

City of Houston, Texas

Single Audit Report for the
Year Ended June 30, 2009

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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Houston, Texas (the "City"), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 18, 2009. 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 Houston Area Water Corporation, a nonmajor business-type enterprise fund, which represents 1% 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 (except for the Houston Area Library Automated Network, Lamar Terrace Public Improvement District and Sharpstown Economic Development Authority) or business-type discretely presented component unit. 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). This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. None of the financial statements audited by other auditors (except for the Houston Business Development Inc., a governmental discretely presented component unit) were 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting, and is listed as finding 2009-1. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

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 or other matters 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 December 18, 2009.

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response, and 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 & Touche LLP

December 18, 2009

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 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, 2009. 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 item 2009-4, in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding reporting that are applicable to its Public Safety Interoperable Communications Grant Program. Compliance with such requirement is necessary, in our opinion, for the City to comply with the requirements to that program.

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, 2009. 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 2009-2 through 2009-8.

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 entity'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 material weakness.

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 item 2009-4, relating to the Public Safety Interoperable Communications Grant Program, to be a significant deficiency.

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. We consider the item in 2009-4, relating to the Public Safety Interoperable Communications Grant Program, to be a material weakness.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses. However, the results of our auditing procedures disclosed instances of deficiencies in the internal control over compliance 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 2009-2 through 2009-8.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2009, and have issued our report thereon dated December 18, 2009. 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 Houston Area Water Corporation, a nonmajor business-type enterprise fund, which represents 1% 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 (except for the Houston Area Library Automated Network, Lamar Terrace Public Improvement District and Sharpstown Economic Development Authority) or business-type discretely presented component unit. 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. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. 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. 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 management, the Mayor, Members of City Council, the City Controller, others within the entity, federal and state awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

December 18, 2009

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Executive Office of the President —			
Office of National Drug Control Policy —			
Houston High Intensity Drug Trafficking Area (HIDTA)			
HIDTA 2005	07.15PHNP500Z	15PHNP500Z	\$ 20,175
Meth Initiative Group	07.18PHNP500Z	18PHNP500Z	15,331
Major Drug Squad / 10	07.17PHNP500A	17PHNP500A	4,008
Major Drug Squads	07.18PHNP500Z	18PHNP500Z	141,385
Houston Intl Support CNT / 4	07.17PHNP501	17PHNP501	8,486
Houston Intl Support	07.18PHNP500Z	18PHNP500Z	139,778
Truck, Air, Rail, Port / 2	07.14PHNP502	14PHNP502	10,646
Truck, Air, Rail, Port / 5	07.17PHNP502	17PHNP502	46,271
Truck, Air, Rail, Port	07.18PHNP500Z	18PHNP500Z	630,361
Narcotics Oper Ctrl Int / 11	07.17PHNP503	17PHNP503	165,368
Narcotics Operations	07.18PHNP500Z	18PHNP500Z	151,403
Houston Money Launder / 8	07.14PHNP520	14PHNP520	77,303
Houston Money Launder / 11	07.17PHNP520	17PHNP520	149,934
Houston Money Launder	07.18PHNP500Z	18PHNP500Z	(18,086)
Gang & Nontrad Squad / 6	07.17PHNP525	17PHNP525	29,126
Gang & Nontrad Squad	07.18PHNP500Z	18PHNP500Z	337,433
Target NARC Enforce / 3	07.14PHNP533	14PHNP533	6,773
Target NARC Enforce / 6	07.17PHNP533	17PHNP533	86,025
Target NARC Enforce	07.18PHNP500Z	18PHNP500Z	863,288
HIDTA 2006	07.16PHNP500Z	16PHNP500Z	110,682
Drug Traffic Org	07.1P6PHNP534	1P6PHNP534	7,707
Meth Initiative Group	07.18PHNP500Z	18PHNP500Z	450
Houston Intl Support	07.18PHNP500Z	18PHNP500Z	457
Gang & Nontrad Squad	07.18PHNP500Z	18PHNP500Z	476
Major Drug Squads	07.18PHNP500Z	18PHNP500Z	1,931
Truck, Air, Rail, Port	07.18PHNP500Z	18PHNP500Z	21,388
Target NARC Enforce	07.18PHNP500Z	18PHNP500Z	17,902
Truck, Air, Rail, Pip	07.18PHNP500Z	18PHNP500Z	<u>49,342</u>
Total Office of National Drug Control Policy			<u>\$ 3,075,342</u>
Department of Agriculture:			
Department of Agriculture Passed Through — TX Dept. of AG.:			
Grants for Agricultural Research_ Competitive Research Grants	10.206	2008-55215-18875	\$ 51,658
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	2007-020879-001	(544)
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	2008-024649	2,771,053
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	2009-030104-001	<u>8,835,608</u>
Total Texas Department of Agriculture			<u>11,657,775</u>
Department of Agriculture Passed Through — TX Dept. of Human Services			
Summer Food Service Program for Children	10.559	08TX1011007	1,100,394
Summer Food Service Program for Children	10.559	09TX1011007	<u>1,271,865</u>
Total Department of Agriculture Passed Through — TX Dept. of Human Services:			<u>2,372,259</u>
Total Department of Agriculture			<u>\$ 14,030,034</u>
Department of Commerce:			
National Oceanic and Atmospheric Administration (NOAA) —			
Coastal Zone Management Administration Awards	11.419	NA05NOS4191252	\$ 1,171,788
National Telecommunications And Information Administration Passed Through			
Public Safety Interoperable Communication Grant Program	11.555	2007-GS-H7-0044	<u>3,008,736</u>
Total Department of Commerce			<u>\$ 4,180,524</u>

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CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

FEDERAL AWARDS	Federal	Grant	Expenditures
Program Title	CFDA Number	Award Number	
U. S. Department of Housing & Urban Development :			
Community Development Block Grant:			
Community Development Block Grants/Entitlement Grants	14.218	B05MC480018	\$ 1,761,146
Community Development Block Grants/Entitlement Grants	14.218	B06MC480018	4,391,544
Community Development Block Grants/Entitlement Grants	14.218	B07MC480018	9,121,760
Community Development Block Grants/Entitlement Grants	14.218	B08MC480018	24,433,839
Community Development Block Grants/Entitlement Grants	14.218	B04MC480018	1,598,471
Community Development Block Grants/Entitlement Grants	14.218	B03MC480018	127,153
Community Development Block Grants/Entitlement Grants	14.218	B02MC480018	470,499
Community Development Block Grants/Entitlement Grants	14.218	B01MC480018	184,622
Community Development Block Grants/Entitlement Grants	14.218	B00MC480018	32,850
Community Development Block Grants/Entitlement Grants	14.218	B99MC480018	441,878
Community Development Block Grants/Entitlement Grants	14.218	B98MC480018	4,801
Community Development Block Grants/Entitlement Grants	14.218	B97MC480018	73
Community Development Block Grants/Entitlement Grants	14.218	B96MC480018	29
Community Development Block Grants/Entitlement Grants	14.218	B94MC480018	<u>4,432</u>
Total Community Development Block Grant			<u>42,573,097</u>
Texas Dept. Of Housing & Community Affair —			
Community Development Block Grants/State Programs and Non-Entitlement Grants in Hawaii	14.228	B-06-DG-48-0002	<u>15,366,776</u>
Emergency Shelter Grants Program:			
Emergency Shelter Grants Program	14.231	S06MC480002	58,497
Emergency Shelter Grants Program	14.231	S07MC480002	53,710
Emergency Shelter Grants Program	14.231	S08MC480002	1,223,179
Emergency Shelter Grants Program	14.231	S04MC480002	<u>3,282</u>
Total Emergency Shelter Grants Program			<u>1,338,668</u>
HOME Investment Partnerships Program:			
Home Investment Partnerships Program	14.239	M96MC480206	(1)
Home Investment Partnerships Program	14.239	M95MC480206	571,643
Home Investment Partnerships Program	14.239	M02MC480206	3,089,386
Home Investment Partnerships Program	14.239	M01MC480206	860,665
Home Investment Partnerships Program	14.239	M93MC480206	948,385
Home Investment Partnerships Program	14.239	M03MC480206	143,611
Home Investment Partnerships Program	14.239	M06MC480206	1,271,483
Home Investment Partnerships Program	14.239	M07MC480206	5,171,224
Home Investment Partnerships Program	14.239	M08MC480206	3,659,622
Home Investment Partnerships Program	14.239	M04MC480206	2,223,897
Home Investment Partnerships Program	14.239	M05MC480206	<u>3,445,482</u>
Total HOME Investment Partnerships Program			<u>21,385,396</u>
Housing Opportunities for Persons with AIDS:			
Housing Opportunities for Persons with AIDS	14.241	TX21H05-F003	309,825
Housing Opportunities for Persons with AIDS	14.241	TX21H04-F003	473,823
Housing Opportunities for Persons with AIDS	14.241	TX21H03-F003	152,114
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	11,913
Housing Opportunities for Persons with AIDS	14.241	TX21H01-F003	27,291
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	9,849
Housing Opportunities for Persons with AIDS	14.241	TX21H06-F003	1,262,303
Housing Opportunities for Persons with AIDS	14.241	TX21H07-F003	4,223,517
Housing Opportunities for Persons with AIDS	14.241	TX-H08-F004	<u>585,088</u>
Total Housing Opportunities for Persons with AIDS			<u>7,055,723</u>

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2009

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
CDBG/Brownfield Economic Development Initiative:			
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B01SPTX0607	\$ 21,675
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	E95EZ480006	<u>191,423</u>
Total CDBG/Brownfield Economic Development Initiative			<u>213,098</u>
Lead-Based Paint Hazard Control in Privately-Owned Housing:			
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	TXLHB0310-05	339,862
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	TXLHB0378-07	<u>1,083,623</u>
Total Lead-Based Paint Hazard Control in Privately Owned Housing			<u>1,423,486</u>
Lead Hazard Reduction Demonstration Grant Program:			
Lead Hazard Reduction Demonstration Grant Program	14.905	TXLHD0031-04	5,924
Lead Hazard Reduction Demonstration Grant Program	14.905	TXLHDO175-07	<u>1,061,039</u>
Total Lead Hazard Reduction Demonstration Grant Program			<u>1,066,964</u>
Total U. S. Department of Housing & Urban Development			<u>\$ 90,423,208</u>
Texas Parks & Wildlife Dept. —			
Outdoor Recreation_Acquisition, Development and Planning	15.916	48-001075	<u>\$ 4,500</u>
Department Of Justice:			
Shared Forfeiture Property	16.000		<u>\$ 4,521,210</u>
Combined DNA Index System —			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2008-DN-BX-K205	<u>12,146</u>
Governor's Office Criminal Justice Division:			
Juvenile Accountability Block Grants	16.523	JB-06-J20-13322-09	30,363
Juvenile Accountability Block Grants	16.523	JB-07-XXX-13322-10	97,326
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2090701	262,201
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005DJBX0119	489,826
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006DJ BX 0286	689,418
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DH-06-A10-18445-01	121,216
Title V Delinquency Prevention Program	16.548	JT-05-J20-18061-03	11,747
Crime Victim Assistance	16.575	VA-08-V30-13592-09	28,518
Safe and Drug-Free Schools and Communities_State Grants	84.186	ED-08-J20-19220-02	78,696
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	04ASAPGCW	13,419
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	06260C07FY08	<u>24,025</u>
Total Governor's Office Criminal Justice Division			<u>1,846,755</u>
Crime Laboratory Improvement Combined Offender:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2008-DD-BX-0055	267,332
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2008-DD-BX-0471	182,386
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2007-DD-BX-0597	799,858
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2007-DD-BX-0593	<u>700,192</u>
Total Crime Laboratory Improvement Combined Offender			<u>1,949,767</u>
Attorney General of Texas —			
Crime Victim Assistance/Discretionary Grants	16.582	06-01758.A	<u>104</u>
Executive Office for Weed & Seed:			
Community Capacity Development Office	16.595	2006-WS-Q6-0172	576
Community Capacity Development Office	16.595	2007-WS-Q7-0259	117,593
Community Capacity Development Office	16.595	2008-WS-QX-0089	<u>46,882</u>
Total Executive Office for Weed & Seed			<u>165,051</u>

(Continued)

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Office of Justice — Bulletproof Vest Partnership Program	16.607		\$ <u>79,968</u>
Sam Houston State University:			
Community Prosecution and Project Safe Neighborhoods	16.609	32120SO27	30
Community Prosecution and Project Safe Neighborhoods	16.609	321-20-S039	110,677
Community Prosecution and Project Safe Neighborhoods	16.609	32120SO29	26,931
Community Prosecution and Project Safe Neighborhoods	16.609	321-20-S036	40,041
Community Prosecution and Project Safe Neighborhoods	16.609	S04D77206	73,339
Community Prosecution and Project Safe Neighborhoods	16.609	321-20-S037	62,324
Community Prosecution and Project Safe Neighborhoods	16.609	321-20-B126	45,381
Community Prosecution and Project Safe Neighborhoods	16.609	321-20-S052	2,600
Community Prosecution and Project Safe Neighborhoods	16.609	321-20-B145	11,984
Community Prosecution and Project Safe Neighborhoods	16.609	321-20-S053	724
Community Prosecution and Project Safe Neighborhoods	16.609	321-20-S054	<u>16,372</u>
Total Sam Houston State University			<u>390,404</u>
Office Community Oriented Policing Services:			
Public Safety Partnership and Community Policing Grants	16.710	2005CKWX0224	19,400
Public Safety Partnership and Community Policing Grants	16.710	2003INWX0003	1,612,145
Public Safety Partnership and Community Policing Grants	16.710	2007CKWX0054	<u>1,461,340</u>
Total Office Community Oriented Policing Services			<u>3,092,885</u>
Paul Coverdell Forensic Sciences Improvement Grant:			
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	17319-04	163,325
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	17319-05	<u>132,106</u>
Total Paul Coverdell Forensic Sciences Improvement Grant			<u>295,431</u>
Total Department of Justice			<u>\$ 12,353,721</u>
Department Of Labor — Department of Labor Employment Training Administration Passed Through WIA Dislocated Workers	17.260	FC-73022/08-0988	<u>\$ 431,175</u>
Department of Transportation Federal Highway Administration:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-48-0111-047	\$ 103,260
Airport Improvement Program	20.106	3-48-0290-20-2006	672,177
Airport Improvement Program	20.106	3-48-0110-33-2007	964,083
Airport Improvement Program	20.106	3-48-0110-32-2007	1,690,039
Airport Improvement Program	20.106	3-48-0110-035	2,359,818
Airport Improvement Program	20.106	3-48-0111-068	13,449,622
Airport Improvement Program	20.106	3-48-0111-066-2008	378,648
Airport Improvement Program	20.106	3-48-0110-036	7,905
Airport Improvement Program	20.106	3-48-0111-067-2008	25,984
Airport Improvement Program	20.106	3-48-0111-075	10,672,772
Airport Improvement Program	20.106	3-48-0111-074	1,130,857
Airport Improvement Program	20.106	3-48-0111-073	905,868
Airport Improvement Program	20.106	3-48-0290-021	2,138,435
Airport Improvement Program	20.106	3-48-0111-76	<u>22,750,000</u>
Total Federal Aviation Administration			<u>57,249,468</u>

(Continued)

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Federal Highway Administration:			
Highway Planning and Construction	20.205	TCSP2001(001)	\$ 17,481
Highway Planning and Construction	20.205	TCSP-TX096(001)-55BO	7,660
Highway Planning and Construction	20.205	TS5707-107	33,576
Highway Planning and Construction	20.205	0912-71-705	18,276
Highway Planning and Construction	20.205	CSJ0912-72-070	<u>2,955,725</u>
Total Federal Highway Administration			<u>3,032,718</u>
State & Community Highway Safety:			
State and Community Highway Safety	20.600	588EGF6057	38,912
State and Community Highway Safety	20.600	STEP 2009 CMV	141,340
State and Community Highway Safety	20.600	070701A1AM	5
State and Community Highway Safety	20.600	588EGF6057	83,146
State and Community Highway Safety	20.600	STEP 2009 COMPREHENSIVE	220,431
State and Community Highway Safety	20.600	070701B1AA	(7)
State and Community Highway Safety	20.600	588EGF6057	118,541
State and Community Highway Safety	20.600	STEP 2009 CMV	245,975
State and Community Highway Safety	20.600	070701A1AM	100
State and Community Highway Safety	20.600	588EGF6057	105,393
State and Community Highway Safety	20.600	STEP 2009 COMPREHENSIVE	52,283
State and Community Highway Safety	20.600	07-0701A1AM	(47)
State and Community Highway Safety	20.600	588EGF6057	180,876
State and Community Highway Safety	20.600	STEP 2009 CMV	168,928
State and Community Highway Safety	20.600	STEP IDM	116,763
State and Community Highway Safety	20.600	060504A1BR	2
State and Community Highway Safety	20.600	588XXF6037	643
State and Community Highway Safety	20.600	ISC-6-1263	132,654
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	070202B1BE	<u>144,147</u>
Total State & Community Highway Safety			<u>1,750,088</u>
Total Department of Transportation Federal Highway Administration			<u>\$ 62,032,274</u>
Department of Transportation Federal Motor Carrier Safety Administration — National Motor Carrier Safety			
	20.218	27XX48MH08HOUS15780	<u>\$ 290,627</u>
Department of Treasury — Shared Forfeiture Property — Treasury			
	21.000		<u>\$ 1,421,150</u>
Institute of Museum and Library Services:			
Texas State Library and Archive Comm:			
Grants to States	45.310	476-08018	\$ 3,908
Grants to States	45.310	476-09009	36,107
Grants to States	45.310	470-07008	453
Grants to States	45.310	470-08008	191,204
Grants to States	45.310	470-09010	519,928
Grants to States	45.310	771-08006	62,070
Grants to States	45.310	771-09021	291,051
Grants to States	45.310	713-09005	<u>17,474</u>
Total Texas State Library and Archive Comm			1,122,195
Laura Bush 21st Century Librarian Program	45.313	RE-01-06-0088	<u>141,282</u>
Total Institute of Museum and Library Services			<u>\$ 1,263,477</u>
U. S. Environmental Protection Agency:			
Air Pollution Control Program Support	66.001	582-8-72687	<u>\$ 394,526</u>

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2009

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Studies, Surveys Demonstrations Clean Air Act:			
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	XA-96620501-0	\$ (382,541)
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	XA-96648301-0	22,561
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	XA-96665901-0	<u>38,132</u>
Total Studies, Surveys Demonstrations Clean Air Act			<u>(321,848)</u>
Office of the Chief Financial Officer Passed Through — Congressionally Mandated Projects	66.202	582-7-72659	<u>65,701</u>
Texas Water Development Board:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	128200	1,392,331
Capitalization Grants for Clean Water State Revolving Funds	66.458	132500	4,162,971
Capitalization Grants for Clean Water State Revolving Funds	66.458	L060016	9,766,044
Capitalization Grants for Clean Water State Revolving Funds	66.458	L070016	<u>22,353,528</u>
Total Texas Water Development Board			<u>37,674,873</u>
Office of Water — Water Pollution Control State, Interstate, and Tribal Program Support.	66.419	582-8-80189	<u>352,669</u>
Texas Commission on Environmental Quality Passed Through National Estuary Program	66.456	582-8-84969	<u>7,821</u>
Brownfields:			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF97699601-0	77,938
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF97699501-0	128,851
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF96682001-01	552
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96681901-0	100
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF96682001-01	79,079
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96681901-0	<u>12,678</u>
Total Brownfields			<u>299,199</u>
Total U. S. Environmental Protection Agency			<u>\$ 38,472,941</u>
Department of Energy — Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance.	81.117	DE-FC36-08GO18100	<u>\$ 91,230</u>
Total Department of Energy			<u>\$ 91,230</u>
Texas Department of Aging & Disability Services:			
Special Programs for the Aging Title VII — Chapter 3 — Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	2009-EAP-13	<u>\$ 39,450</u>
Special Programs for the Aging Title VII — Chapter 2:			
Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042	2008-OAG-13	7,141
Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042	2009-OAG-13	<u>96,800</u>
Total Special Programs for the Aging Title VII — Chapter 2			<u>103,941</u>

(Continued)

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Special Programs for the Aging Title III — Part D:			
Special Programs for the Aging Title III, Part D_Disease Prevention and Health Promotion Services	93.043	2008-3D-13	\$ 104,072
Special Programs for the Aging Title III, Part D_Disease Prevention and Health Promotion Services	93.043	2009-EAP-13	<u>90,701</u>
Total Special Programs for the Aging Title III — Part D			<u>194,773</u>
Special Programs for the Aging Title III — Part B:			
Special Programs for the Aging Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	2008-3B-13	800,280
Special Programs for the Aging Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	2009-3B-13	1,302,539
Special Programs for the Aging Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	2008-ADM-13	227,930
Special Programs for the Aging Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	2009-ADM-13	<u>596,792</u>
Total Special Programs for the Aging Title III — Part B			<u>2,927,541</u>
Special Programs for the Aging Title III — Part C:			
Special Programs for the Aging Title III, Part C_Nutrition Services	93.045	2008-3C1-13	554,116
Special Programs for the Aging Title III, Part C_Nutrition Services	93.045	2009-3C1-13	1,244,674
Special Programs for the Aging Title III, Part C_Nutrition Services	93.045	2008-3C2-13	796,353
Special Programs for the Aging Title III, Part C_Nutrition Services	93.045	2009-3C2-13	<u>1,618,923</u>
Total Special Programs for the Aging Title III — Part C			<u>4,214,066</u>
Alzheimer's Disease Demonstration Grants:			
Alzheimer's Disease Demonstration Grants to States	93.051	2008-ALZ-13	(4,468)
Alzheimer's Disease Demonstration Grants to States	93.051	2009-ALZ-13	<u>58,088</u>
Total Alzheimer's Disease Demonstration Grants			<u>53,621</u>
National Family Caregiver Support:			
National Family Caregiver Support, Title III, Part E	93.052	2008-3E-13	248,030
National Family Caregiver Support, Title III, Part E	93.052	2009-3E-13	<u>737,070</u>
Total National Family Caregiver Support			<u>985,100</u>
Nutrition Services Incentive Program:			
Nutritional Services Incentive Program	93.053	2008-NSIP-13	449,627
Nutritional Services Incentive Program	93.053	2009-NSIP-13	<u>656,961</u>
Total Nutrition Services Incentive Program			<u>1,106,588</u>
Centers for Medicare & Medicaid Services:			
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	2008-CMS-16	107,739
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	2010-CMS-16	<u>5,526</u>
Total Centers for Medicare & Medicaid Services			<u>113,265</u>
Total Texas Department of Aging & Disability Services			<u>\$ 9,738,345</u>
Centers for Disease Control & Prevention:			
Project Grants & Cooperative Agreements for TB Control:			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	CCU600445-26	\$ 33
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	PS600445-27	1,296,982
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	PS600445-28	<u>1,306,858</u>
Total Project Grants & Cooperative Agreements for TB Control			<u>2,603,873</u>

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2009

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Immunization Grants:			
Immunization Grants	93.268	CCH622532-04	\$ 2,349
Immunization Grants	93.268	IP622532-06	1,627,399
Immunization Grants	93.268	IP622532-07	1,132,899
Immunization Grants	93.268	CCH622532A	<u>11,462,119</u>
Total Immunization Grants			<u>14,224,766</u>
CDC & Investigations & Technical Assistance:			
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	CCU623672	(124)
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	CI623672-04	458,713
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	C1623672-05	361,810
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	2008-023017	60,130
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	2008-028270-001	533,351
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	1U51-PS000904-01	41,653
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	PS000904-02	<u>46,714</u>
Total CDC & Investigations & Technical Assistance			<u>1,502,247</u>
HIV Prevention Activities:			
HIV Prevention Activities_Health Department Based	93.940	CCU023512-04	1,680
HIV Prevention Activities_Health Department Based	93.940	PS023512-	4,710,226
HIV Prevention Activities_Health Department Based	93.940	PS000977-01	196,838
HIV Prevention Activities_Health Department Based	93.940	PS000977-02	102,489
HIV Prevention Activities_Health Department Based	93.940	PS000775-01	559,283
HIV Prevention Activities_Health Department Based	93.940	PS000775-02	<u>675,019</u>
Total HIV Prevention Activities			<u>6,245,534</u>
Enhanced HIV / AIDS PE:			
HIV Demonstration, Research, Public and Professional Education Projects	93.941	PS000275-03	92,466
HIV Demonstration, Research, Public and Professional Education Projects	93.941	PS001447-01	60,344
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS)Surveillance	93.944	CCU623559-03-3	2,954
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS)Surveillance	93.944	PS001020-01	710,408
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS)Surveillance	93.944	PS001020-02	557,840
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS)Surveillance	93.944	CCU624424-04	463,575
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS)Surveillance	93.944	PS001611-01	<u>27,055</u>
Total Enhanced HIV / AIDS PE			<u>1,914,643</u>
Total Centers for Disease Control & Prevention			<u>\$ 26,491,062</u>
Texas Department of State Health Service:			
Hansen's Disease National Ambulatory Care Program:			
Hansen's Disease - 08	93.2008	2008-025285-001	\$ 36,176
Hansen's Disease - 09	93.2009	2009-030542-001	<u>34,924</u>
Total Hansen's Disease			<u>71,100</u>
Family Planning Services:			
Family Planning_Services	93.217	2008-024195-001	(8,332)
Family Planning_Services	93.217	2009-029394-001	<u>114,459</u>
Total Family Planning Services			<u>106,126</u>

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2009

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Occupation Safety & Health Research Projects — Occupational Safety and Health Program	93.262	7460011640D-2007	\$ <u>226,530</u>
Bioterror Prepared:			
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	7460011640-06-10	(20)
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	2008-022930-001	2,430,977
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	2008-028268-001	960,569
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	2008-022965	327,395
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	2008-208019-001	212,540
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	2009-031305-001	<u>23</u>
Total Bioterror Prepared			<u>3,931,483</u>
HIV / AIDS Surveillance:			
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	2007-021957-001	(4)
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	2008-025429-001	1,017,173
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	2009-030647-001	<u>645,552</u>
Total HIV / AIDS Surveillance			<u>1,662,721</u>
Local Public Health Services:			
Preventive Health & Health Services Block Grant	93.991	2008-024522	51,703
Preventive Health & Health Services Block Grant	93.991	2009-028163-001	<u>310,900</u>
Total Local Public Health Services			<u>362,603</u>
Child Health Services:			
Maternal and Child Health Services Block Grant to the States	93.994	2007-020434-001	41
Maternal and Child Health Services Block Grant to the States	93.994	2008-024094	35,569
Maternal and Child Health Services Block Grant to the States	93.994	2009-029513-001	125,528
Maternal and Child Health Services Block Grant to the States	93.994	2008-024153-001	64,748
Maternal and Child Health Services Block Grant to the States	93.994	2009-029841-001	<u>85,836</u>
Total Child Health Services			<u>311,721</u>
Harris County Public Health Environ Services:			
HIV Emergency Relief Project Grants	93.914	09GEN0074	22,417
HIV Emergency Relief Project Grants	93.914	07GEN1214	(1,959)
Special Projects of National Significance	93.928	07-GEN1382	16,149
Special Projects of National Significance	93.928	08-GEN1135	59,719
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems.	93.938	HISD-AE-08	17,429
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems.	93.938	08GEN0107	25,783
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems.	93.938	2008-102201	<u>1,628</u>
Total Harris County Public Health Environ Services			<u>141,165</u>
Total Texas Department of State Health Service			<u>\$ 6,813,449</u>
Houston-Galveston Area Council — Social Services Block Grant	93.667	235-07	<u>\$ 3,403</u>
Department of Homeland Security:			
Urban Areas Security Initiative:			
Urban Areas Security Initiative	97.008	2005GET54025	\$ 479,663
Urban Areas Security Initiative	97.008	2006-GE-T6-0068	5,322,169
Urban Areas Security Initiative	97.008	2007-GE-T7-0024	2,818,058
Urban Areas Security Initiative	97.008	2008-GE-T8-0034	<u>16,470</u>
Total Urban Areas Security Initiative			<u>8,636,360</u>

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2009

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Airport Security — Airport Checked Baggage Screening Program	97.100	EDS-TSA-IAH	\$ <u>11,545,070</u>
Department of Public Safety Passed Through:			
Emergency Management Performance Grants	97.042	2007-EM-E7-2007	67,253
Emergency Management Performance Grants	97.042	2008-EM-E8-0013	150,108
Metropolitan Medical Response System	97.071	EMW04GR0599	1,559
Metropolitan Medical Response System	97.071	2006-GE-T6-0068	132,337
Metropolitan Medical Response System	97.071	2007-GE-T7-0024	<u>64,492</u>
Total Department of Public Safety Passed Through			<u>415,748</u>
Department of Homeland Security — Assistance to Firefighters Grant	97.044	EMW-2007-FO-11908	<u>936,000</u>
State Homeland Security Program — State Homeland Security Program	97.073	2006-GE-T6-0068	<u>49,477</u>
Law Enforcement Terrorism Prevention Program:			
Law Enforcement Terrorism Prevention Program	97.074	2006-GE-T6-0068	109,839
Law Enforcement Terrorism Prevention Program	97.074	2007-GE-T7-0024	<u>422,400</u>
Total Law Enforcement Terrorism Prevention Program			<u>532,240</u>
Buffer Zone Protection Program:			
Buffer Zone Protection Program	97.078	2006-BZ-T6-0032	1,417
Buffer Zone Protection Program	97.078	2006-BZ-T6-0055	<u>1,021,937</u>
Total Buffer Zone Protection Program			<u>1,023,355</u>
Governor's Division of Emergency Management — Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	2008-CP-T8-0023	<u>372,338</u>
Total Department of Homeland Security			<u>\$ 23,510,587</u>
City of Houston:			
Disaster Grants — Public Assistance (Presidentially Declared Disasters)	97.036	EM-3294-TX	\$ 130,134,614
Disaster Grants — Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-3216-EM	<u>246,884</u>
Total City of Houston			<u>\$ 130,381,498</u>
Environmental Protection Agency:			
Hazard Mitigation Grant	97.039	FEMA-1379-DR	\$ 388,597
Homeland Security Biowatch Program	97.091	582-7-72676	<u>606,638</u>
Total Environmental Protection Agency			<u>\$ 995,235</u>
Housing Authority:			
Disaster Housing Assistance Grant	97.109	FOC-HCHA-09	\$ 393,088
Disaster Housing Assistance Grant	97.109	FOC-HCHA-08	830,865
Disaster Housing Assistance Grant	97.109	FOC-HHA-08	<u>505,231</u>
Total Housing Authority			<u>\$ 1,729,184</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 427,732,966</u>

(Concluded)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2009

STATE AWARDS	Grant Award Number	Expenditures
Program Title		
Alief Independent School District — Alief ISD / Katrina SV	C70168	\$ <u>16,491</u>
State Energy Conservation Office — Sustainable resource	SECO	\$ <u>10,000</u>
Department of Justice, Office of Justice — Major Access Shop / 15	SAT041005407	\$ <u>1,919</u>
Harris County Protective Services:		
Gulfton Youth Mentor Program	C70778	\$ 1,483
United Minds	C70777	9,913
United Minds	C72072	36,880
Camp Del Sol Summer	C70776	30,403
Ampo Del Sol Cyd	C72071	<u>31,429</u>
Total Harris County Protective Services		\$ <u>110,109</u>
Houston — Galveston Area Council:		
FY08 Solid Waste Imp	08-16-G-07	\$ 26,038
Reuse Warehouse	08-16-G12	100,310
West Park Recycling	09-16-G13	79,209
HGAC-Clean Rivers	CR06-60931	(44)
HGAC-Clean Rivers	CR08-70665	<u>19,735</u>
Total Houston — Galveston Area Council		\$ <u>225,248</u>
Office of the Governor CJD — Asset Forfeiture State	NA	\$ <u>2,393,819</u>
Texas Automobile Theft Prevention Authority:		
Major Access Shop / 16	ABTPA	\$ 179,684
Major Access Shop / 17	ABTPA	<u>778,682</u>
Total Texas Automobile Theft Prevention Authority		\$ <u>958,365</u>
Texas Comptroller of Public Accounts:		
Tobacco Compliance / 11	State funded	\$ 7,810
Tobacco Compliance / 12	State funded	<u>102,326</u>
Total Texas Comptroller of Public Accounts		\$ <u>110,135</u>

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2009

STATE AWARDS	Grant Award Number	Expenditures
Program Title		
Texas Department of Public Safety — Operation Loanstar	State funded	\$ <u>(521)</u>
Texas Department of State Health Services:		
Milk & Dairy	2008-0231-27-001	\$ 7,787
Milk & Dairy	2009-028494-001	34,526
Tuberculosis Elimination	7460011640-06-07	(12)
Tuberculosis Elimination	7460011640C-07-01	(1,269)
Tuberculosis Elimination	2008-023237	365,387
Tuberculosis Elimination	2009-028744-001	991,626
Immunization State	2008-023575-001	185,906
Immunization State	2009-028712-001	642,091
CHS FAM Plan SV Title V	2007-020434-002	238
CHS FAM Plan Title V	2008-024029	38,816
CHS FAM Plan SV Title V	2009-029555-001	181,338
Get Moving Houston	2008-027701-001	74,000
Enhanced Influenza	2009-030780-001	89,157
IDUC Flu-Lab	2009-030834-001	<u>5,828</u>
Total Texas Department of State Health Services		<u>\$ 2,615,419</u>
Healthy Family Initiative — Nurse Family Partnership	0380800107001	<u>\$ 241,155</u>
Texas Dept. of Aging & Disability Services:		
State General Rev	2008-SGR-13	\$ 1
State General Rev	2009-SGR-13	416,794
State Highway Transportation	2009-SHF-13	35,574
State General Rev — IKE Hurricane	200-SIKE-13	<u>191,405</u>
Total Texas Dept. of Aging & Disability Services		<u>\$ 643,774</u>
Texas Parks & Wildlife Department — Houston Park Adventure	52000385	<u>\$ 1,645</u>
Texas State Library and Archive Comm:		
Loan Star	442-08234	\$ 175,753
Loan Star	442-08234	<u>183,734</u>
Total Texas State Library and Archive Comm		<u>\$ 359,487</u>
TOTAL EXPENDITURES OF STATE AWARDS		<u>\$ 7,687,047</u>

(Concluded)

CITY OF HOUSTON, TEXAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

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):

	<u>Federal</u>	<u>State</u>
Grant Funds	\$ 181,470	\$ 5,293
FEMA Assistant Grant - Hurricane IKE	130,135	-
Capital Projects Funds	3,363	-
Asset Forfeiture (Special Revenue Funds)	5,942	2,394
Enterprise Fund - Combined Utility System (TX Water Board)	38,028	-
Enterprise Fund - Airport System Fund	68,795	-
	<u>\$ 427,733</u>	<u>\$ 7,687</u>
Total		

3. Amounts reported in the schedule of expenditures 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	\$ 11,462,119
Value of vaccines on hand		\$1,681,195

6. **Loans Outstanding** — The City had the following loan balances outstanding at June 30, 2009. 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	\$ 24,996,799
HOME Investment Partnerships Program	14.239	14,957,331
Section 108 Guaranteed Loan Program	14.248	12,327,190

7. The following is the federal subrecipient cash disbursements:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	\$ 2,362,602
Emergency Shelter Grants Program	14.231	1,316,243
Title V Delinquency Prevention Program	16.548	18,493
Safe and Drug-Free Schools and Communities _State Grants	84.186	41,319
Special Programs for the Aging_ Title VII, Chapter 3_ Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	29,824
Special Programs for the Aging_ Title VII, Chapter 2_ Long Term Care Ombudsman Services for Older Individuals	93.042	112,056
Special Programs for the Aging_ Title III, Part D_ Disease Prevention and Health Promotion Services	93.043	116,795
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	930,992
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	4,138,167
Alzheimer's Disease Demonstration Grants to States	93.051	1,017
National Family Caregiver Support, Title III, Part E	93.052	802,907
Nutritional Services Incentive Program	93.053	1,046,538
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	142,844
Immunization Grants	93.268	88,206
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	93,633
HIV Prevention Activities_ Health Department Based	93.940	2,806,767
Preventive Health Services_ Sexually Transmitted Diseases Control Grants	93.977	<u>77,928</u>
Total		<u><u>\$ 14,126,331</u></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
Major Accessory Shop / 16	ABTPA	\$ 23,679
Major Accessory Shop / 17	ABTPA	31,799
Tuberculosis Elimination	2008-023237	40,246
Tuberculosis Elimination	2009-028744-001	31,700
State General Revenue	2008-SGR-13	10,364
State General Revenue	2009-SGR-13	430,341
State Highway Transportation	2009-SHF-13	22,027
		<hr/>
Total		<u>\$ 590,156</u>

CITY OF HOUSTON, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

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 not considered to be a material weakness.
3. No instances of noncompliance considered material to the basic financial statements were disclosed in the audit.
4. A significant deficiency in internal control over compliance with requirements applicable to a federal award program were identified and was considered to be a material weakness.
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 Public Safety Interoperable Communications Grant.
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
Office of National Drug Control Policy	7.XXX
Public Safety Interoperable Communications Grant	11.555
Community Development Block Grant	14.218
Home Investment Partnerships Program	14.239
Community Oriented Policing Services	16.710
Highway Planning & Construction	20.205
Airport Checked Baggage Screening	97.100
Disaster Grants - Public Assistance	97.036
Hazard Mitigation Grant Program	97.039
Shared Forfeited Property	State
Loan Star Libraries Grant	State
TB Elimination	State

8. For federal awards and state awards, a dollar threshold of \$3,000,000 and \$300,000, respectively, was used to distinguish between Type A and Type B programs, as defined in OMB Circular A-133.
9. The City did not qualify as a low-risk auditee, as defined in OMB Circular A-133.

II. FINANCIAL STATEMENT FINDINGS SECTION

Program	Finding/Noncompliance	Questioned Cost
Financial Reporting	<p>Significant Deficiency in Internal Control — Finding 2009-1.</p> <p>Condition / Criteria: While there was significant improvement in the City’s financial reporting process in the current year, the City should enhance this process by requiring responsible financial reporting personnel, at the department level, to perform analytical reviews of financial results on a periodic basis, and also review and approve material journal entries that affect their respective departmental financial results.</p> <p>Cause / Context: Nonperformance of analytical reviews of financial information and the processing of material journal entries without appropriate high level management approval, enhances the risk that the City’s financial statement could contain material misstatements.</p> <p>Effect: Performing periodic analytical reviews of financial results as well as reviewing and approving material journal entries at a departmental level, should enhance the City’s ability to identify and correct potential misstatements in the City’s financial statements.</p> <p>Recommendations: Due to the City’s diverse operations, there is a need to perform high level analytic reviews at a departmental level, where the departmental management has a clearer picture of the financial results of the respective department. In addition, the review and approval of material journal entries at a high level of management within a department should mitigate the risk that a material misstatement to the financial statements could occur.</p> <p>Views of Responsible Officials: Management does not disagree with this finding.</p> <p>Corrective Action Plan of Management: Departments will perform quarterly analytical reviews of financial results and review material journal entries.</p> <p>Estimated Completion Date: June 30, 2010</p> <p>City Contact Person: Douglas Seckel, Deputy Director Finance</p>	N/A

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
<p>HOME Investment Partnerships Program – CFDA # 14.239</p>	<p>Compliance and Control Finding 2009-2: Reporting</p> <p>Condition: It was noted that the City improperly included \$34,000 of expenditures in the 2009 Schedule of Expenditures of Federal and State Awards (“SEFA”). The expenditures related to a transfer out of a grant fund to a special revenue fund and should not have been included as expenditures in the 2009 SEFA schedule.</p> <p>The expenditures are not shown in the fiscal year 2009 SEFA, as they have been appropriately removed from the schedule.</p> <p>Criteria: Management of the City is responsible for proper preparation of the SEFA.</p> <p>Cause: Personnel responsible for the preparation of the SEFA, were not aware that this transfer should not be included in the SEFA.</p> <p>Effect: The SEFA would have been incorrect without this adjustment.</p> <p>Recommendation: City departments that receive grants should work more closely with the finance department to determine that inappropriate expenditures are excluded from the SEFA.</p> <p>Views of Responsible Officials: Management agrees with this finding.</p> <p>Corrective Action Plan of Management: Housing submitted corrective entries to move prior revenues to the correct fund. Housing’s extensive reconciliation revealed revenues were booked incorrectly. After consulting with City Finance Grants Management section Housing structured correcting entries. We will continue to work with City Finance to ensure entries are booked correctly.</p> <p>Estimated Completion Date: Immediate-On Going</p> <p>City Contact Person: Renee Carrington, Assistant Director – Housing & Community Development</p>	<p>N/A</p>

Program	Finding/Noncompliance	Questioned Cost
Immunization Federal — CFDA # 93.268	<p data-bbox="548 287 1218 317">Compliance and Control Finding 2009 – 3: Reporting</p> <p data-bbox="548 352 1325 583">Condition: Internal controls surrounding the recording of immunization usage and inventory balances were deficient, which resulted in the spreadsheet used by the City to track vaccination inventory usage and balances missing critical calculation formulas that created an error in inventory balances and inventory usage, in the amount of \$2,548,523. This resulted in the preliminary SEFA being misstated by the City.</p> <p data-bbox="548 611 1325 741">Criteria: 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, and the SEFA should report such federal awards accordingly.</p> <p data-bbox="548 768 1325 898">Cause / Context: An adequate review of the Summary Vaccine Received Report was not performed. In addition, mathematical errors were made within the report, which resulted in the preliminary SEFA being misstated.</p> <p data-bbox="548 926 1325 1022">Effect: A significant adjustment was necessary to properly state the inventory values received and values used, and the SEFA was corrected to reflect this adjustment.</p> <p data-bbox="548 1050 1325 1213">Recommendation: The City should maintain adequate records of vaccinations received and regularly reconcile the Receiving Logs to the Summary Vaccine Received Report. In addition, a review of the Summary Vaccine Report should be performed at least annually to ensure mathematical accuracy and completeness.</p> <p data-bbox="548 1241 1325 1306">Views of Responsible Officials: We do not disagree with this finding.</p>	N/A

Program**Finding/Noncompliance****Questioned
Cost**

Corrective Action Plan of Management: Program personnel maintain the immunization vaccine inventory during the fiscal year. The department's Compliance team has initiated a review of the current process, developed a flow chart of existing processes and reviewed findings with program personnel.

As part of this internal review, which includes Immunization Bureau staff, the department has identified objectives that will address both operational and financial reporting deficiencies:

1. Review the human and financial resources needed to transition from a complex manual process to an SAP inventory management system. This transition would afford the Immunization Bureau the ability to create the necessary financial and inventory reports directly from SAP.
2. Ensure that any/all changes continue to afford the Immunization Program the ability to meet Center for Disease Control and Prevention (CDC) and Texas Department of State Health Services (DSHS) reporting requirements.
3. Determine the operational requirements for the Immunization Bureau that can not be addressed by SAP and improve or replace the existing SQL data base to track provider information and demographics, as required by the state.
4. Coordinate and enlist the assistance of the City of Houston's ERP team to explore the possibility of migrating from the current inventory process to SAP inventory management; which includes a review of training requirements, staffing resources, system maintenance and compatibility with existing software.

Estimated Completion Date: Procedures will be in place immediately.

City Contact Person: Decrecia Robinson, Administration Manager — Department of Health & Human Services

Program	Finding/Noncompliance	Questioned Cost
<p>Public Safety Interoperable Communication Grant Program – CFDA # 11.555</p> <p>Hazard Mitigation – CFDA # 97.039</p> <p>Loan Star Libraries Grant - State</p>	<p>Compliance and Control Finding 2009 – 4: Reporting</p> <p>Condition: For the programs noted below, the City did not comply with reporting requirements required by the grants.</p> <p><i>Late Filings</i></p> <p>Hazard Mitigation: The 3rd Quarter 2008 and 2nd Quarter 2009 and Reimbursement Requests were filed after the 30-day after quarter end submission requirement.</p> <p>Loan Star Libraries Grant: The quarterly financial status report for the period ending February 28, 2009 was submitted after the 30-day after quarter end submission requirement.</p> <p><i>No Filings</i></p> <p>Public Safety Interoperable Communication Grant Program: Governor’s Division of Emergency Management (GDEM) requires quarterly performance reports. The City did not file any quarterly performance reports for fiscal year 2009 related to this grant.</p> <p>Criteria: In accordance with OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> and the State of Texas, Uniform Grant Management Standards all reports must be filed appropriately and by the date required in the grant agreement.</p> <p>Cause/ Context: Lack of controls in place to ensure the reports are filed appropriately and within the proper period of time.</p> <p>Effect: The City is not complying with the requirements set forth in the grant agreement.</p> <p>Recommendation: The City should re-evaluate its reporting procedures and implement new controls to ensure all reports are filed in accordance with the grant requirements.</p> <p>Views of Responsible Officials: Management does not disagree with this finding.</p>	N/A

Corrective Action Plan of Management:

Public Safety Interoperable Communication Grant Program:
The staff has implemented procedures to ensure timely reporting of progress reports.

Hazard Mitigation:
The Office of Emergency Management has established an internal review process, including a specific timeline to prevent re-occurrence.

Loan Star Libraries Grant:
The State was notified regarding the lateness of the report, they acknowledged verbally that it was okay since there were no funds due that quarter. The report was less than 14 days late. HPL contacted the State for clarification regarding the late report; an e-mail was received from Texas State Library & Achieve Commission, indicating that since the report was a few days late that it did not cause any issues on their end.

Estimated Completion Date: 01/31/2010

City Contact Person:

Kimberly D. House, Sr. Staff Analyst - Mayor's Office

Terry Moore, Division Manager - Administration & Regulatory Affairs

Hope Waobikeze, Division Manager - Houston Public Library

Program	Finding/Noncompliance	Questioned Cost
Shared Forfeited Property - State	<p data-bbox="548 302 1198 331">Compliance and Control Finding 2009-5: Reporting</p> <p data-bbox="548 352 1338 613">Condition: In accordance with the State of Texas, <i>Uniform Grant Management Standards</i> (“UGMS”), 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 and state programs by federal and state agencies. During our testing of the financial statements, we noted an error related to fixed asset purchases which were improperly excluded from the 2009 SEFA schedule.</p> <p data-bbox="548 655 1308 747">Criteria: Management of the City is responsible for proper preparation of the Schedule of Expenditures of Federal and State Awards.</p> <p data-bbox="548 781 1338 907">Cause /Context: An error in recording the transaction in the wrong fund. When the correction was made the fixed assets were transferred to the Asset Forfeiture Fund. The transfer did not show up as an expenditure.</p> <p data-bbox="548 970 1292 999">Effect: Noncompliance with UGMS compliance requirements.</p> <p data-bbox="548 1041 1318 1167">Recommendation: The City review these SAP transaction types with the ERP Department to improve the accounting. For future year’s SEFA schedules the City should analyze transfers to be certain all expenditures are included in the SEFA schedule.</p> <p data-bbox="548 1201 1308 1264">Views of Responsible Officials: Management does not disagree with this finding.</p> <p data-bbox="548 1285 1308 1386">Corrective Action Plan of Management: Transfers of assets to grant funds will be reviewed to be certain all expenditures are properly reported.</p>	N/A
	Estimated Completion Date: June 30, 2010	
	City Contact Person: Harold Jackson, Division Manager, Finance Department - Grants Section	

Program	Finding/Noncompliance	Questioned Cost
Shared Forfeited Property - State	<p data-bbox="548 302 1211 365">Compliance and Control Finding 2009-6: Equipment Management</p> <p data-bbox="548 386 1341 919">Condition: In accordance with the State of Texas, <i>Uniform Grant Management Standards</i> (“UGMS”), equipment acquired with state funds shall be maintained accurately and include (i) A description of the equipment, (ii) Manufacturer’s serial number, model number, state stock number, national stock number, or other identification number, (iii) Source of the equipment, including the award number, (iv) Whether title vests in the recipient or the state government, (v) Acquisition date or date received and cost, (vi) Information from which one can calculate the percentage of state participation in the cost of the equipment (not applicable to equipment furnished by the state government), (vii) Location and condition of the equipment and the date the information was reported, (viii) Unit acquisition cost, and (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the state awarding agency for its share.</p> <p data-bbox="548 953 1276 1052">For the program noted, we identified equipment purchases reflected in the Schedule of Expenditures of Federal and State Awards that were not adequately tracked as required above.</p> <p data-bbox="548 1085 1276 1148">Criteria: In accordance with UGMS all equipment must be properly maintained and tracked.</p> <p data-bbox="548 1182 1227 1245">Cause / Context: Lack of controls in place to ensure the equipment purchases are properly maintained.</p> <p data-bbox="548 1299 1325 1362">Effect: The City is not complying with the requirements set forth in the Grant Agreement.</p> <p data-bbox="548 1396 1252 1535">Recommendation: The City should review its policy and procedures related to the recording of transactions related to equipment purchases with state awards and to ensure that equipment purchases are properly maintained.</p> <p data-bbox="548 1568 1333 1692">Views of Responsible Officials: Management does not agree with this finding. The questioned assets will be accounted for in the Shared Forfeiture Fund, once the outstanding debt service is liquidated. This is scheduled for the end of FY2010.</p>	N/A

Program	Finding/Noncompliance	Questioned Cost
	<p>Corrective Action Plan of Management:</p> <p>Shared Forfeiture Property is not a grant. The Houston Police Department (“HPD”) has properly accounted for the vehicles in question. They were purchased with debt funds. HPD has advised the City’s auditors that these vehicles will be accounted for in the asset forfeiture fund once the outstanding debt is liquidated. This transaction was approved for payment by City Council as an initial debt purchase with intentions to be repaid by using grant, asset forfeiture, or other special revenue funds.</p> <p>Estimated Completion Date: June 30, 2010</p> <p>City Contact Person: Sheryal Armstrong, Division Manager – Houston Police Department</p>	

Program	Finding/Noncompliance	Questioned Cost
Loan Star Libraries Grant – State	<p>Compliance and Control Finding 2009-7: Allowable Costs</p> <p>Condition: We identified expenditures reflected in the Schedule of Expenditures of Federal and State Awards (SEFA) that related to prior fiscal years. Two out of twenty-five non-payroll selections subject to testing in the amount of \$17,650 were recorded in the wrong fiscal year. The expenditures were recorded as a fiscal year 2009 expenditure when they should have been recorded as a fiscal year 2008 expenditure. The expenditures are shown in the fiscal year 2009 SEFA as they were not included in the fiscal year 2008 schedule.</p> <p>Criteria: The City’s 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>Cause / Context: The expenditures were recorded when paid, rather than when incurred.</p> <p>Effect: Expenditures are being reflected in the wrong fiscal year in the SEFA.</p> <p>Recommendation: City managers should carefully review accruals and follow established policies and procedures for year-end accounting.</p> <p>Views of Responsible Officials: An accrual to record this transaction was reversed. The only potential problem was the posting date which stated 7/2/2009. Houston Public Library (“HPL”) was having problem changing the posting date and it was discussed with Controllers. The accrual was reversed by Controller’s Office.</p> <p>Corrective Action Plan of Management: Department personnel had a problem changing the posting date to June 30th, Controller’s office was notified. In the future, HPL will follow up with Controller’s office to make sure the posting date is on or before June 30th for the fiscal year on all accruals.</p>	N/A
	Estimated Completion Date: 12/31/2009	
	City Contact Person: Hope Waobikeze, Division Manager – Houston Public Library	

Compliance and Control Finding 2009 – 8: Earmarking

**Community
Development Block
Grant – CFDA #
14.218**

Condition: Community Development Block Grant (“CDBG”) funds were allocated to Public Service expenses in excess of maximum 16.77% of applicable CDBG funds.

\$386,931

Criteria: In accordance with OMB Circular A-133 and documentation provided by Housing and Urban Development (“HUD”), CDBG funds are not to be allocated to Public Service expenses in excess of maximum 16.77%.

Cause / Context: Improper monitoring of CDBG spending and a reliance on adjustments related to previous fiscal years. Per the Housing and Community Development (“HCD”) department of the City of Houston, the reconciliation of old accounting system to IDIS has not been completed, partly due to the changing IDIS report requirements. Once HCD noted the over allocation of Public Service expenses, efforts were made by HCD to find previously unreported adjustments from prior fiscal years, as HUD allows for adjustments of this nature to be made in the current fiscal year. However, at the time of reporting, HCD had not identified any adjustments from AFMS to bring them below the allocated amount.

Effect: Noncompliance with OMB Circular A-133 Compliance requirements.

Recommendation: The City should review its policies and procedures related to the monitoring of earmarking to ensure that the City is in compliance with grant requirements.

Views of Responsible Officials: HCD recognizes the need to continually review and improve its policies to ensure monitoring of earmarks are in compliance with grant requirements.

Corrective Action Plan of Management: Approximately 12 months ago, Housing started an extensive reconciliation and account cleanup effort, of which the results impacted the public services cap. The Housing Dept is committed and will continually refine its reconciliation processes to identify and correct account outages in a timely manner to avoid such occurrences in the future. Quarterly, Housing will implement a cap calculations worksheet to monitor cap spending levels.

Estimated Completion Date: On Going

City Contact Person: Renee Carrington, Assistant Director – Housing & Community Development

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

Program	Finding/Noncompliance	Questioned Cost
Financial Reporting	<p>Financial Reporting Finding 2008-1.</p> <p>Finding: 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>Recommendations: 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>Status: The Finance Department has added accounting professionals to the grants management staff and continues to work with other departments to improve the financial review and reporting process.</p>	N/A
<p>Community Development Block Grant/State Programs — CFDA # 14.228</p> <p>Community Development Block Grant — CFDA # 14.218</p>	<p>Finding 2008-2.</p> <p>Finding: For the programs noted below, the City did not comply with reporting requirements required by the grants.</p> <p><i>Late Filings</i></p> <p>Community Development Block Grant (CDBG) Texas Action Plan: The February 2008 and June 2008 CDBG Expenditure Report and Draw Request reports were filed July 17, 2008, which is after the 10-calendar day after month-end submission requirement.</p> <p><i>No Filings</i></p> <p>CDBG: U.S. Department of Housing and Urban Development (HUD) Form 60002 has not been filed by the City for fiscal years 2007 and 2008.</p> <p><i>Inaccurate Filings</i></p> <p>CDBG Texas Action Plan: Overtime — Civilian pay has not been properly classified as administration costs or reported in the monthly filings with the Texas Department of Housing and Community Affairs (TDHCA).</p>	N/A

Program	Finding/Noncompliance	Questioned Cost
	<p>CDBG: The Consolidated Annual Performance and Evaluation Report (CAPER) incorrectly included Public Service unliquidated obligations for projects that had already been completed.</p> <p>Recommendation: The City should reevaluate its reporting procedures and implement new controls to ensure all reports are filed in accordance with the grant requirements.</p> <p>Status: This finding has been repeated in fiscal year 2009 as finding 2009-4.</p>	

Program	Finding/Noncompliance	Questioned Cost
Hazard Mitigation — CFDA # 97.039	<p>Finding 2008-3.</p> <p>Finding: We identified expenditures reflected in the Schedule of Expenditures of Federal and State Awards that related to prior fiscal years. Nine of the twenty-nine non-payroll selections were transactions for services performed in fiscal year 2007 and totaled \$4,136,007.</p> <p>The expenditures are shown in the fiscal year 2008 Schedule of Expenditures of Federal Awards as they were not included in the fiscal year 2007 schedule.</p> <p>Recommendation: 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.</p> <p>Status: The City of Houston conducted training classes relating to OMB A-133 requirements and Citywide Year-End Closing procedures on March 24, 2009 and June 04, 2009.</p>	\$4,136,007
<p>Special Programs for the Aging, Title III, Part B — CFDA # 93.044</p> <p>Special Programs for the Aging Title III, Part C — CFDA # 93.045</p> <p>Nutrition Services Incentive Program — CFDA # 93.053</p>	<p>Finding 2008-4.</p> <p>Finding: For the program noted below the City’s subrecipient included the following finding.</p> <p><i>Special Programs for the Aging, Title III, Part B & C and Nutrition Services Program:</i> A subrecipient of the City, Neighborhood Centers Inc., included a Subrecipient Monitoring finding in their Single Audit report for the year ended December 31, 2007.</p> <p>Recommendation: Ensure the effects of subrecipient noncompliance are included in the City’s records.</p> <p>Status: At the time of compliance finding Neighborhood Centers, Inc employees were new and were not aware of the procedures in place to monitor subrecipient activity and to document the monitoring being performed.</p> <p>Houston Health and Human Services Compliance division met with the employees in January, 2009 to ensure that they understand and follow the procedures in place.</p>	N/A

Program	Finding/Noncompliance	Questioned Cost
N/A	<p data-bbox="548 296 743 323">Finding 2008-5.</p> <p data-bbox="548 359 1338 590">Finding: In accordance with OMB Circular A-133 and the State of Texas, Uniform Grant Management Standards (UGMS), 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 and state programs by federal and state agencies. During our testing of the financial statements, we noted certain errors as follows:</p> <p data-bbox="548 611 1338 674">The initial SEFA included expenditures related to costs not subject to single audit testing, thus overstating expenditures in the SEFA.</p> <p data-bbox="548 695 1338 758">The initial SEFA included expenditures improperly reported to discontinued or non-existent CFDA numbers.</p> <p data-bbox="548 779 1338 905">The Federal Sub-Recipient Note to the SEFA incorrectly included expenditures as being awarded to sub-recipients. The disbursements actually represented awards to vendors and recipients.</p> <p data-bbox="548 926 1338 989">The Noncash Awards Note to the SEFA incorrectly disclosed the value of vaccines issued.</p> <p data-bbox="548 1010 1338 1073">The State Sub-Recipient Note to the SEFA incorrectly excluded expenditures to sub-recipients.</p> <p data-bbox="548 1104 1338 1335">Recommendation: 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>	N/A

Program	Finding/Noncompliance	Questioned Cost
	<p>Status: The SEFA schedule for FY 2009 has followed a different process that in previous years. Additional staff has been added to review CFDA numbers of grant programs, check grant reference numbers, verify which programs are required for the Single Audit and that the expenditures shown reflect the FY 2009 general ledger on each of the SEFA schedules submitted to the external auditors.</p> <p>Non-cash awards have been reviewed to show only donated and surplus items received by the City from other governmental agencies in the financial footnotes.</p> <p>The sub-award list report from SAP have been modified to include more information that will allow for easier determination of recipient/vendor payments from true sub-awards. Suspect payments have been reviewed by the programs department for vendor/sub-award status.</p> <p>The City of Houston conducted training classes relating to OMB A-133 requirements and Citywide Year- End Closing Procedures on March 24, 2009 and June 04, 2009.</p>	
	<p>Finding 2008-6.</p>	
<p>HIDTA — CFDA # 7.XXX</p> <p>Edward Byrne Memorial Justice Assistance Grant Program — CFDA # 16.738</p> <p>Brownfields Assessments and Cleanup Cooperative Agreement — CFDA # 66.818</p> <p>Urban Areas Security Initiative — CFDA # 97.008</p>	<p>Finding: For the programs noted below, we noted a net total of \$487,694 was initially recorded in the wrong fiscal year. The expenditures were either recorded as fiscal year 2008 expenditures when they should have been charged as fiscal year 2007 expenditures or recorded as fiscal year 2009 expenditure when they should have been charged as fiscal year 2008 expenditure. The 2007 expenditures, however, are shown in the fiscal year 2008 SEFA as they were not included in the fiscal year 2007 schedule. The breakdown of expenditure amount by grant is as follows:</p> <p><i>Program Amount</i></p> <p>(1) Urban Area Security Initiative — \$76,000</p> <p>(2) HIDTA 2006 — \$18,417</p> <p>(3) Brownfields Assessments and Cleanup Cooperative Agreement — \$31,646</p> <p>(4) Metropolitan Medical Response System — \$33,947</p> <p>(5) Disaster Grants — Public Assistance — \$159,747</p> <p>(6) Edward Byrne Memorial Justice Assistance Grant Program — \$167,937</p>	<p>\$487,694</p>

Program	Finding/Noncompliance	Questioned Cost
Public Assistance Grants — CFDA # 97.036 Metropolitan Medical Response System — CFDA # 97.071	<p>Recommendation: 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.</p> <p>Status: The City has met with grant operating departments to discuss and distribute process and procedure material regarding grant expenditures during the City’s year end closing. The departments received instruction on posting year end accruals, revenues and paying invoices received during the fiscal year end process. The departments are becoming accustomed to having two fiscal years opened at the same time and are more cautious of the journal entries made during this time period.</p>	
Hazard Mitigation — CFDA # 97.039	<p>Finding 2008-7.</p> <p>Finding: The City excluded retainage for fiscal year 2008 services from the SEFA, totaling \$705,260.</p> <p>Recommendation: 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.</p> <p>Status: Based on the finding, we have since revised our reporting process on all grants to include non-billable retainage and all other such expenditures that were incurred for the year.</p>	\$705,260

Program	Finding/Noncompliance	Questioned Cost
Airport Checked Baggage Screening — CFDA # 97.100	<p>Finding 2008-8.</p> <p>Finding: The City failed to perform the following monitoring requirements, per the grant agreement: confirm the subrecipient was compliant with the Davis-Bacon Act, ensure the subrecipient and all subcontractors of the subrecipient receiving funding are neither suspended nor debarred, and ensure the subrecipient had a single audit performed, as they received more than \$500,000 in federal funding.</p> <p>Recommendation: The City should be aware of all grant requirements and ensure their compliance.</p> <p>Corrective Action Plan of Management: The City will conduct training classes in the compliance requirements of OMB Circular A-133 and UGMS.</p> <p>Status: We have had two training sessions in which The Davis Bacon Act was part of the class; The “Contractor Employee Classification Ordinance” part of the training course addressed the Davis Bacon Act as a part of the MWBE Program Update and Goal Setting Workshop.</p>	N/A
<p>Immunization Federal — CFDA # 93.268</p> <p>Housing Opportunities for Persons with AIDS — CFDA # 14.241</p> <p>Shared Forfeiture Property — CFDA # 16.1123-001 1</p>	<p>Finding 2008-9.</p> <p>Finding: 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.</p> <p>Immunization Federal: One out of ten non-payroll selections subject to testing for the Federal Immunization program for \$4,904 was recorded in the wrong fiscal year. The expenditure was recorded as a fiscal year 2008 expenditure when it should have been charged as a fiscal year 2007 expenditure.</p> <p>Housing Opportunities for Persons with Aids: Two of nineteen non-payroll selections were for services performed during April and June 2007 and totaled \$36,396.</p> <p>Shared Forfeited Property: One out of seventeen non-payroll selections included services and/or goods provided in fiscal year 2007 improperly included in fiscal year 2008. Furthermore, the selection related to invoices recorded in fiscal year 2007 that should have been included in fiscal year 2008. The net effect of these errors was \$40,302.</p> <p>The expenditures are shown in the fiscal year 2008 Schedule of Expenditures of Federal Awards as they were not included in the fiscal year 2007 schedule.</p>	\$81,602

Program	Finding/Noncompliance	Questioned Cost
	<p>Recommendation: 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.</p> <p>Status: This finding has been repeated in fiscal year 2009 as finding 2009-7.</p>	