persons with AIDS			<u>5,047,624</u>
CDBG/Brownfield Economic Development Initiative	14.246	B05SPTX0984	72,168
CDBG/Brownfield Economic Development Initiative	14.246	E95EZ480006	(75,939)
CDBG/Brownfield Economic Development Initiative	14.246	B05SPTX0982	288,188
CDBG/Brownfield Economic Development Initiative	14.246	B04SPTX0766	149,115

See Notes to Schedule of Expenditures of Federal and State Awards

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Program Title	FEDERAL AWARDS Federal CFDA Number	Grant Award Number	Expenditures
CDBG/Brownfield Economic Development Initiative	14.246	B01SPTX0607	\$ 177,070
CDBG/Brownfield Economic Development Initiative	14.246	B00SPTX0377	<u>(70,444)</u>
Total CDBG/Brownfields Economic Development Initiative			<u>540,158</u>
Lead-Based Paint Hazard Control in Privately Owned Housing	14.900	TXLHB0310-05	<u>1,327,840</u>
Lead Hazard Reduction Demonstration Grant Program	14.905	TXLHD0031-04	<u>608,014</u>
Total Department of Housing and Urban Development			<u>\$ 57,023,882</u>
Department of Justice: Shared Forfeiture Property	16.XXX		<u>\$ 2,053,022</u>
Combined DNS Index System	16.307	2005DNBXX035	<u>8,078</u>
Developing, Testing, and Demonstrating Promising New Programs	16.541	2005JRFX0002	<u>24,048</u>
Gang Free Schools	16.541	2007-JV-FX-0002	98,179
Gang Free Schools	16.541	2001JDFX00001	<u>174,246</u>
Total Crime Laboratory Improvement Combined Offender			<u>272,426</u>
Crime Laboratory Improvement Combined Offender	16.564	2001DDVXX002	101,567
Crime Laboratory Improvement Combined Offender	16.564	2004DNBXX193	23,478
Crime Laboratory Improvement Combined Offender	16.564	2004DNBXX114	<u>114,539</u>
Total Texas Office of Attorney General			<u>239,584</u>
Local Law Enforcement Block Grants Program	16.592	2005DJBX0119	275,618
Local Law Enforcement Block Grants Program	16.592	2006DJ BX 0286	(3,761)
Local Law Enforcement Block Grants Program	16.592	2004LBBX1440	<u>835,521</u>
Total Local Law Enforcement Block Grants Program			<u>1,107,377</u>
Community Capacity Development Office	16.595	2005WSQ50269	151,310
Community Capacity Development Office	16.595	2005WSQ50303	122,711
Community Capacity Development Office	16.595	2006-WS-Q6-0172	101,662
Community Capacity Development Office	16.595	2005WSQ50304	<u>107,412</u>
Total Executive Office for Weed and Seed			<u>483,095</u>
Public Safety Partnership and Community Policing Grants	16.710	2003INWX0003	<u>277</u>
Total Public Safety Partnership and Community Policing Grants			<u>277</u>

See Notes to Schedule of Expenditures of Federal and State Awards

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Program Title	FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Juvenile Accountability Block Grants		16.523	JB-05-J20-13322-08	\$ 77,589
Juvenile Accountability Block Grants		16.523	JB04J2013322	<u>15,156</u>
Total Juvenile Accountability Incentive Block Grants				92,744
Edward Byrne Memorial Justice Assistance Grant Program		16.738	DH-06-A10-18445-01	<u>10,712,899</u>
Total Office of the Governor, Criminal Justice Division				<u>\$ 10,805,644</u>
National Institute of Justice, Research, Evaluation		16.560	2005DABXK021	\$ 82,272
National Institute of Justice, Research, Evaluation		16.560	A101813201	<u>183,498</u>
				<u>265,769</u>
Community Prosecution and Project Safe Neighborhoods		16.609	321-20-S036	5,996
Community Prosecution and Project Safe Neighborhoods		16.609	S04D77206	29,723
Community Prosecution and Project Safe Neighborhoods		16.609	32120SO29	24,047
Community Prosecution and Project Safe Neighborhoods		16.609	S04D77205	15,642
Community Prosecution and Project Safe Neighborhoods		16.609	S04D77204	31,833
Community Prosecution and Project Safe Neighborhoods		16.609	321-20-S037	360
Community Prosecution and Project Safe Neighborhoods		16.609	321-20-S038	6,132
Community Prosecution and Project Safe Neighborhoods		16.609	32120SO27	<u>25,606</u>
Total Sam Houston State University				<u>139,338</u>
Paul Coverdell Forensic Sciences Improvement Grant		16.742	17319-03	<u>\$ 99,280</u>
Total Department of Justice				<u>\$ 15,497,938</u>
Department of Transportation Federal Highway Administration:				
Airport Improvement Program		20.106	3-48-0111-61-2007	\$ 17,000,000
Airport Improvement Program		20.106	3-48-0290-20-2006	2,248,287
Airport Improvement Program		20.106	3-48-0290-18	11,097,104
Airport Improvement Program		20.106	3-48-0111-048	328,137
Airport Improvement Program		20.106	3-48-0110-29-2006	600,114
Airport Improvement Program		20.106	3-48-0111-047	5,549,811
Airport Improvement Program		20.106	3-48-0110-025	4,459,306
Airport Improvement Program		20.106	3-48-0111-056	42,655
Airport Improvement Program		20.106	3-48-0290-15	(62,557)
Airport Improvement Program		20.106	3-48-0290-17	(175,808)
Airport Improvement Program		20.106	3-48-0110-31	<u>12,557</u>
Total Federal Aviation Administration				<u>41,099,606</u>

See Notes to Schedule of Expenditures of Federal and State Awards

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Program Title	FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Highway Planning and Construction		20.205	TCSP-TX096(001)-55BO	\$ 343,186
Highway Planning and Construction		20.205	CSJ0912-71-627	127,357
Highway Planning and Construction		20.205	CSJ0912-71-836	145,941
Highway Planning and Construction		20.205	0912-71-705	<u>96,909</u>
Total Highway Planning and Construction				<u>713,393</u>
State and Community Highway Safety		20.600	060702B1AA	149,940
State and Community Highway Safety		20.600	070701B1AA	198,011
State and Community Highway Safety		20.600	050204B1BU	91,097
State and Community Highway Safety		20.600	060705E1AA	99,083
State and Community Highway Safety		20.600	070701A1AM	191,493
State and Community Highway Safety		20.600	070701A1AM	81,306
State and Community Highway Safety		20.600	060202B1BB	43,519
State and Community Highway Safety		20.600	060202B1BF	38,906
State and Community Highway Safety		20.600	070202B1BE	128,358
State and Community Highway Safety		20.600	07-0701A1AM	178,120
State and Community Highway Safety		20.600	060801A1AE	97,989
State and Community Highway Safety		20.600	060504A1BR	10,641
State and Community Highway Safety		20.600	070504A1CA	125,000
State and Community Highway Safety		20.600	060505A1AA	91,757
State and Community Highway Safety		20.600	070701A1AM	<u>111,547</u>
Total State and Community Highway Safety				<u>1,636,768</u>
Recreational Trails Program:		20.219	RT0615	<u>5,765</u>
Total Texas Parks & Wildlife Department				<u>5,765</u>
Total Department of Transportation				<u>\$ 43,455,531</u>
Shared Forfeited Property —		21.XXX		<u>\$ 1,159,738</u>
Total Department of Treasury				<u>\$ 1,159,738</u>
Donation of Federal Surplus Personal Property		39.003		<u>\$ 170,187</u>
Total General Services Administration				<u>\$ 170,187</u>
Grants to States		45.310	470-06008	\$ 666,950
Grants to States		45.310	470-07008	1,155,761
Grants to States		45.310	771-07043	228,531
Grants to States		45.310	771-06043	50,579
Grants to States		45.310	476-07018	47,744
Grants to States		45.310	476-06018	24,843
Laura Bush 21st Century Library Program		45.313	RE-01-06-0088	<u>77,137</u>

See Notes to Schedule of Expenditures of Federal and State Awards

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CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Program Title	FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Total Institute of Museum and Library Services				<u>\$ 2,251,545</u>
Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act		66.034	XA-96620501-0	<u>\$ 617,825</u>
Total Studies, Surveys Demonstrations Clean Air Act				<u>617,825</u>
Air Pollution Control Program Support		66.001	582-6-72619	<u>392,972</u>
Total Air Pollution Control Program Support				<u>392,972</u>
Particulate Matter 2.5 Monitoring		66.606	582-7-72659	33,859
Particulate Matter 2.5 Monitoring		66.606	582-5-55867	<u>8,935</u>
Total Texas Commission on Environmental Quality				<u>42,794</u>
Capitalization Grants for Clean Water State Revolving Funds		66.458	128200	40,407,721
Capitalization Grants for Clean Water State Revolving Funds		66.458	132500	6,081,598
Capitalization Grants for Drinking Water State Revolving Funds		66.468	18003644SR	<u>3,596,469</u>
Total Texas Water Development Board				<u>50,085,788</u>
Brownfields Assessments and Cleanup Cooperative Agr		66.818	BF97699601-0	56,794
Brownfields Assessments and Cleanup Cooperative Agr		66.818	BF97699501-0	<u>19,889</u>
Total Brownfields				<u>76,683</u>
Total Environmental Protection Agency				<u>\$ 51,216,061</u>
Project Grants and Coop Agree for TB Control Programs		93.116	CCU600445-26	\$ 1,313,545
Project Grants and Coop Agree for TB Control Programs		93.116	CCU600445-25	<u>1,408,890</u>
Total Project Grants and Cooperative Agreements for TB Control				<u>2,722,435</u>
Immunization Grants		93.268	CCH622532A	6,391,683
Immunization Grants		93.268	CCH622532-04	1,021,475
Immunization Grants		93.268	CCH622532-04	<u>1,556,585</u>
Total Immunization Grants				<u>8,969,742</u>
CDC and Investigations and Technical Assistance		93.283	CCU623672	377,277
CDC and Investigations and Technical Assistance		93.283	CCU623672-02	498,644
CDC and Investigations and Technical Assistance		93.283	CCU622445-03	<u>240,670</u>
Total Centers for Disease Control and Prevention				<u>1,116,592</u>

See Notes to Schedule of Expenditures of Federal and State Awards

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Program Title	FEDERAL AWARDS Federal CFDA Number	Grant Award Number	Expenditures
HIV Prevention Activities — Health Department	93.940	CCU023512-04	\$ 1,952,284
HIV Prevention Activities — Health Department	93.940	CCU023512-03	<u>2,711,398</u>
Total HIV Prevention Activities			<u>4,663,683</u>
Human Immunodeficiency Virus (HIV)/Acquired	93.944	U62/PS000275-01	15,123
Human Immunodeficiency Virus (HIV)/Acquired	93.944	PS000275-02	48,700
Human Immunodeficiency Virus (HIV)/Acquired	93.944	CCU623559-03-3	1,587,505
Human Immunodeficiency Virus (HIV)/Acquired	93.944	U62/CCU624424-03	515,240
Human Immunodeficiency Virus (HIV)/Acquired	93.944	CCU624424-02	3,728
Human Immunodeficiency Virus (HIV)/Acquired	93.944	CCU624424-04	<u>41,441</u>
Total HIV/AIDS Surveillance			<u>2,211,738</u>
HIV Emergency Relief Project Grants	93.914	07GEN1214	2,228
HC Cities Readiness	93.283	06GEN0103	29,258
Special Projects of National Significance	93.928	06GEN1215	<u>38,756</u>
Total Harris County			<u>70,243</u>
Special Programs for the Aging — Title VII, Chapter 3	93.041	2007-EAP-13	40,319
Special Programs for the Aging — Title VII, Chapter 4	93.041	2006-EAP-13	<u>564</u>
Total Special Programs for the Aging Title VII, Chapter 3			<u>40,883</u>
Special Programs for the Aging — Title VII, Chapter 2	93.042	2006-OAG-13	(2,573)
Special Programs for the Aging — Title VII, Chapter 2	93.042	2007-OAG-13	<u>89,771</u>
Total Ombudsman Activity			<u>87,198</u>
Special Programs for the Aging Title III, Part D	93.043	2007-3D-13	96,746
TTL IIID Support Srv	93.043	2006-3D-13	<u>22,683</u>
Total Special Programs for the Aging Title III, Part D			<u>119,429</u>
Special Programs for the Aging Title III, Part B	93.044	2007-ADM-13	555,925
Special Programs for the Aging Title III, Part B	93.044	2006-ADM-13	223,464
Special Programs for the Aging Title III, Part B	93.044	2007-3B-13	1,094,501
Special Programs for the Aging Title III, Part B	93.044	2006-3B-13	<u>535,849</u>
Total Special Programs for the Aging Title III, Part B			<u>2,409,739</u>
Special Programs for the Aging Title III, Part C	93.045	2006-3C1-13	484,472
Special Programs for the Aging Title III, Part C	93.045	2007-3C1-13	974,510

See Notes to Schedule of Expenditures of Federal and State Awards

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Program Title	FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Special Programs for the Aging Title III, Part C		93.045	2006-3C2-13	\$ 679,238
Special Programs for the Aging Title III, Part C		93.045	2007-3C2-13	<u>1,736,902</u>
Total Special Programs for the Aging Title III, Part C				<u>3,875,123</u>
Alzheimer's Disease Demonstration Grants to States		93.051	2005-ALZ-13	2,716
Alzheimer's Disease Demonstration Grants to States		93.051	2007-ALZ-13	<u>387,811</u>
National Family Caregiver Support		93.052	2007-3E-13	748,625
National Family Caregiver Support		93.052	2006-3E-13	<u>308,035</u>
Total National Family Caregiver Support				<u>1,447,189</u>
Nutrition Services Incentive Program		93.053	2007-NSIP-13	225,871
Nutrition Services Incentive Program		93.053	2006-NSIP-13	<u>176,106</u>
Total Nutrition Services Incentive Program				<u>401,977</u>
Centers For Medicare and Medicaid Services Research, Demonstrations and Evaluations		93.779	2007-CMS-13	<u>44,862</u>
Total Texas Department of Aging and Disability Services				<u>\$ 8,426,399</u>
Social Services Block Grant		93.667	235-07	\$ 631,191
Social Services Block Grant		93.667	259-07	<u>5,740,362</u>
Total Houston-Galveston Area Council				<u>6,371,553</u>
Family Planning Services		93.217	2007-020603-001	81,220
Family Planning Services		93.217	7460011640-06-12	<u>8,932</u>
Total Family Planning Services				<u>90,152</u>
Occupational Safety and Health Program		93.262	7460011640D-2007	150,575
Occupational Safety and Health Program		93.262	7460011640-06-05	<u>9,856</u>
Total Occupational Safety and Health Research Projects				<u>160,430</u>
Bioterror Prepared.		93.283	7460011640-06-10	2,403,548
Bioterror Prepared.		93.283	7460011640-06-09	397,722
Bioterror Prepared.		93.283	7460011640E-07-01	<u>68,708</u>
Total Centers for Disease Control and Prevention				<u>2,869,978</u>

See Notes to Schedule of Expenditures of Federal and State Awards

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Program Title	FEDERAL AWARDS Federal CFDA Number	Grant Award Number	Expenditures
HIV Surv-Infection	93.940	7460011640-07-04	\$ 7,011
HIV Surv-Infection	93.940	7460011640-07-03	<u>43,165</u>
Total HIV Prevention Activities Health Department Based			<u>50,176</u>
Preventive Health — Std Control Grants	93.977	7460011640-07-02	913,525
Preventive Health — Std Control Grants	93.977	2007-021957-001	<u>692,146</u>
Total HIV/AIDS Surveillance			<u>1,605,671</u>
Preventive Health and Health Services Block Grant	93.991	7460011640-06-06	120,353
Preventive Health and Health Services Block Grant	93.991	7460011640A-07-01	<u>250,441</u>
Total Local Public Health Services			<u>370,794</u>
Maternal and Child Health Services Block Grants	93.994	2007-020434-001	671,100
Maternal and Child Health Services Block Grants	93.994	7460011640A-06-01	<u>253,582</u>
Total CHS Maternal & Child Health			<u>924,681</u>
Total Texas Department of State Health Services			<u>\$ 6,071,883</u>
Total Department of Health and Human Services			<u>\$ 40,624,267</u>
Americorps	94.006	11.0609.079-1	<u>\$ 39,770</u>
Total Corporation for National & Community Services			<u>\$ 39,770</u>
Homeland Security Biowatch Program	97.091	582-7-72676	<u>\$ 425,753</u>
Total Texas Commission on Environmental Quality			<u>425,753</u>
Urban Areas Security Initiative	97.008	2003TUTX0003	653,968
Urban Area Security Initiative 12	97.008	2003EUT30043	2,080,013
Urban Area Security Initiative	97.008	2004-TU-T4-4013	3,954,137
Urban Area Security Initiative	97.008	2005GET54025	5,558,042
Urban Area Security Initiative	97.008	2006-GE-T6-0068	950,030
Assistance to Firefighters Grant	97.044	EMW05FG17849	785,988
Emergency Management Performance Grants	97.042	2007-EM-E7-0027	134,505
Metropolitan Medical Response System	97.071	233-03-0067	280,263
Metropolitan Medical Response System	97.071	EMW04GR0599	308,190
Metropolitan Medical Response System	97.071	2006-GE-T6-008	<u>227,588</u>
Total Governor's Division of Emergency Management			<u>14,932,723</u>

See Notes to Schedule of Expenditures of Federal and State Awards

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Program Title	FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Hazard Mitigation Grant Program		83.548	FEMA-1379-DR-T	\$ 7,867,607
Disaster Grants — Public Assistance		97.036	FEMA-1379-DR	(8,206)
Disaster Grants — Public Assistance		97.036	FEMA-1606-DR	222,216
Disaster Grants — Public Assistance		97.036	FEMA-3216-EM	<u>32,486,538</u>
Total Texas Department of Public Safety				<u>40,568,155</u>
State Homeland Security Program		97.073	2005GET54025	528,067
State Homeland Security Program		97.073	2006-GE-T6-0068	69,774
State Homeland Security Program		97.073	2004-GET44015	<u>1,465,467</u>
Total State Homeland Security Program				<u>2,063,308</u>
Law Enforcement Terrorism Prevention Program 5		97.074	2005GET54025	389,760
Law Enforcement Terrorism Prevention Program		97.074	2004-GET44015	<u>1,893,979</u>
Total Law Enforcement Terrorism Prevention Program				<u>2,283,739</u>
2005 Buffer Zone Protection Program		97.078	2005-GR-T5-0103	<u>1,195,029</u>
Total Department of Homeland Security				<u>\$ 61,468,706</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 287,805,443</u>

See Notes to Schedule of Expenditures of Federal and State Awards

(Concluded)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Program Title	STATE AWARDS	Grant Award Number	Expenditures
Harris County:			
United Minds		FC57219A	\$ 15,355
United Minds		FC57219	4,841
Camp Del Sol		FC57220	46,647
Campo Del Sol		FC57220A	<u>31,236</u>
Total Harris County			<u>\$ 98,078</u>
Office of the Governor — Criminal Justice Division:			
Shared Forfeiture Property			\$ 3,513,231
Police Storefront/14		VA06V3013592-07	<u>26,805</u>
			<u>3,540,036</u>
ASAP — Title V Grant			
ASAP — Title V Grant		04J211806101	51,329
		JT-05-J21-18061-02	<u>57,744</u>
Total ASAP			<u>109,073</u>
Total Office of the Governor, Criminal Justice Division			<u>\$ 3,649,109</u>
Texas Commission on Environmental Quality —			
Whole Air Sampler		582-5-55899	<u>\$ 239,355</u>
Total Texas Commission on Environmental Quality			<u>\$ 239,355</u>
Texas Comm on Environ Quality — Passed Through HGAC:			
Swi Prgm Cntr FY06		0616G12	\$ 62,253
Recycling Education		06-16-G122	60,293
HGAC TCEQ FY06		06-16-G19	172,638
HGAC — Clean Rivers		CR04-55625	7,815
HGAC — Clean Rivers		CR06-60931	48,230
HGAC — Focuse Care Wrk		FC06-60179	<u>154,754</u>
Total Houston-Galveston Area Council			<u>\$ 505,984</u>
Texas Library & Archives Commission:			
Loan Star		422-062228	\$ 85,308
Loan Star		422-07231	<u>122,375</u>
Total Texas Library & Archives Commission			<u>\$ 207,682</u>

See Notes to Schedule of Expenditures of Federal and State Awards

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2007

STATE AWARDS		Grant Award Number	Expenditures
Program Title			
TX DOT Passed Through — TX Auto Theft Prevention Authority:			
Major Access Shop/14		SAT041005406	\$ 158,983
Major Access Shop/15		SAT041005407	<u>536,040</u>
Total Texas Auto Theft Prevention Authority			<u>\$ 695,023</u>
Texas Comptroller of Public Accounts:			
Tobacco Compliance/10			\$ 29,395
Tobacco Compliance/9		006009TOBACC	<u>21,398</u>
Total Texas Comptroller of Public Accounts			<u>\$ 50,792</u>
Texas Department of State Health Services:			
Chs_Fam Plan Sv TTLV		2007-020434-002	\$ 170,145
Hansen's Disease		2007-021965-001	29,626
Tuberculosis Elimination		7460011640-06-07	410,110
Immunization State		7460011640-06-08	145,610
Hansen's Disease		7460011640-07-01	31,337
Milk and Dairy		7460011640A-06-02	20,223
Chs_Fam Plan Sv TTLV		7460011640A-06-04	32,852
Immunization State		7460011640A-07-02	521,706
Milk and Dairy		7460011640B-07-01	21,956
Tuberculosis Elimination		7460011640C-07-01	<u>872,275</u>
Total Texas Department of State Health Services			<u>\$ 2,255,838</u>
Texas Department of Aging and Disability Services:			
Katrina Contr Svcs		2006-KAT-13	\$ 62,083
State General Rev		2006-SGR-13	50,374
State General Rev		2007-SGR-13	422,082
State Hi-Way Transp		2007-SHF-13	<u>35,576</u>
Total Texas Department of Aging and Disability Services			<u>\$ 570,115</u>
Texas Parks and Wildlife Department:			
Acres Home Bb Cmpx 2		50-000365	\$ 389,631
Acres Home Bb Cmpx 1		5000344	<u>474,896</u>
Total Acres Homes			<u>864,527</u>

See Notes to Schedule of Expenditures of Federal and State Awards

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2007

STATE AWARDS		Grant Award Number	Expenditures
Program Title			
Hermann Pk Greenway:			
Hermann Pk Greenway	50-00331	\$	556,191
Houston Pk Adventure	52000385		<u>14,991</u>
Total Hermann Pk Greenway		\$	<u>571,181</u>
Total Texas Parks and Wildlife Department		\$	<u>1,435,708</u>
Sam Houston State University:			
Psn Gun Violence	321-20-S052	\$	3,195
Psn Se Gun Violence	321-20-S053		<u>3,084</u>
Total Sam Houston State University		\$	<u>6,279</u>
Texas Gulfcoast Workforce Development — A.S.A.P.	04ASAPGCW	\$	<u>103,841</u>
Total Gulfcoast Workforce Development		\$	<u>103,841</u>
Attorney General of Texas:			
Victim Assistance	06-01758	\$	8,401
Victim Assistance	06-01758.A		<u>27,614</u>
Total Attorney General of Texas		\$	<u>36,016</u>
Texas Department of Public Safety:			
Operation Loanstar		\$	2,688,469
Houston Jnt Oper Int	C70363		<u>30,746</u>
Total Texas Department of Public Safety		\$	<u>2,719,215</u>
Alief Isd/Katrina Sv — Alief Isd/Katrina Sv	C70168		<u>42,844</u>
Boston University — Houston Crackdown	FC53162		<u>1,352</u>
Harris County Protective Services — Gulfton Youth Mentor			<u>42,476</u>
Texas Department of Transportation — Hermann Pk Trail Mat	091271805MAT		<u>54,725</u>
See Notes to Schedule of Expenditures of Federal and State Awards National Association of Area Agencies on Aging —			(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Program Title	Grant Award Number	Expenditures
Lis Program Assist	2007-LIS-13	<u>12,624</u>
National Association of County & City Health Officials — Naccho Influenza	2007-012403	<u>7,556</u>
Texas Department of Transportation — Will Clayton Adtp	CSJ:0912-72-128	<u>193,785</u>
Texas Emergency Extension Services — State Homeland Scrt	AGRMT #35000	<u>\$ 182,491</u>
Total Expenditures of State Awards		<u>\$ 13,110,889</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS		<u>\$ 300,916,332</u>
See Notes to Schedule of Expenditures of Federal and State Awards		(Concluded)

CITY OF HOUSTON, TEXAS

NOTES TO the SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2007

1. The accompanying schedule of expenditures of federal and state awards (the "schedule") 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 U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas *Uniform Grant Management Standards* (UGMS). 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.

2. Federal and state awards are reported in the City's Comprehensive Annual Financial Report (CAFR) as follows (in thousands):

	Federal	State
Grants Funds	\$ 185,035	\$ 9,598
General Fund	135	
Debt Service Fund	50,086	
Nonmajor Governmental Fund	3,211	3,513
Capital Projects Funds	8,238	
Enterprise Fund — Airport System Fund	<u>41,100</u>	<u> </u>
Total	<u>\$ 287,805</u>	<u>\$ 13,111</u>

3. 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.
4. **Contingencies** — The City receives various grants to cover costs of specified programs. Final determination of eligibility of costs will be made by the grantors. Should any costs be found ineligible, the City will be responsible for reimbursing the grantors for these amounts.
5. **Noncash Awards** — Certain federal financial award programs do not involve cash awards to the City. These programs include donated vaccines as follows:

U.S. Department of Health and Human Services

	CFDA Number	Amount
Value of vaccines issued	93.268	\$ 6,388,206
Value of vaccines on hand		1,045,173

6. **Loans Outstanding** — The City had the following loan balances outstanding at June 30, 2007. Loans made during the year are included in the federal expenditures presented in the schedule.

Program Title	CFDA Number	Amount Outstanding
Community Development Block Grant	14.218	\$25,651,146
HOME Investment Partnerships Program	14.239	18,842,841
Section 108 Guaranteed Loan Program	14.248	20,647,049

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
Community Development Block Grant	14.218	\$ 275,521
Community Development Block Grant	14.218	674,925
Community Development Block Grant	14.218	1,817,141
Community Development Block Grant	14.218	2,092,739
Community Development Block Grant	14.218	26,042
Emergency Shelter Grants Program	14.231	13,374
Emergency Shelter Grants Program	14.231	693,137
Emergency Shelter Grants Program	14.231	858,554
Lead Hazard Reduction Demo. Grant Program	14.905	31,932
Developing, Testing and Demonstrating Promising New Programs	16.541	26,551
Community Capacity Development Office	16.595	4,887
Special Programs for the Aging — Title VII, Chapter 3	93.041	40,883
Special Programs for the Aging — Title VII, Chapter 2	93.042	104,698
Special Programs for the Aging — Title III, Part D	93.043	86,818
Special Programs for the Aging — Title III, Part D	93.043	8,038
Special Programs for the Aging — Title III, Part B	93.044	702,895
Special Programs for the Aging — Title III, Part B	93.044	567,971
Special Programs for the Aging — Title III, Part C	93.045	1,366,442
Special Programs for the Aging — Title III, Part C	93.045	2,336,243
Alzheimer's Disease Demonstration Grants to States	93.051	206,490
National Family Caregiver Support	93.052	994,861
Nutrition Services Incentive Program	93.053	227,113
Bioterrorism Preparedness	93.283	98,865
Bioterrorism Preparedness	93.283	90,623
HIV Prevention	93.940	2,409,325
HIV Prevention	93.940	10,750
HIV/AIDS Surveillance	93.944	276,391
Preventive Health Services STD Control Grants	93.977	91,980
Preventive Health Services STD Control Grants	93.977	33,623
Katrina Relief	97.036	385,596
Total		<u>\$16,554,408</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
ASAP — Title V Grant	04J211806101	\$ 51,329
ASAP — Title V Grant	JT-05-J21-18061-02	57,744
Hermann PK Greenway	50-00331	719,401
Immunization State	7460011640-A-07-02	4,000
Katrina Contributed Services	2006-KAT-13	56,533
Major Access Shop/14	SAT041005406	625
Major Access Shop/15	SAT041005407	5,941
State General Revenue	2006-SGR-13	45,799
State General Revenue	2007-SGR-13	388,597
State Highway Transportation	2006-SHF-13	39,969
Tuberculosis Elimination	7460011640C-07-01	<u>46,100</u>
Total		<u>\$1,416,038</u>

9. Intergovernmental revenues from reimbursable grants and capital projects are recognized when the related expenditures are incurred. However, in the case of Acres Home Baseball Complex, related reimbursements were received in FY 2007 although a portion of the related construction expenditures occurred in FY 2006. The amount of expenditures for this program by City fiscal year is as follows:

Grant Number	Description	FY 2006	FY 2007
50-000344	Acres Home Baseball Complex I	\$ 238,155	\$ 236,741
50-000365	Acres Home Baseball Complex II	192,467	197,167

For the Texas Water Development Board's Drinking Water State Revolving Fund (DWSRF) and Wastewater Reclamation Project programs, the amount of construction expenditures shown for FY 2005 and FY 2006 were not properly reported. The amounts reported for the DWSRF program for FY 2005 and FY 2006 were not correct. The amount of construction expenditures that should have been reported for these projects are as follows:

CDFA No.	Grant Number	Description	FY 2005	FY 2006
66.468	118110	DWSRF	\$ -	\$ 1,962,863
-	2003-483-505	Wastewater Reclamation	136,020	129,990

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CITY OF HOUSTON, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

I. SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the basic financial statements expressed an unqualified opinion.
2. A significant deficiency in internal control over financial reporting was identified, which is considered to be a material weakness.
3. Instances of noncompliance considered material to the basic financial statements were disclosed in the audit.
4. Significant deficiencies in internal control over compliance with requirements applicable to major federal award programs were identified and are considered to be material weaknesses.
5. The independent auditors' report on compliance with requirements applicable to major federal and state award programs expressed an unqualified opinion for all major programs except for the Immunization Grants — Federal, Immunization Grants — State, and Acres Home Baseball Complex — State, which were qualified for allowable costs, and reporting and the Davis-Bacon Act, respectively.
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
Edward Byrne Memorial Justice Assistance — Hurricane Relief Fund	16.738
Airport Improvement Program	20.106
Capitalization Grants for Clean Water State Revolving Funds	66.458
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Immunization Grants	93.268
CDC, Prevention & Epidemiology	93.283
Social Services Block Grant	93.667
HIV Prevention Activities	93.940
Public Assistance Grants	97.036
Shared Forfeited Property	State
Immunization	State
2006 HGAC Focused Care Worker	State
Acres Home Baseball Complex	State
Houston Herman Park Greenway	State
Major Accessory Shop Enforcement	State
Operation Loanstar	State
State Nutrition Aging	State

8. For federal awards and state awards, a dollar threshold of \$3,000,000 and \$393,326, 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
Financial Reporting	<p>Material Weakness in Internal Control — Finding 2007-1.</p> <p><u>Finding:</u> The City’s financial accounting and reporting process is not adequate to ensure that accounting transactions are being properly captured and recorded by the City in its financial statements in a timely manner.</p> <p><u>Cause:</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 material auditor-proposed adjustments to properly reflect the financial operations of the City. Included within these audit adjustments were items related to capital assets, federal and state grant activities, and revenues.</p> <p><u>Effect:</u> Without changes being made to the City’s current financial reporting process, the City may produce untimely financial statements that are materially misstated.</p> <p><u>Recommendations:</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 there are adequate resources in place to limit the likelihood of future accounting errors.</p> <p><u>Views of Responsible Officials:</u> Management does not disagree with this finding.</p> <p><u>Corrective Action Plan of Management:</u> The City of Houston is currently conducting financial management literacy courses for City department heads and executive staff. These courses are intended to emphasize accounting and internal controls in the financial management of City department activities. Upon completion of these courses, a review of the current financial accounting policies and procedures should determine the proper distribution of resources to limit future accounting errors.</p> <p><u>Estimated Completion Date:</u> December 2008</p> <p><u>City Contact Person:</u> Jim Locke</p>	N/A

II. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
Financial Reporting	Material Compliance and Material Weakness in Control Finding 2007-2: Allowable Costs	N/A
Immunization Federal — CFDA # 93.268	<u>Finding:</u> Internal controls surrounding the recording of immunization usage and inventory balances were deficient, which resulted in the following issues:	\$1,505,713
Immunization — State	<ul style="list-style-type: none"> • The spreadsheet used by the City to track vaccination inventory usage and balances contained an incorrect formula which created an error in inventory balances and inventory usage • Seven inventory Receiving Logs did not agree to the Summary Vaccine Received Report due to inadequate internal control over reconciling inventory received to such report • One vaccination was priced by the City at a higher rate than allowed by the CDC. <p><u>Criteria:</u> In accordance with OMB Circular No. A-87, <i>Cost Principles for State, Local, and Indian Tribal Government</i>, cost must be adequately documented and supported.</p> <p><u>Cause:</u> Regular and timely reconciliations and reviews of Summary Vaccine Received Report to the Receiving Logs at each site were not performed. In addition, mathematical errors were made when obtaining amounts from the supporting documentation (i.e. amounts were summed incorrectly).</p> <p><u>Effect:</u> A significant adjustment was necessary to properly state the inventory values received and values used.</p> <p><u>Recommendation:</u> Maintain more thorough records of vaccinations received, including updated and correct Receiving Logs and other supporting documentation and regularly reconcile and review the Receiving Logs to the Summary Vaccine Received Report. In addition, the spreadsheet used to gather the information should protect changes to formulas.</p> <p><u>Views of Responsible Officials:</u> Management does not disagree with this finding.</p> <p><u>Corrective Action Plan of Management:</u> A database has been established to track inventory received and distributed. Additional procedures have been added to ensure proper count and recording of inventory at fiscal year-end. In addition, an inventory specialist will review all documentation of inventory received and distributed, making sure the correct price list is assigned to the inventory.</p>	

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
Hurricane Relief — CFDA # 16.738	<p data-bbox="527 323 984 350"><u>Estimated Completion Date:</u> Complete</p> <p data-bbox="527 380 927 407"><u>City Contact Person:</u> Sally Switek</p> <p data-bbox="527 436 1089 464">Compliance Finding 2007-3: Allowable Costs</p> <p data-bbox="527 495 1344 621"><u>Finding:</u> For one out of 25 payroll items selected for testing, we noted that the timesheet showed 359 hours of time charged to the grant, while the payroll report showed 365 hours of time charged to the grant.</p> <p data-bbox="527 651 1344 747"><u>Criteria:</u> In accordance with OMB Circular No. A-87, <i>Cost Principles for State, Local, and Indian Tribal Government</i>, cost must be adequately documented and supported.</p> <p data-bbox="527 777 1299 903"><u>Cause:</u> Timesheets are utilized to track the hours when employees worked on specific grants. However, based on the timesheet, there were different hours recorded by the employee than the payroll report.</p> <p data-bbox="527 932 1255 991"><u>Effect:</u> Potential disallowance of expenditures for unsupported expenditures.</p> <p data-bbox="527 1020 1336 1117"><u>Recommendation:</u> Review existing policy and procedures related to the review and approval of timesheets to ensure that timesheets are being reviewed for accuracy and agreement with SAP Payroll system.</p> <p data-bbox="527 1146 1325 1205"><u>Views of Responsible Officials:</u> Management does not disagree with this finding.</p> <p data-bbox="527 1234 1330 1398"><u>Corrective Action Plan of Management:</u> Modifications are currently underway to the SAP time reporting process that will allow grant related activity time to be coded directly on the SAP system timesheet, eliminating any difference between timesheets and payroll records. Modifications should be complete by July 2008.</p> <p data-bbox="527 1428 1029 1455"><u>Estimated Completion Date:</u> February 2009</p> <p data-bbox="527 1484 951 1512"><u>City Contact Person:</u> Harold Jackson</p>	\$155

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
<p data-bbox="245 415 440 474">Acres Home — State</p> <p data-bbox="245 506 456 569">Major Accessory Shop — State</p>	<p data-bbox="521 321 1333 384">Material Compliance and Material Weakness in Control Finding 2007-4: Reporting</p> <p data-bbox="521 415 1333 569"><u>Finding:</u> For the programs noted below, we identified expenditures reflected in the Schedule of Expenditures of Federal and State Awards that related to prior fiscal years. Additionally, for Acres Home, we identified expenditures that should have been reported as state awards in prior fiscal years.</p> <p data-bbox="521 600 1333 762">Acres Home Baseball Complex: One out of five selections, totaling \$20,502 which represented construction expenses for the period May and June 2006. Furthermore, we identified \$373,486 of expenditures related to prior fiscal years that were not previously reported in the Schedule of Expenditures of Federal and State Awards.</p> <p data-bbox="521 793 1333 856">Major Accessory Shop: One out of nine non-payroll selections represented travel during the period of June 2006.</p> <p data-bbox="521 888 1333 1045"><u>Criteria:</u> The City’s Schedule of Expenditures of Federal and State Awards (SEFA) is prepared on a modified accrual basis of accounting for governmental funds and the accrual basis of accounting for enterprise funds, and as such, expenditures should be reflected when incurred not when paid or reimbursed by the funding agency.</p> <p data-bbox="521 1077 1333 1465"><u>Cause:</u> For Acres Home Baseball and Major Accessory Shop the expenditures were initially recorded as an expenditure when paid, however the expenditure was not coded in the general ledger system to the respective grant. As these grants are on a reimbursement basis, upon receipt of the reimbursement, an expenditure correction was recorded which reclassified the expenditure in the general ledger system from a non grant expenditure to the appropriate grant by use of the City’s federal grant ID and appropriation code. The City utilizes such codes to derive its Schedule of Expenditures of Federal and State Awards, thus only including these expenditures in the Schedule of Expenditures of Federal and State Awards when coded as such.</p> <p data-bbox="521 1497 1333 1558"><u>Effect:</u> Expenditures are being reflected in the wrong fiscal year in the Schedule of Expenditures of Federal and State Awards.</p>	<p data-bbox="1390 352 1495 384">N/A</p> <p data-bbox="1390 415 1495 443">\$393,988</p>

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
Acres Home — State	<p><u>Recommendation:</u> The City should review its policy and procedures related to the recording of transactions related to federal and state awards and provide adequate training for all departments receiving federal and state awards to ensure that expenditures are coded to the respective grant when incurred, or moved to the appropriate grant in a timely manner.</p> <p><u>Views of Responsible Officials:</u> Management does not disagree with this finding.</p> <p><u>Corrective Action Plan of Management:</u> The City will continue to review its procedures regarding recording grant transactions during the City’s fiscal year-end process. City departments receive detailed instructions on fiscal year-end procedures for the proper recording of all transactions. The City will review and revise its procedures concerning the grant related capital project expenditures.</p> <p><u>Estimated Completion Date:</u> December 2008</p> <p>Material Compliance and Material Weakness in Internal Controls Finding 2007-5: Reporting</p> <p><u>Finding:</u> It was noted that grant expenditures were initially recorded in the wrong fiscal year. The expenditures were recorded as fiscal year 2008 expenditures when they should have been charged as fiscal year 2007 expenditures. Furthermore, we identified expenditures that should have been classified as state awards, but were not included in the fiscal year 2007 schedule of expenditures of federal and state awards. These items resulted in an adjustment to the City’s books and records and the City’s Schedule of expenditures of federal and state awards for \$349,176.</p> <p><u>Criteria:</u> The City’s Schedule of expenditures of federal and state awards is prepared on a modified accrual basis for government funds and full accrual basis for enterprise funds, and as such, expenditures should be reflected when incurred not when paid or reimbursed by the funding agency.</p>	<p>\$349,176</p>

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
	<p data-bbox="526 331 1338 695"><u>Cause:</u> For acres home baseball the expenditures were initially recorded as an expenditure when paid, however, the expenditure was not coded in the general ledger system to the respective grant. As these grants are on a reimbursement basis, upon receipt of the reimbursement, an expenditure correction was recorded which reclassified the expenditure in the general ledger system from a non grant expenditure to the appropriate grant by use of the City's federal grant ID and appropriation code. The City utilizes such codes to derive its schedule of expenditures of federal and state awards, thus only including these expenditures in the schedule of expenditures of federal and state awards when coded as such.</p> <p data-bbox="526 720 1305 783"><u>Effect:</u> Expenditures are being reflected in the wrong fiscal year in the schedule of expenditures of federal and state awards.</p> <p data-bbox="526 808 1317 871"><u>Recommendation:</u> Policies and procedures need to be established to ensure that all expenditures are recorded in the proper fiscal year.</p> <p data-bbox="526 896 1325 959"><u>Views of Responsible Officials:</u> Management does not disagree with this finding.</p> <p data-bbox="526 984 1333 1184"><u>Corrective Action Plan of Management:</u> Conversion to the new SAP system should eliminate the need to post project expenditures from a capital project fund to a grant fund during the fiscal year end process. The City will review and revise its procedures regarding capital project related grants so that project expenditures are recorded properly in the grant in the correct City fiscal year.</p> <p data-bbox="526 1209 1045 1241"><u>Estimated Completion Date:</u> December 2008</p> <p data-bbox="526 1266 951 1297"><u>City Contact Person:</u> Harold Jackson</p>	

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
Acres Home — State	<p>Material Compliance and Material Weakness in Control Finding 2007-6: Davis-Bacon Act</p> <p><u>Finding:</u> It was noted that the City did not monitor their contractors for compliance with the Davis-Bacon Act for the grant program.</p> <p><u>Criteria:</u> In accordance with OMB Circular No. A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i>, all laborers employed by a contractor on a project with \$2,000 or more financed by a federal or state agency must be paid the prevailing wage rates.</p> <p><u>Cause:</u> Lack of controls in place to ensure the grant program is complying with the Davis-Bacon Act grant requirements.</p> <p><u>Effect:</u> Potential noncompliance with grant requirements.</p> <p><u>Recommendation:</u> The City should put controls in place to ensure that all laborers employed by a contractor on a project by the City of Houston with \$2,000 or more financed by a federal or state agency must be paid the prevailing wage rates.</p> <p><u>Views of Responsible Officials:</u> Management does not disagree with this finding.</p> <p><u>Corrective Action Plan of Management:</u> The City will review its internal procedures for construction contracts monitoring for contractors paying the prevailing wage rate.</p> <p><u>Estimated Completion Date:</u> December 2008</p> <p><u>City Contact Person:</u> Harold Jackson</p>	N/A
HIV Prevention — CFDA # 93.940	<p>Compliance Finding 2007-7: Reporting</p> <p><u>Finding:</u> It was noted that the City did not file a report by the deadline required by the grant. The grant required submission of the report by January 20, 2007. The City obtained an extension through February 23, 2007. However, the City did not file the report until February 28, 2007.</p> <p><u>Criteria:</u> In accordance with OMB Circular No. A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i>, all reports must be filed by the date required by the grant agreement.</p>	N/A

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
CDC, Prevention & Epidemiology — CFDA # 93.283	Finding 2007-7 (continued)	
	<p><u>Cause:</u> Lack of controls in place to ensure the report was filed within the proper amount of time.</p> <p><u>Effect:</u> Potential noncompliance with grant requirements.</p> <p><u>Recommendation:</u> The City should put controls in place to ensure that all reports are filed in accordance with the grant requirements.</p> <p><u>Views of Responsible Officials:</u> Management does not disagree with this finding.</p> <p><u>Corrective Action Plan of Management:</u> The City’s Health and Human Services Department has created a report tracking mechanism that will have reports filed on a timely basis.</p> <p><u>Estimated Completion Date:</u> Complete</p> <p><u>City Contact Person:</u> Sally Switek</p>	
	Compliance Finding 2007-8: Allowable Costs	
	<p><u>Finding:</u> It was noted that the City included an expenditure in schedule of expenditures of federal awards for fiscal year 2007 that was cancelled and subsequently never paid. This resulted an adjustment to the City’s books and records and the City’s schedule of expenditures of federal and state awards for \$60.</p> <p><u>Criteria:</u> In accordance with OMB Circular No. A-87, <i>Cost Principles for State, Local, and Indian Tribal Government</i>, cost must be adequately documented and supported.</p> <p><u>Cause:</u> Lack of review and reconciliation of grant expenditures.</p> <p><u>Effect:</u> Potential disallowance of expenditures for unsupported expenditures.</p> <p><u>Recommendation:</u> The City should put controls in place to ensure that all expenditures are adequately documented and supported.</p>	

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
	<p><u>Views of Responsible Officials:</u> Management does not disagree with this finding.</p> <p><u>Corrective Action Plan of Management:</u> The City provides SAP training for city departments on vendor payment procedures so that all transactions are properly recorded and supported.</p> <p><u>Estimated Completion Date:</u> Complete</p> <p><u>City Contact Person:</u> Sally Switek</p>	
	Compliance Finding 2007-9: Reporting	
<p>Allen’s Landing — CFDA #20.205</p> <p>Congestion Mitigation and Air Quality — CFDA #20.205</p>	<p><u>Finding:</u> In accordance with OMB Circular A-133 and the <i>State of Texas, Uniform Grant Management Standards (UGMS)</i>, the City is responsible for preparing the schedule of expenditures of federal and state awards. At a minimum the schedule is to include federal and state programs by federal and state agencies. During our testing of the financial statements, we noted certain errors as follows:</p>	N/A
<p>Green’s Road — CFDA #20.205</p>	<p>Allen’s Landing: \$96,909 was not included on schedule of expenditures for federal awards, despite the fact that it was a federal grant program.</p>	
<p>Capitalization Grants for Clean Water State Revolving Funds — CFDA # 66.458</p>	<p>Congestion Mitigation and Air Quality: \$127,357 was not included on schedule of expenditures for federal awards, despite the fact that it was a federal grant program.</p>	
<p>STEP-IDM — CFDA # 20.600</p>	<p>Green’s Road: \$145,941 was not included on schedule of expenditures for federal awards, despite the fact that it was a federal grant program.</p>	
	<p>Capitalization Grants for Clean Water State Revolving Funds: The initial schedule of expenditures of federal awards included approximately \$7 million of Tier II type state-funded expenditures related to costs not subject to single audit testing, thus overstating expenditures in the schedule of expenditures of federal awards.</p>	
	<p>STEP-IDM: Grant Award # 070202B1BE was incorrectly classified as Catalog of Federal Domestic Assistance (CFDA) 20.601, instead of CFDA 20.600.</p>	
	<p>All items noted above have been corrected in the schedule of expenditures for federal and state awards as of June 30, 2007.</p>	

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
	<p data-bbox="529 321 878 352">Finding 2007-9 (continued).</p> <p data-bbox="529 380 1268 474"><u>Criteria:</u> Management of the City is responsible for proper preparation of the schedule of expenditures of federal and state awards.</p> <p data-bbox="529 506 1325 569"><u>Cause:</u> Lack of understanding of the preparation of the schedule of expenditures of federal and state awards by excluding eligible costs.</p> <p data-bbox="529 596 1260 659"><u>Effect:</u> Noncompliance with OMB Circular A-133 and UGMS compliance requirements.</p> <p data-bbox="529 686 1341 917"><u>Recommendation:</u> The City should continue its efforts to improve the overall quality of the process of consolidating and reviewing the awards received. The City should continue to review the information for completeness, accuracy and reasonableness and monitor new grants or awards. In addition, the City should ensure that it is aware of each new grant or award's compliance requirements including any audit requirements.</p> <p data-bbox="529 945 1325 1008"><u>Views of Responsible Officials:</u> Management does not disagree with this finding.</p> <p data-bbox="521 1035 1341 1234"><u>Corrective Action Plan of Management:</u> The Finance Department will continue to review and revise its process in order to improve the overall quality, accuracy, completeness and reasonableness of the information shown on the SEFA Schedule. Additional training for Finance and City departments grant administrators on OMB Circular A-133 and UGMS requirements will continue.</p> <p data-bbox="521 1262 1049 1293"><u>Estimated Completion Date:</u> December 2008</p> <p data-bbox="521 1320 951 1352"><u>City Contact Person:</u> Harold Jackson</p>	

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
	Compliance Finding 2007-10: Allowable Costs	
Community Development Block Grant — CFDA # 14.218	<u>Finding:</u> It was noted that out of 160 selections subject to testing, a net total of \$752,130 were initially recorded in the wrong fiscal year. The expenditures were recorded as fiscal year 2007 expenditures when they should have been charged as fiscal year 2006 expenditures. The expenditures, however, are shown in the fiscal year 2007 schedule of expenditures of federal awards as they were not included in the fiscal year 2006 schedule. The breakdown of expenditure amount by grant is as follows:	\$754,499
HOME Investment Partnerships Program — CFDA # 14.239	<p>Program Amount</p> <p>Community Development Block Grant \$606,288 Home Investment Partnerships Program \$3,267 Housing Opportunity for Person with AIDS \$32,912 Lead Based-Paint Hazard Control \$6,369 HIV/STD \$100,092 Forensic DNA Block Grant \$5,571</p>	
Housing Opportunity for Persons with AIDS — CFDA # 14.241	<u>Recommendation:</u> Policies and procedures need to be established to ensure that all expenditures are recorded in the proper fiscal year.	
HIV/STD — CFDA # 93.977	<u>Views of Responsible Officials:</u> Management does not disagree with this finding.	
Forensic DNA Block Grant — CFDA # 16.564	<p><u>Corrective Action Plan of Management:</u> The City will continue to review its procedures regarding recording grant transactions during the City's fiscal year end process. City departments receive detailed instructions on fiscal year end procedures for the proper recording of all transactions. The City will review and revise its procedures concerning the grant related expenditures.</p> <p><u>Estimated Completion Date:</u> December 2008</p> <p><u>City Contact Person:</u> Harold Jackson</p>	

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
Tuberculosis Elimination — State	Compliance Finding 2007-11: Allowable Costs	\$346
	<u>Finding:</u> For one of the expenditure selections related to temporary personnel, we noted the invoice from the temporary agency showed a rate per hour of time charged to the City which was different from the rate per hour charged to the grant. The total known questioned cost for this finding was \$346.	
	<u>Criteria:</u> In accordance with OMB Circular No. A-87, <i>Cost Principles for State, Local, and Indian Tribal Governments</i> , cost must be adequately documented and supported.	
	<u>Cause:</u> Invoices from the temp agencies are utilized to calculate the costs associated with temporary personnel. However, the salary expenditures recorded for the temporary employee were calculated using a different hourly rate than the hourly rate invoiced by the agency.	
	<u>Effect:</u> Potential disallowance of expenditures for unsupported expenditures.	
	<u>Recommendation:</u> Review existing policy and procedures related to the recording of temporary personnel costs to ensure rates are appropriate and correct.	
	<u>Views of Responsible Officials:</u> Management does not disagree with this finding.	
	<u>Corrective Action Plan of Management:</u> The City will review it policies and procedures regarding the recording of temporary personnel cost so that related expenditures are complete and accurate.	
	<u>Estimated Completion Date:</u> December 2008	
	<u>City Contact Person:</u> Harold Jackson	

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
HOME Investment Partnership Program — CFDA # 14.239	Compliance Finding 2007-12: Allowable Costs	\$72,500
	<u>Finding:</u> It was noted that the City included expenditures in the schedule of expenditures of federal awards for fiscal year 2007 that were cancelled and subsequently never paid. This resulted in an adjustment to the City’s schedule of expenditures of federal and state awards for \$72,500.	
	<u>Criteria:</u> In accordance with OMB Circular No. A-87, <i>Cost Principles for State, Local, and Indian Tribal Government</i> , cost must be adequately documented and supported.	
	<u>Cause:</u> Lack of review and reconciliation of grant expenditures.	
	<u>Effect:</u> Potential disallowance of expenditures for unsupported expenditures.	
	<u>Recommendation:</u> The City should put controls in place to ensure that all expenditures are adequately documented and supported.	
	<u>Views of Responsible Officials:</u> Management does not disagree with this finding.	
	<u>Corrective Action Plan of Management:</u> The Housing and Community Development Department is implementing a monthly reconciling process of grant accounts to ensure expenditures are adequately documented and supported.	
	<u>Estimated Completion Date:</u> September 30, 2008	
	<u>City Contact Person:</u> Renee Carrington	

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

Program	Finding/Noncompliance	Questioned Cost
<p>Public Assistance Grant — CFDA # 97.036</p>	<p>Financial Reporting Finding 2006-1.</p>	<p>N/A</p>
	<p><u>Finding:</u> The City’s financial accounting and reporting process is not adequate to ensure that accounting transactions are being properly captured and recorded by the City in its financial statements.</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 there are adequate resources in place to limit the likelihood of future accounting errors.</p> <p><u>Status:</u> The finding has been repeated in fiscal year 2007 as finding 2007-1.</p>	
<p>Public Assistance Grant — CFDA # 97.036</p>	<p>Finding 2006-2.</p>	<p>\$175,583</p>
	<p><u>Finding:</u> Of the 75 FEMA evacuees selected for testing we noted that certain evacuees lacked a valid FEMA or Voucher Number or had multiple FEMA or Voucher Numbers as noted below. In addition, we tested 25 apartment complexes and noted that one apartment complex had a different address in the FEMA database, one apartment complex was not on file, and for three apartment complexes’ the specific unit selected for testing was not on file as noted below.</p> <p><u>Recommendation:</u> Employees responsible for authorizing payment on invoices should verify that all evacuees listed have valid FEMA and Voucher numbers. In addition, not only the apartment complex should also be reviewed for validity, but also the specific unit. Policies and procedures related to verification of data should be reviewed and enhanced to ensure an adequate review is performed.</p> <p><u>Status:</u> Complete</p> <p>The City no longer pays invoices for Katrina evacuees; all evacuees transitioned out of the City’s Interim Housing (rental assistance) Program by September 30, 2006. At FEMA’s request, the City continued to pay utility bills for evacuees for a period of 12 months following the commencement date of the evacuee’s initial lease</p>	

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

Program	Finding/Noncompliance	Questioned Cost
Public Assistance Grant — CFDA # 97.036	Finding 2006-2 (continued).	N/A
	under the Interim Housing Program. The City ceased paying utility expenses for most evacuees by the end of November 2006, and for all evacuees by the end of January 2007. We believe that the Interim Housing Program was administered very successfully given the circumstances that existed at the time.	
	Finding 2006-3.	
<u>Finding:</u> Of 278 selections tested, we noted two invoices totaling \$936,187 related to the accrual of furniture purchase orders that were paid outside of the normal performance of the ‘three-way match’ resulting in an overstatement of the schedule of federal and state awards, an overstatement of the accrual and an overstatement of expenditures in the financial statements as the expenditure was recognized through the recognition of receipt of the goods and once again through the actual payment since the payment did not offset the accrual.		
<u>Recommendation:</u> Review the system controls related to the circumvention of controls related to the three-way match. Review existing policies and procedures related to proper recording of purchase orders, receipt of goods and payment of invoices.		
<u>Status:</u> The practice of paying invoices associated with a purchase orders with a miscellaneous payment voucher has been confined to two departments (Public Works and GSD) since we have converted over to SAP. No other department has been allowed this mechanism of paying for invoices on purchase orders. The reason for this allowance was the lack of conversion into SAP of the detail on the projects necessary to enter receivers and pay invoices through the system. The departments had to manually load every project into SAP to enable them to pay their project invoices through the normal purchase order process. GSD has completed its entry work and Public works only has a couple more to complete. We have worked with the departments all year long on reconciling their receivers with the payment of invoices to ensure proper payment of the invoices. Both GSD and Public Works had a procedure in place to follow-up with the original purchase order to make sure the proper adjustments were made to get the purchase order right after the miscellaneous voucher payment. All payments received in the		

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

Program	Finding/Noncompliance	Questioned Cost
	Finding 2006-3 (continued).	
	Controller's Office were reviewed to make sure that the proper documentation was attached to substantiate the payment of the invoice. In the near future this mechanism for making miscellaneous payments on purchase orders will be turned off and no City department will be allowed to make a miscellaneous payment on a purchase order.	
	Finding 2006-4.	
HIDTA — CFDA # 07.999 & 07.XXX Immunization — State	<u>Finding:</u> For four out of 13 payroll selections for HIDTA and for five out of nine payroll selections for Immunization — State, the employee's current salary authorization form (Form 201 or Stencil) was not located in the employee's personnel file either in the department or central records of Human Resources resulting in unsupported payroll amounts totaling \$7,061 and \$2,644 for HIDTA and Immunization — State, respectively. <u>Recommendation:</u> Enforce the existing procedure relating to the maintenance of personnel files for all employees in all departments. <u>Status:</u> <u>Health Department:</u> Files prepared for archives are now adequately documented so that payroll records can be located and retrieved when requested. <u>Houston Police Department:</u> The Houston Police Department has changed the process due to the implementation of the New SAP payroll system to ensure that all requested Form 201s or stencils can be obtained and supplied when requested.	\$9,705
	Finding 2006-5.	
Immunization Grants — CFDA # 93.268 Immunization — State	<u>Finding:</u> For Immunization Grants — CFDA# 93.268, the City was unable to provide supporting documentation related to two program income selections out of 15. The two selections were from the City's acres homes MSC clinic. The selections were dated 8/17/05 and 12/28/05 and totaled \$26 and \$18, respectively.	\$9,657

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

Program	Finding/Noncompliance	Questioned Cost
Finding 2006-5 (continued).		
Houston Herman Park Greenway — State	For Immunization — State program, for two out of 23 selections totaling \$1,340 (specifically two out of eight selections related to one vendor, A-1 Personnel) we noted that the City maintained an agreement with the vendor, however the agreement did not specify a rate for the position of Medical Social Worker. Therefore we were unable to verify that the rate charged was in accordance with the agreement. The rate, however, did not seem unreasonable on its face compared with the rates charged for the other positions.	
Program	For Herman Park Greenway — State, for two out of 14 selections we noted that only a portion of the invoice related to the program. Upon review of the invoice from the Houston Park Conservancy we noted that the invoice contained a hand-written comment stating how much was to be allocated to the program. However, the City was unable to provide further justification to support the allocation method. <u>Recommendation:</u> The City should review its policy and procedures related to the retention of documentation. <u>Status:</u> The City will continue to remind department staffs to review the City’s policy on records retention and maintaining supporting documentation on contracts and invoices.	
Finding 2006-6.		
Immunization Grants — CFDA # 93.268	<u>Finding:</u> For two out of nine selections and one out of six selections, for the Immunization — CFDA # 93.268 and HIDTA CFDA # 07.XXX, respectively, the City was unable to provide evidence of a cancelled check, however, we were able to verify that the check had properly cleared the bank, but could not verify the payee.	\$151
HIDTA — CFDA # 07.999 & 07.XXX	<u>Recommendation:</u> The City should check all CD’s upon arrival to verify and validate the accuracy of the data and request a replacement CD if necessary. <u>Status:</u> Completed July 2007. The City validates all CD’s upon arrival and obtain replacement CD’s as necessary.	

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

Program	Finding/Noncompliance	Questioned Cost
	Finding 2006-7.	
Immunization Grants — CFDA # 93.268	<u>Finding:</u> For the programs noted below, we identified expenditures reflected in the schedule of expenditures of federal and state awards that pertained to prior fiscal years.	
HIDTA — CFDA # 07.999 & 07.XXX	Immunization Grants: One out of nine selections totaling \$186 which represented copier service for the period of March through May 2005	
Immunization — State	HIDTA: Four out of 19 selections totaling \$4,014 which represented payroll transactions including two salary transactions dated 12/31/04 and 2/25/05, an overtime transaction dated 3/31/05 and an expenditure for workers compensation dated 6/17/05.	
Acres Home Baseball Complex — State	Immunization State: One out of two selections totaling \$2,597 which represented chairs received on 6/27/05.	
Houston Herman Park Greenway — Program State	Acres Home Baseball Complex: Although not selected for testing, we noted \$71,204 of the expenditures was incurred during the City’s fiscal year 2004 and 2005 by reviewing through the detail of expenditures.	
Major Shop Accessory Enforcement — State	Houston Herman Park Greenway: Two out of 14 selections totaling \$8,318 related to professional services were dated in August 2004 and March 2005 and related to design of the project.	
	Major Shop Accessory Enforcement: Although not selected for testing, we noted \$1,821 of expenditures were incurred during the City’s fiscal year 2005 by reviewing other payroll reports attached to the support for our selections.	
	<u>Recommendation:</u> The City should review its policy and procedures related to the recording of transactions related to federal and state awards and provide adequate training for all departments receiving federal and state awards to ensure that expenditures are coded to the respective grant when incurred.	
	<u>Status:</u> The finding has been repeated in fiscal year 2007 as finding 2007-10.	

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

Program	Finding/Noncompliance	Questioned Cost
HOME Program — CFDA # 14.239	<p>Finding 2006-8.</p> <p><u>Finding:</u> We noted for one out of 10 projects selected, we were unable to verify the actual period monitored. In addition, for three out of 10 projects, we did not notice any evidence of follow-up, such as a response from the apartment complex, additional correspondence from the City regarding any remedial action that should have been addressed by the apartment complex and/or the status of the remediation process of the findings from the apartment complexes.</p> <p>Through discussions with a City employee it was noted that approximately 50% of the properties tested did not have annual monitoring reports prepared.</p> <p><u>Recommendation:</u> An increase in staffing and adequate training for the employees in relation to performing monitoring activities. In addition, the Manager of Monitoring and Compliance should better track the progress and activities of all housing properties that are required to have inspections performed.</p> <p><u>Status:</u> Complete</p> <p>In April of 2007, the HCD department was reorganized along business lines to improve efficiencies. In the course of the reorganization, it was decided that the monitoring function would no longer be centralized. The staff members were assigned to the functional units.</p> <p>The reorganization will improve the quality of monitoring efforts. In addition, a tracking tool has been developed that includes all relevant project data fields including project completion dates, inspection dates, monitoring dates and follow up dates. This allows the department to have consistent information for reporting purposes. The tool has been fully implemented for the HOME projects and a copy has been submitted to HUD. The tracking tool is being populated for the other funding sources as well.</p>	N/A

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

Program	Finding/Noncompliance	Questioned Cost
	Finding 2006-9.	
Capitalization Grants for Clean Water State Revolving Funds — CFDA # 66.458	<u>Finding:</u> In accordance with Circular A-133, the City is responsible for preparing the Schedule of Expenditures of Federal and State Awards (SEFA). At a minimum the schedule is to include federal programs by federal agency. Per review of the SEFA Schedule, Deloitte & Touche LLP noted certain errors as follows:	N/A
Hazard Mitigation Grant Program — CFDA # 83.548	Capitalization Grants for Clean Water State Revolving Funds: The initial SEFA Schedule included approximately \$3 million of Tier I type State-Funded expenditures related to costs not subject to single audit testing, thus overstating expenditures in the SEFA Schedule. In addition, the expenditures were reflected under the wrong CFDA #. In the final SEFA Schedule, expenditures totaling \$11,567,624 were excluded from the SEFA Schedule.	
Public Assistance Grants — CFDA # 97.036	Hazard Mitigation Grant Program: The initial SEFA Schedule included approximately \$1 million of expenditures primarily due to the inclusion of retainage as retainage is not an allowable cost until such amounts have been paid in accordance with the grant award.	
Edward Byrne Memorial Justice Assistance Grant Program — Hurricane Relief Fund — CFDA # 16.738	Public Assistance Grants: The City did not include \$9 million of expenditures reflected in the general fund in its SEFA Schedule. Hurricane Relief Fund: The SEFA Schedule included the Hurricane Relief Funds totaling \$3.6 million as state expenditures instead of federal expenditures.	
Highway Planning and Construction — CFDA # 20.205	Highway Planning and Construction: the SEFA Schedule excluded expenditures \$358 thousand of expenditures. All items noted above have been corrected in the SEFA Schedule as of June 30, 2006. <u>Recommendation:</u> The City's Financial and Administration Department should continue its efforts to improve the overall quality of the process of consolidating and reviewing the awards received. The City should continue to review the information for completeness, accuracy and reasonableness and monitor new grants or awards. In addition, the City should ensure that it is aware of each new grant or award's compliance requirements including any audit requirements. Also, a more thorough training should be provided to personnel when preparing the SEFA Schedule. In addition, there should be at least two employees that are knowledgeable with regard to the SEFA Schedule and its preparation.	

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

Program	Finding/Noncompliance	Questioned Cost								
	Finding 2006-9 (continued).									
	<u>Status:</u> The finding has been repeated in fiscal year 2007 as finding 2007-9.									
	Finding 2006-10.	N/A								
Public Assistance Grant — CFDA # 97.036	<u>Finding:</u> It was noted that out of thirty-seven selections subject to testing, a total of \$784,138 representing six selections, were initially recorded in the wrong fiscal year. The expenditures were recorded as fiscal year 2006 expenditures when they should have been charged as fiscal year 2005 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, 2006. The breakdown of expenditure amount by grant is as follows:									
Grants for Public Works & Economic Development Activities — CFDA # 11.300										
Community Development Block Grant — CFDA # 14.218	<table border="0"> <tr> <td>Community Development Block Grant</td> <td style="text-align: right;">\$194,885</td> </tr> <tr> <td>HOME Investment Partnerships Program</td> <td style="text-align: right;">\$536,988</td> </tr> <tr> <td>Urban Area Security Initiative</td> <td style="text-align: right;">\$ 25,608</td> </tr> <tr> <td>Crime Laboratory Improvement Combined Offender</td> <td style="text-align: right;">\$ 26,657</td> </tr> </table>	Community Development Block Grant	\$194,885	HOME Investment Partnerships Program	\$536,988	Urban Area Security Initiative	\$ 25,608	Crime Laboratory Improvement Combined Offender	\$ 26,657	
Community Development Block Grant	\$194,885									
HOME Investment Partnerships Program	\$536,988									
Urban Area Security Initiative	\$ 25,608									
Crime Laboratory Improvement Combined Offender	\$ 26,657									
Housing Opportunities for Persons with AIDS — CFDA # 14.241	<u>Recommendation:</u> Policies and procedures need to be established to ensure that all expenditures are recorded in the proper fiscal year.									
CDBG/ Brownfield Economic Development Initiative — CFDA # 14.246	<u>Status:</u> The finding has been repeated in fiscal year 2007 as finding 2007-10.									
Lead-Based Paint Hazard Control — CFDA # 14.900										
Grants to Program States — CFDA # 45.310										
Center for Disease Control & Prevention — CFDA # 93.283										

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

Program	Finding/Noncompliance	Questioned Cost
<p>Edward Byrne Memorial Justice Assistance Grant Program — Hurricane Relief Fund — CFDA # 16.738</p>	<p>Finding 2006-11.</p> <p><u>Finding:</u> The City reported in its June 2006 Quarterly Expenditure Report that no expenditures had been incurred during that quarter.</p> <p><u>Recommendation:</u> The City should review its policies and procedures related to the reporting of expenditures as expenditures should be reported when incurred irrespective of which fund the expenditure is recorded in the general ledger. In addition, the City should consult with the granting agency to determine if the quarterly reports should be amended.</p> <p><u>Status:</u> Complete</p> <p>The Police Department has reported the questioned cost appropriately. The Police Department made contact with the Governor’s Criminal Justice Division for guidance on appropriate reporting prior to preparing an Expenditure Report for the period ending 6/30/06. The City was directed to reflect no cost for the period referenced because no funds had been expended prior to 7/1/06 on the City’s grant financial ledger. The grant funds had only been received prior to close of business the day before June 30, 2006. At this time, there was no cost reflected on the City’s grant ledgers. Cost was first reflected on grant ledgers with a transaction dated 8/30/2006. The Expenditure report for the period ending 9/30/06 reflected cost of \$3.6M. This cost reconciled to the City’s financial system.</p> <p>In summary, the City has reported costs as directed by the State concerning this program.</p> <p>The Police Department made contact with the Governor’s Criminal</p>	<p>N/A</p>

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

Program	Finding/Noncompliance	Questioned Cost
	Finding 2006-11 (continued).	
	<p>Justice Division for guidance on appropriate reporting prior to preparing an Expenditure Report for the period ending 6/30/06. There were approximately \$3.6 million in program expenditure in the City's non-grant general ledger for Fiscal year 2006 that were related to this program. The grant funds had only been received prior to close of business the day before June 30, 2006. At this time, there is no cost reflected on the City's grant ledgers. The City requested to reflect no cost on the quarterly report for the period referenced because detailed documentation supporting the \$3.6 million in program expenditures were not available prior to submitting the quarterly report. The request was granted. The quarterly report reflected the grant ledger since no funds were expended prior to 7/1/06 on the City's grant financial ledger. Cost was first reflected on grant ledgers with a transaction dated 8/30/2006. The Expenditure report for the period ending 9/30/06 reflected cost of \$3.6M. This cost reconciled to the City's financial system. The request to show no costs on the initial quarterly report was made to facilitate the reporting process and not to mislead or misrepresent financial information regarding this program</p> <p>The City of Houston understands that there was a timing difference from the supporting documentation on the overtime and the initial quarterly report to the Criminal Justice Division and that amended quarterly reports would be in order. The Houston Police Department recognized that the circumstances with this grant program was unique and was in constant contact with the Criminal Justice Division on guidance on financial reporting matters. The Criminal Justice Division agreed to the quarterly financial reporting arrangement. This program has been reviewed by CJD and this matter was not an issue.</p>	N/A
<p>Immunization Grants — CFDA # 93.268 Immunization — State</p>	<p>Finding 2006-12.</p> <p><u>Finding:</u> The City utilizes certain vendors to provide temporary employees to its immunization program. We noted for one of 19 selections (specifically one out of one selection related to one vendor — A-1 Personnel) for Immunization Grants — CFDA # 93.268 and two of 23 (specifically two out of eight selections also related to A-1 Personnel) for Immunization — State that the rate charged for these services performed did not agree to the underlying agreement between the City and the respective vendor.</p>	\$377

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

Program	Finding/Noncompliance	Questioned Cost
Public Assistance Grant — CFDA # 97.036	Finding 2006-12 (continued).	\$265
	<p><u>Recommendation:</u> Review existing policy and procedures related to review and approval of invoices to ensure that invoices are being reviewed for accuracy in accordance with terms and conditions established by contracts/agreements between the City and its vendors.</p> <p><u>Status:</u> Complete</p> <p>The contract pay scale for temporary employees has been available to all supervisors requesting temporary employees in the program so that they can review invoices accurately.</p>	
	Finding 2006-13.	
	<p><u>Finding:</u> We noted that six out of 20 rental payments selected the rent amounts paid were based on the actual invoice amount which may have been greater than the amount disclosed in the lease agreement between the tenant and the apartment complex and/or the contract agreement between the City and the apartment complex. In addition, we noted that for one of the 20 selections, the rent amount paid was pro-rated as the evacuee’s lease began mid-month, however the pro-rated amount differed from what a straight-line pro-rated amount calculated.</p> <p><u>Recommendation:</u> Review of policies and procedures to ensure that rental amounts per invoices are compared against lease agreements and contracts to ensure proper lease amount is paid.</p> <p><u>Status:</u> Complete</p> <p>The City’s Interim Housing Program rent payment procedure was to pay a landlord the rental amount in their approved contract, which was the lesser of the published scheduled rate (based on HUD fair market rental rates for the Houston area) or the unsubsidized rate charged by the apartment complex. In certain special instances, the City agreed to pay above the scheduled fair market rental rate to obtain housing for special needs families; e.g. disabled, autistic, etc.</p>	

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

Program	Finding/Noncompliance	Questioned Cost
	Finding 2006-13 (continued).	
	<p>This audit finding states under that three items out of the audit's total test sample "were reimbursed inappropriate amounts". We have analyzed the exceptions and found that an amendment was made to the HAP contract with the Landlord for two of the selections, but we have not retrieved the actual source documents to confirm if the amendments affect the actual selected units. (Note: housing records occupy about 900 boxes in offsite storage.) We agree that there was a \$65 overpayment for the third selection.</p>	
	<p>The City operated its Interim Housing Program at the request of FEMA, and FEMA provided funds for the program management activities, including invoice verification and payment processing. Pursuant to the directions of the Office of Management and Budget,¹ the City engaged in post-payment reviews to confirm the accuracy of payments. Following a review of the City's activities by the Department of Homeland Security, Office of Inspector General, FEMA, by letter dated June 21, 2006, directed the City to cease further post payment reviews.</p>	
	<p>"The City has expended great effort in determining that the monies distributed to landlords were proper and complete. This effort has effectively completed the post-payment review as required by the OMB memorandum dated October 13, 2005. Based on our limited review and that performed by the DHS-OIG, we have found that the payments to landlords comply with the terms of the contracts and leases. Further efforts to verify the veracity of payments through a post-payment audit procedure would yield little benefit at a significant cost to taxpayers. Given that FEMA will not reimburse the City on a Project Worksheet for expenditures associated with [additional] post-payment review/audit."</p>	
	<p>The grantor, FEMA, was satisfied that landlord payments were in substantial compliance with the terms of the contracts.</p>	

¹ Memo from Clay Johnson III, Deputy Director for Management, Office of Management and Budget, Subject: eligibility Verification Requirements for Delivery of Benefits to Victims of Hurricanes Katrina and Rita, (Oct. 13, 2005), http://www.whitehouse.gov/omb/financial/fia/hurricanes_katrina_rita_10-13-05.pdf.

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

Program	Finding/Noncompliance	Questioned Cost
HGAC Focused Care Workers — State	Finding 2006-14.	\$265
	<u>Finding:</u> For two out of 18 selections we noted that the ‘Sign-in-Sheet’ utilized to track days and hours employees were working under the program did not contain the actual hours worked by the two employees.	
	<u>Recommendation:</u> Review of policies and procedures to ensure that rental amounts per invoices are compared against lease agreements and contracts to ensure proper lease amount is paid.	
Immunization Grants — CFDA # 93.268	<u>Status:</u> Complete	N/A
	The sign in sheets have been corrected to reflect the beginning and ending time of the employees’ workday.	
	Finding 2006-15.	
Immunization Grants — CFDA # 93.268	<u>Finding:</u> Count sheets for 10 of the 19 clinics did not agree to the Summary Inventory Information due to the timing of when the inventory counts were performed or errors in the spreadsheets used to maintain the inventory. Differences were noted in vaccines received, used and ending inventory resulting in an adjustment to vaccines received totaling \$641,136; vaccines used totaling \$569,465 and ending inventory of \$74,671.	N/A
	<u>Recommendation:</u> Review policies and procedures to ensure that inventory counts are preformed as of year end and that data captured in the inventory counts are properly summarized in the inventory summary schedule.	
	<u>Status:</u> The finding has been repeated in fiscal year 2007 as finding 2007-2.	
Major Shop Accessory Enforcement — State	Finding 2006-16.	N/A
	<u>Finding:</u> The financial report for the quarter ended March 31, 2006, failed to include expenditures incurred during the period totaling \$210,405.	
	<u>Recommendation:</u> The City should review its policies and procedures related to the reporting of expenditures as expenditures should be reported when incurred irrespective of which fund the expenditures is recorded in the general ledger. In addition, the City should consult with the granting agency to determine if the quarterly reports should be amended.	

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

Program	Finding/Noncompliance	Questioned Cost
	<p>Finding 2006-16 (continued).</p> <p><u>Status:</u> Complete</p> <p>The Police Department has streamlined the process relating to expenditure reporting due to the implementation of the City's new ERP/SAP system. The Police Department has implemented a process to transfer allowable grant related payroll expenditures to the correct funding source on a monthly basis. This has helped to ensure that costs are captured in the proper reporting period for which it was incurred.</p> <p>The Police Department has contacted the granting agency (ATPA) to determine if any reports require amendment.</p> <p>In an effort to better manage grant financial activities, the Police Department is committing additional personnel resources for increased supervisory oversight of daily grant financial activities.</p>	
	<p>Finding 2006-17.</p>	
<p>Major Shop Accessory Enforcement — State</p>	<p><u>Finding:</u> According to the approved budget for the grant year 2006, a Lieutenant's salary was to be charged 70% to the City and 30% to the grant. For one of our selections, the percentages were inadvertently switched, and the grant was charged 70% of a Lieutenant's salary for the period 9/16/05 through 4/28/06 resulting in an overstatement of cost to the grant of \$21,654. The schedule of expenditures of federal and state awards as of June 30, 2006 has been corrected.</p> <p><u>Recommendation:</u> The City should review its policies and procedures to ensure adequate controls are in place to review and monitor expenditures charged to a grant.</p> <p><u>Status:</u> Complete</p>	<p>N/A</p>

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

Program	Finding/Noncompliance	Questioned Cost
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Finding 2006-17 (continued).

The City's Police Department has now made the correcting entries in the City's fiscal year 2007 financial system to reflect the grantors allowable percentage. Implementation of the City's new ERP/SAP system will enable the Police Department to reclassify allowable expenditures in more timely and accurate manner. The Police Department will contact the granting agency (ATPA) to determine if any reports should be amended.

In an effort to better manage grant financial activities, the Police Department is committing additional personnel resources for increased supervisory oversight of daily grant financial activities.