

City of Houston, Texas

Single Audit Report for the
Year Ended June 30, 2008

CITY OF HOUSTON, TEXAS

TABLE OF CONTENTS

	Page
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 <i>GOVERNMENT AUDITING STANDARDS</i>	1-2
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	3-5
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2008	6-20
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AS OF AND FOR THE YEAR ENDED JUNE 30, 2008	21-23
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2008	24-42

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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 19, 2008. Our report was modified to include a reference to other auditors and the implementation of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which requires the measurement, recognition, and display of other postemployment benefits for the year ended June 30, 2008. 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). As described in our report on the City's financial statements, other auditors audited 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 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. 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 *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 2008-1 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 or 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 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 19, 2008.

The City's responses 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.



December 19, 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, 2008. 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 2008-3 and 2008-8, 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 Hazard Mitigation program and requirements of the Davis-Bacon Act related to the Airport Checked Baggage Screening Program. Compliance with such requirement is necessary, in our opinion, for the City to comply with the requirements applicable to these 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, 2008. 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 2008-2 through 2008-9.

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 certain deficiencies in internal control over compliance that we consider to be significant deficiencies 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-3, 2008-5 and 2008-8 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 responses 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, 2008, and have issued our report thereon dated December 19, 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's Touche LLP

December 19, 2008

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Executive Office of the President —			
Office of National Drug Control Policy —			
Houston High Intensity Drug Trafficking Area (HIDTA):			
Truck, Air, Rail, Port	07.18PHNP500Z	I8PHNP500Z	\$ 2,202
Truck, Air, Rail, Port / 1	07.13PHNP500	I3PHNP500	92
Houston Money Launder / 7	07.13PHNP500	I3PHNP500	71,602
Houston Money Launder / 8	07.14HNP500Z	I4PHNP500Z	63,928
Houston Money Launder	07.18PHNP500Z	I8PHNP500Z	18,086
Houston Money Launder / 11	07.17PHNP500Z	I7PHNP500Z	50,746
Gang & Nontrad Squad / 2	07.13PHNP500	I3PHNP500	18,290
Gang & Nontrad Squad	07.18PHNP500Z	I8PHNP500Z	21,093
Drug Traffic Org	07.IP6PHNP00Z	IP6PHNP00Z	11,162
HIDTA 2005	07.15PHNP500Z	I5PHNP500Z	162,871
HIDTA 2006	07.16PHNP500Z	I6PHNP500Z	662,698
Target NARC Enfr / 6	07.17PHNP500Z	I7PHNP500Z	650,667
Target NARC Enfr / 3	07.14PHNP500Z	I4PHNP500Z	49,547
Gang & Nontrad Squad / 6	07.17PHNP500Z	I7PHNP500Z	333,422
Gang & Nontrad Squad / 3	07.14PHNP500Z	I4PHNP500Z	(20,831)
NARC OPS CTRL INT/11	07.17PHNP500Z	I7PHNP500Z	158,540
NARC OPS CTRL INT/8	07.14PHNP500Z	I4PHNP500Z	4,968
Truck, Air, Rail, Port / 5	07.17PHNP500Z	I7PHNP500Z	519,073
Truck, Air, Rail, Port / 2	07.14PHNP500Z	I4PHNP500Z	4,451
Houston Intl SP CNT / 4	07.17PHNP500Z	I7PHNP500Z	49,465
Houston Intl SP CNT / 1	07.14PHNP500Z	I4PHNP500Z	(210)
Major Drug Squad / 10	07.17PHNP500Z	I7PHNP500Z	122,658
Major Drug Squad / 7	07.14PHNP500Z	I4PHNP500Z	(187)
CPOT-TNET OPR BLMRLN	07.13PHNP500	I3PHNP500	239
Meth Initiative Group	07.18PHNP500Z	I8PHNP500Z	1,094
Total Office of National Drug Control Policy			<u>2,955,665</u>
Department of Agriculture —			
Department of Agriculture Passed Through — TX Dept. of AG.:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	2008-024649	7,671,471
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	2007-020879-001	2,607,307
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7460011640-06-11	(620)
Total Texas Department of Agriculture			<u>10,278,158</u>
Department of Agriculture Passed Through —			
TX Dept. of Human Services:			
Summer Food Services Program for Children	10.559	07TX1011007	1,083,316
Summer Food Services Program for Children	10.559	08TX1011007	1,299,119
Total Department of Agriculture Passed Through —			<u>2,382,435</u>
TX Dept. of Human Services			
Department of Agriculture Passed Through -- Texas —			
Cooperative Forestry Assistance	10.664	50707	2,682
Total Department of Agriculture			<u>12,663,274</u>
U.S. Department Of Defense —			
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation			
	12.607	CL0665-07-01	48,590

(Continued)

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
U. S. Department of Housing & Urban Development —			
Community Development Block Grant			
Community Development Block Grant	14.218	B98MC480018	\$ 111,417
Community Development Block Grant	14.218	B97MC480018	740
Community Development Block Grant	14.218	B96MC480018	154,777
Community Development Block Grant	14.218	B95MC480018	37,044
Community Development Block Grant	14.218	B94MC480018	357,326
Community Development Block Grant	14.218	B93MC480018	16,948
Community Development Block Grant	14.218	B99MC480018	572,858
Community Development Block Grant	14.218	B05MC480018	3,653,474
Community Development Block Grant	14.218	B06MC480018	4,056,169
Community Development Block Grant	14.218	B07MC480018	19,748,326
Community Development Block Grant	14.218	B04MC480018	2,102,275
Community Development Block Grant	14.218	B03MC480018	525,017
Community Development Block Grant	14.218	B02MC480018	272,592
Community Development Block Grant	14.218	B01MC480018	442,024
Community Development Block Grant	14.218	B00MC480018	<u>165,848</u>
Total Community Development Block Grant			<u>32,216,833</u>
Texas Dept. Of Housing & Community Affair:			
Community Development Block Grants/State Programs	14.228	B-06-DG-48-0002	<u>14,729,922</u>
Emergency Shelter Grants Program:			
Emergency Shelter Grants Program	14.231	S04MC480002	(1,641)
Emergency Shelter Grants Program	14.231	S07MC480002	1,272,784
Emergency Shelter Grants Program	14.231	S06MC480002	161,078
Emergency Shelter Grants Program	14.231	S05MC480002	<u>9,662</u>
Total Emergency Shelter Grants Program			<u>1,441,882</u>
HOME Investment Partnerships Program:			
Home Investment Partnerships Program	14.239	M93MC480206	306,963
Home Investment Partnerships Program	14.239	M92MC480206	80,000
Home Investment Partnerships Program	14.239	M01MC480206	3,264,465
Home Investment Partnerships Program	14.239	M02MC480206	2,647,811
Home Investment Partnerships Program	14.239	M95MC480206	499,100
Home Investment Partnerships Program	14.239	M03MC480206	6,805,507
Home Investment Partnerships Program	14.239	M06MC480206	5,975,619
Home Investment Partnerships Program	14.239	M07MC480206	2,991,270
Home Investment Partnerships Program	14.239	M94MC480206	75,157
Home Investment Partnerships Program	14.239	M04MC480206	6,866,000
Home Investment Partnerships Program	14.239	M05MC480206	4,553,360
Home Investment Partnerships Program	14.239	M99MC480206	688,146
Home Investment Partnerships Program	14.239	M00MC480206	<u>767,768</u>
Total HOME Investment Partnerships Program			<u>35,521,163</u>

(Continued)

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Housing Opportunities for Persons with AIDS:			
Housing Opportunities for Persons with AIDS	14.241	TX21H07-F003	\$ 413,515
Housing Opportunities for Persons with AIDS	14.241	TX21H06-F003	(1,309)
Housing Opportunities for Persons with AIDS	14.241	TX21H00-F003	(1,498)
Housing Opportunities for Persons with AIDS	14.241	TX21H02-F003	5,835
Housing Opportunities for Persons with AIDS	14.241	TX21H03-F003	20,004
Housing Opportunities for Persons with AIDS	14.241	TX21H04-F003	82,933
Housing Opportunities for Persons with AIDS	14.241	TX21H05-F003	2,207,109
Housing Opportunities for Persons with AIDS	14.241	TX21H06-F003	<u>3,776,315</u>
Total Housing Opportunities for Persons with AIDS			<u>6,502,903</u>
CDBG/Brownfield Economic Development Initiative:			
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B00SPTX0377	138,495
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B01SPTX0607	121,000
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	E95EZ480006	<u>(9,515)</u>
Total CDBG/Brownfield Economic Development Initiative			<u>249,979</u>
Lead-Based Paint Hazard Control in Privately Owned Housing:			
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	TXLHB0378-07	124,797
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	TXLHB0310-05	<u>1,136,237</u>
Total Lead-Based Paint Hazard Control in Privately Owned Housing			<u>1,261,034</u>
Lead Hazard Reduction Demonstration Grant Program:			
Lead Hazard Reduction Demonstration Grant Program	14.905	TXLHDO175-07	17,894
Lead Hazard Reduction Demonstration Grant Program	14.905	TXLHD0031-04	<u>672,293</u>
Total Lead Hazard Reduction Demonstration Grant Program			<u>690,187</u>
Total U. S. Department of Housing & Urban Development			<u>92,613,905</u>
Department of the Interior Passed Through — Texas Parks & Wildlife Dept.:			
Outdoor Recreation Acquisition, Development and Planning	15.916	48-001075	<u>41,700</u>
Department Of Justice:			
Shared Forfeiture Property	16.1123-0011		<u>3,582,893</u>
Combined DNA Index System:			
Combined DNA Index System	16.307	2005DNBXX035	114,444
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2005DABXX021	(38)

(Continued)

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2004DNBXX193	\$ 164,699
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2004DNBXX114	2,941
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2001DDVXX002	<u>(696)</u>
Total Combined DNA Index System			<u>281,351</u>
Governor's Office Criminal Justice Division:			
Juvenile Accountability Block Grants	16.523	JB-06-J20-13322-09	122,084
Juvenile Accountability Block Grants	16.523	JB-05-J20-13322-08	22,525
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DH-06-A10-18445-01	4,290,533
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005DJBX0119	1,082,502
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006DJ BX 0286	(42)
Title V Delinquency Prevention Program	16.548	JT-05-J21-18061-02	15,099
Title V Delinquency Prevention Program	16.548	JT-05-J20-18061-03	69,556
Crime Victim Assistance	16.575	VA06V3013592-07	7,072
Crime Victim Assistance	16.575	VA-07-V30-13592-08	29,624
Safe and Drug-Free Schools and Communities — State Grants	84.186	ED-07-J20-19220-01	54,766
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	04ASAPGCW	49,686
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	04ASAPGCW	<u>27,487</u>
Total Governor's Office Criminal Justice Division			<u>5,770,893</u>
Crime Laboratory Improvement Combined Offender:			
Part-E Developing, Testing, and Demonstrating Promising New Programs	16.541	2005JRFX0002	(502)
Part-E Developing, Testing, and Demonstrating Promising New Programs	16.541	2007-JV-FX-0002	84,889
Part-E Developing, Testing, and Demonstrating Promising New Programs	16.541	2001JDFX00001	(21,112)
Edward Byrne Memorial State and Local Law Enforcement Discretionary Grants Program	16.580	2007-DD-BX-0597	3,134
Edward Byrne Memorial State and Local Law Enforcement Discretionary Grants Program	16.580	2007-DD-BX-0593	164,841
Edward Byrne Memorial State and Local Law Enforcement Discretionary Grants Program	16.580	2008-DD-BX-0055	<u>30,103</u>
Total Crime Laboratory Improvement Combined Offender			<u>261,353</u>
Attorney General of Texas:			
Crime Victim Assistance/Discretionary Grants	16.582	06-01758.A	10,474
Crime Victim Assistance/Discretionary Grants	16.582	06-01758	<u>(738)</u>
Total Attorney General of Texas			<u>\$ 9,736</u>

(Continued)

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Executive Office for Weed & Seed:			
Community Capacity Development Office Program	16.595	2005WSQ50303	(8,246)
Community Capacity Development Office Program	16.595	2006-WS-Q6-0172	100,499
Community Capacity Development Office Program	16.595	2007-WS-Q7-0259	44,935
Community Capacity Development Office Program	16.595	2005WSQ50304	<u>(2,215)</u>
Total Executive Office for Weed & Seed			<u>134,973</u>
Sam Houston State University:			
Community Prosecution and Project Safe Neighborhoods	16.609	321-20-S037	93,253
Community Prosecution and Project Safe Neighborhoods	16.609	S04D77205	10,985
Community Prosecution and Project Safe Neighborhoods	16.609	S04D77206	37,418
Community Prosecution and Project Safe Neighborhoods	16.609	32120SO29	7,691
Community Prosecution and Project Safe Neighborhoods	16.609	321-20-S036	18,452
Community Prosecution and Project Safe Neighborhoods	16.609	S04D77204	3,151
Community Prosecution and Project Safe Neighborhoods	16.609	321-20-S038	83,338
Community Prosecution and Project Safe Neighborhoods	16.609	321-20-B126	8,301
Community Prosecution and Project Safe Neighborhoods	16.609	32120SO27	<u>23,166</u>
Total Sam Houston State University			<u>285,754</u>
Office Community Oriented Policing Services:			
Public Safety Partnership and Community Policing Grants	16.710	2007CKWX0054	1,126,352
Public Safety Partnership and Community Policing Grants	16.710	2003INWX0003	313,355
Public Safety Partnership and Community Policing Grants	16.710	2005CKWX0224	<u>78,685</u>
Total Office Community Oriented Policing Services			<u>1,518,392</u>
Paul Coverdell Forensic Sciences Improvement Grant:			
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	17319-03	48,036
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2006-DN-BX-0028	94,994
Total Paul Coverdell Forensic Sciences Improvement Grant			<u>143,029</u>
Total Department of Justice			<u>11,988,374</u>
Department of Transportation Federal Highway Administration :			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-48-0110-025	(9,330)
Airport Improvement Program	20.106	3-48-0111-047	8,904,354
Airport Improvement Program	20.106	3-48-0290-20-2006	5,872,577
Airport Improvement Program	20.106	3-48-0110-034-2008	7,905
Airport Improvement Program	20.106	3-48-0111-064-2008	51,896
Airport Improvement Program	20.106	3-48-0290-18	1,771,102
Airport Improvement Program	20.106	3-48-0111-63-2007	623,975
Airport Improvement Program	20.106	3-48-0110-33-2007	18,087,538

(Continued)

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Airport Improvement Program	20.106	3-48-0110-32-2007	\$ 11,067,036
Airport Improvement Program	20.106	3-48-0111-062-2007	5,662,152
Airport Improvement Program	20.106	3-48-0111-065-2008	<u>17,250,000</u>
Total Federal Aviation Administration			<u>69,289,205</u>
Federal Highway Administration:			
Highway Planning and Construction	20.205	TCSP-TX096(001)-55BO	96,073
Highway Planning and Construction	20.205	TCSP2001(001)	(3,707)
Highway Planning and Construction	20.205	CSJ0912-71-627	2,593
Highway Planning and Construction	20.205	CSJ0912-71-836	9,995
Highway Planning and Construction	20.205	0912-71-705	<u>98,583</u>
Total Federal Highway Administration			<u>203,535</u>
State & Community Highway Safety:			
State and Community Highway Safety	20.600		167,393
State and Community Highway Safety	20.600	070701A1AM	78,792
State and Community Highway Safety	20.600	060504A1BR	(6,421)
State and Community Highway Safety	20.600	588XXF6037	94,620
State and Community Highway Safety	20.600	070701B1AA	210,896
State and Community Highway Safety	20.600		237,172
State and Community Highway Safety	20.600	070701A1AM	171,155
State and Community Highway Safety	20.600		113,802
State and Community Highway Safety	20.600		213,058
State and Community Highway Safety	20.600		215,346
State and Community Highway Safety	20.600	07-0701A1AM	176,460
State and Community Highway Safety	20.600	070701A1AM	141,687
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	070202B1BE	<u>178,690</u>
Total State & Community Highway Safety			<u>1,992,652</u>
Total Department of Transportation Federal Highway Administration			<u>71,485,392</u>
Department of Treasury — Shared Forfeiture Property — Treasury	21.000		<u>1,185,712</u>
General Services Administration — Donation of Federal Surplus Personal Property	39.003		<u>491,008</u>
Institute of Museum and Library Services Texas State Library and Archive Commission:			
Grants to States	45.310	771-08006	269,337
Grants to States	45.310	771-07043	50,690
Grants to States	45.310	470-08008	570,724
Grants to States	45.310	771-06043	23
Grants to States	45.310	476-07018	21,636
Grants to States	45.310	476-08018	42,882
Grants to States	45.310	470-06008	88
Grants to States	45.310	470-07008	<u>281,137</u>
Total Texas State Library and Archive Commission			<u>\$ 1,236,518</u>

(Continued)

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Laura Bush 21st Century Librarian Program	45.313	RE-01-06-0088	<u>119,137</u>
Total Institute of Museum and Library Services			<u>1,355,655</u>
U. S. Environmental Protection Agency — Air Pollution Control Program Support:			
Air Pollution Control Program Support	66.001	582-6-72619	81,710
Air Pollution Control Program Support	66.001	582-8-72687	<u>257,511</u>
Total Air Pollution Control Program Support			<u>339,220</u>
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	240,348
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	XA-96648301-0	<u>9,023</u>
Total Studies, Surveys, Demonstrations Clean Air Act			<u>249,371</u>
Texas Water Development Board:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	128200	17,669,794
Capitalization Grants for Clean Water State Revolving Funds	66.458	132500	36,602,966
Capitalization Grants for Clean Water State Revolving Funds	66.458	L060016	<u>12,399,947</u>
Total Texas Water Development Board			<u>66,672,707</u>
Texas Commission on Environmental Quality — Particulate Matter 2.5 Monitoring	66.606	582-7-72659	<u>66,815</u>
Brownfields:			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF97699601-0	65,268
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF97699501-0	<u>51,260</u>
Total Brownfields			<u>116,528</u>
Total U. S. Environmental Protection Agency			<u>67,444,641</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	93.041	2008-EAP-13	40,518
Special Programs for the Aging—Title VII, Chapter 3	93.041	2007-EAP-13	<u>455</u>
Total Special Programs for the Aging Title VII — Chapter 3			<u>40,973</u>
Special Programs for the Aging Title VII — Chapter 2:			
Special Programs for the Aging—Title VII, Chapter 2	93.042	2007-OAG-13	3,410
Special Programs for the Aging—Title VII, Chapter 2	93.042	2008-OAG-13	<u>88,607</u>
Total Special Programs for the Aging Title VII — Chapter 2			<u>\$ 92,017</u>

(Continued)

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Special Programs for the Aging Title III — Part D:			
Special Programs for the Aging Title III, Part D	93.043	2008-3D-13	74,654
Special Programs for the Aging Title III, Part D	93.043	2007-3D-13	<u>51,399</u>
Total Special Programs for the Aging Title III — Part D			<u>126,053</u>
Special Programs for the Aging Title III — Part B:			
Special Programs for the Aging Title III, Part B	93.044	2007-3B-13	615,755
Special Programs for the Aging Title III, Part B	93.044	2008-3B-13	1,159,238
Special Programs for the Aging Title III, Part B	93.044	2007-ADM-13	237,238
Special Programs for the Aging Title III, Part B	93.044	2006-ADM-13	(98)
Special Programs for the Aging Title III, Part B	93.044	2008-ADM-13	<u>525,449</u>
Total Special Programs for the Aging Title III — Part B			<u>2,537,582</u>
Special Programs for the Aging Title III — Part C:			
Special Programs for the Aging Title III, Part C	93.045	2007-3C2-13	820,463
Special Programs for the Aging Title III, Part C	93.045	2008-3C2-13	1,284,057
Special Programs for the Aging Title III, Part C	93.045	2008-3C1-13	972,735
Special Programs for the Aging Title III, Part C	93.045	2007-3C1-13	<u>454,626</u>
Total Special Programs for the Aging Title III — Part C			<u>3,531,882</u>
Alzheimer's Disease Demonstration Grants:			
Alzheimer's Disease Demonstration Grants to States	93.051	2008-ALZ-13	114,216
Alzheimer's Disease Demonstration Grants to States	93.051	2007-ALZ-13	<u>(3,029)</u>
Total Alzheimer's Disease Demonstration Grants			<u>111,187</u>
National Family Caregiver Support:			
National Family Caregiver Support, Title III, Part E	93.052	2008-3E-13	770,828
National Family Caregiver Support, Title III, Part E	93.052	2007-3E-13	<u>250,673</u>
Total National Family Caregiver Support			<u>1,021,501</u>
Nutritional Services Incentive Program:			
Nutritional Services Incentive Program	93.053	2007-NSIP-13	333,177
Nutritional Services Incentive Program	93.053	2008-NSIP-13	<u>793,487</u>
Total Nutritional Services Incentive Program			<u>1,126,665</u>
Centers for Medicare & Medicaid Services —			
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	93.779	2008-CMS-13	<u>46,776</u>
Total Texas Department of Aging & Disability Services			<u>8,634,635</u>

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Centers for Disease Control & Prevention —			
Project Grants & Cooperative Agreements for TB Control:			
Project Grants and Cooperative Agreements for TB Control Programs	93.116	CCU600445-25	\$ (1,653)
Project Grants and Cooperative Agreements for TB Control Programs	93.116	CCU600445-26	1,453,284
Project Grants and Cooperative Agreements for TB Control Programs	93.116	PS600445-27	<u>1,202,580</u>
Total Project Grants & Cooperative Agreements for TB Control			<u>2,654,211</u>
Immunization Grants:			
Immunization Grants	93.268	CCH622532A	8,287,003
Immunization Grants	93.268	CCH622532-04	2,538
Immunization Grants	93.268	CCH622532-04	1,774,578
Immunization Grants	93.268	IP622532-06	<u>1,386,320</u>
Total Immunization Grants			<u>11,450,439</u>
CDC & Investigations & Technical Assistance:			
Centers for Disease Control and Prevention — Investigations and Technical Assistance	93.283	CCU622445-03	(4,304)
Centers for Disease Control and Prevention — Investigations and Technical Assistance	93.283	CCU623672-02	(1,208)
Centers for Disease Control and Prevention — Investigations and Technical Assistance	93.283	CCU623672	516,530
Centers for Disease Control and Prevention — Investigations and Technical Assistance	93.283	CI623672-04	349,169
Centers for Disease Control and Prevention — Investigations and Technical Assistance	93.283	1U51-PS000904-01	<u>41,257</u>
Total CDC & Investigations & Technical Assistance			<u>901,443</u>
HIV Prevention Activities:			
HIV Prevention Activities — Health Department Bases	93.940	PS000977-01	112,331
HIV Prevention Activities — Health Department Bases	93.940	PS000775-01	20,738
HIV Prevention Activities — Health Department Bases	93.940	PS023512-05	1,899,476
HIV Prevention Activities — Health Department Bases	93.940	CCU023512-04	2,776,630
HIV Prevention Activities — Health Department Bases	93.940	CCU023512-03	<u>11</u>
Total HIV Prevention Activities			<u>4,809,187</u>
Enhanced HIV / AIDS PE:			
HIV Demonstration, Research, Public and Professional Education Projects	93.941	PS000275-03	81,481
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	PS000275-02	87,907
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	PS001020-01	629,027

(Continued)

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL AWARDS	Federal CFDA Number	Grant Award Number	Expenditures
Program Title			
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	CCU623559-03-3	\$ 1,146,602
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	CCU624424-04	587,192
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	U62/CCU624424-03	<u>3,376</u>
Total Enhanced HIV / AIDS PE			<u>2,535,586</u>
Total Centers for Disease Control & Prevention			<u>22,350,866</u>
Texas Department of State Health Services —			
Hansen's Disease:			
Hansen's Disease — 08	93.2008	2008-025285-001	17,158
Hansen's Disease — 09	93.2007	2007-021965-001	<u>15,009</u>
Total Hansen's Disease			<u>32,166</u>
Family Planning Services:			
Family Planning — Services	93.217	2008-024195-001	77,682
Family Planning — Services	93.217	2007-020603-001	<u>31,831</u>
Total Family Planning Services			<u>109,513</u>
Occupation Safety & Health Research Projects —			
Occupational Safety and Health Program	93.262	7460011640D-2007	<u>143,340</u>
Bioterrorism Prepared:			
Centers for Disease Control and Prevention — Investigations and Technical Assistance	93.283	2008-023017	414,517
Centers for Disease Control and Prevention — Investigations and Technical Assistance	93.283	7460011640E-07-01	290,534
Centers for Disease Control and Prevention — Investigations and Technical Assistance	93.283	2008-022930-001	1,621,820
Centers for Disease Control and Prevention — Investigations and Technical Assistance	93.283	7460011640-06-10	1,062,081
Centers for Disease Control and Prevention — Investigations and Technical Assistance	93.283	7460011640-06-09	49,387
Centers for Disease Control and Prevention — Investigations and Technical Assistance	93.283		<u>259,593</u>
Total Bioterrorism Prepared			<u>3,697,932</u>
HIV / AIDS Surveillance:			
Preventive Health Services — Sexually Transmitted Diseases Control Grants	93.977	7460011640-07-02	29
Preventive Health Services — Sexually Transmitted Diseases Control Grants	93.977	2007-021957-001	971,503
Preventive Health Services — Sexually Transmitted Diseases Control Grants	93.977	2008-025429-001	<u>653,924</u>
Total HIV / AIDS Surveillance			<u>1,625,456</u>

(Continued)

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Local Public Health Services:			
Preventive Health & Health Services Block Grant	93.991	7460011640A-07-01	\$ 62,470
Preventive Health & Health Services Block Grant	93.991	2008-024522	<u>263,028</u>
Total Local Public Health Services			<u>325,498</u>
Child Health Services			
Maternal and Child Health Services Block Grant to the States	93.994	2007-020434-001	270,277
Maternal and Child Health Services Block Grant to the States	93.994	2008-024094	180,327
Maternal and Child Health Services Block Grant to the States	93.994	2008-024153-001	<u>101,198</u>
Total Child Health Services			<u>551,802</u>
Harris County Public Health Environ Services:			
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	06GEN0103	43,903
HIV Emergency Relief Project Grants	93.914	07GEN1214	14,617
Special Projects of National Significance	93.928	06GEN1215	(2,089)
Special Projects of National Significance	93.928	07-GEN1382	88,850
Special Projects of National Significance	93.938	08GEN0107	<u>13,569</u>
Total Harris County Public Health Environ Services			<u>158,850</u>
Total Texas Department of State Health Services			<u>6,644,557</u>
Houston-Galveston Area Council — Social Services Block Grant	93.667	235-07	<u>786,613</u>
AmeriCorps*Texas OneStar National Services — AmeriCorps	94.006	11.0609.079-1	<u>30,590</u>
Department of Homeland Security:			
Urban Areas Security Initiative			
Urban Areas Security Initiative 1	97.008	2003TUTX0003	209
Urban Areas Security Initiative 12	97.008	2003EUT30043	118,822
Urban Areas Security Initiative 7	97.008	2007-GE-T7-0024	474,503
Urban Areas Security Initiative 6	97.008	2006-GE-T6-0068	2,350,986
Urban Areas Security Initiative 13	97.008	2004TU-T4-4013	54,818
Urban Areas Security Initiative 5	97.008	2005GET54025	<u>2,787,629</u>
Total Urban Areas Security Initiative			<u>5,786,967</u>
Airport Security — Airport Checked Baggage Screening Program	97.100	EBSP-TSA-IAH	<u>16,400,000</u>

(Continued)

CITY OF HOUSTON, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL AWARDS Program Title	Federal CFDA Number	Grant Award Number	Expenditures
Department of Public Safety:			
Emergency Management Performance Grants	97.042	2007-EM-E7-2007	\$ (33,626)
Metropolitan Medical Response System	97.071	233-03-0067	(38,448)
Metropolitan Medical Response System	97.071	2006-GE-T6-0068	<u>99,993</u>
Total Department of Public Safety			<u>27,919</u>
State Homeland Security Program:			
Metropolitan Medical Response System	97.071	2007-GE-T7-0024	22,555
State Homeland Security Program	97.073	2006-GE-T6-0068	455,175
State Homeland Security Program	97.073	2005GET54025	<u>471,933</u>
Total State Homeland Security Program			<u>949,662</u>
Law Enforcement Terrorism Prevention Program:			
Law Enforcement Terrorism Prevention Program	97.074	2005GET54025	3,239
Law Enforcement Terrorism Prevention Program	97.074	2007-GE-T7-0024	46,265
Law Enforcement Terrorism Prevention Program	97.074	2006-GE-T6-0068	<u>433,868</u>
Total Law Enforcement Terrorism Prevention Program			<u>483,373</u>
Buffer Zone Protection Program:			
Buffer Zone Protection Program	97.078	06-SR-BZ-002	176,887
Buffer Zone Protection Program	97.078	06-SR-BZ-003	179,000
Buffer Zone Protection Program	97.078	2005-GR-T5-0103	<u>(768)</u>
Total Buffer Zone Protection Program			<u>355,119</u>
Total Department of Homeland Security			
			<u>24,003,039</u>
City of Houston —			
Disaster Grants - Public Assistance	97.036	FEMA-3216-EM	<u>779,162</u>
Environmental Protection Agency:			
Hazard Mitigation Grant	97.039	FEMA-1379-DR	10,689,004
Homeland Security Biowatch Program	97.091	582-7-72676	<u>711,518</u>
Total Environmental Protection Agency			<u>11,400,522</u>
Housing Authority:			
Disaster Housing Assistance Grant	97.109	FOC-HCHA-08	494,515
Disaster Housing Assistance Grant	97.109	FOC-HHA-08	<u>129,277</u>
Total Housing Authority			<u>623,792</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 337,527,691</u>
			(Concluded)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2008

STATE AWARDS	Grant Award Number	Expenditures
Program Title		
Alief Independent School District — Alief ISD / Katrina SV	C70168	\$ <u>144,801</u>
Danya International, Inc — Parents Matter Pilot	0110-36070	<u>9,999</u>
Major Access Shop / 15	SAT041005407	<u>258,396</u>
Harris County Protective Services —		
YAC	C70807	6,725
Gulfton Youth Mentor Program	C77078	48,928
Gulfton Youth Mentor Program	C70189	16,588
United Minds	C70190	12,971
United Minds	C70777	35,203
Camp Del Sol	C70191	43,308
Camp Del Sol Summer	C70776	<u>33,343</u>
Total Harris County Protective Services		<u>197,065</u>
Houston Endowment, Inc. — Houston Endowment Air	06 HOU ENDOW	<u>102,762</u>
Houston Katrina / Rita Fund — Houston Katrina / Rita Fund	HKRF08	<u>98,960</u>
Houston-Galveston Area Council — HGAC TCEQ FY06	06-16-G19	<u>73,219</u>
Houston - Galveston Area Council:		
Reuse Warehouse	08-16-G12	30,000
HGAC-Clean Rivers	CR06-60931	43,006
HGAC-Focus Care Work	FC06-60179	23,711
HGAC-Clean Rivers	CR08-70665	<u>25,884</u>
Total Houston - Galveston Area Council		<u>122,602</u>
Houston-Harris County Immunization Regis — Immunization Reg	07GEN0818	<u>62,271</u>
March of Dimes — Texas Chapter — Centering Pregnancy	MOD-08	<u>7,209</u>

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2008

STATE AWARDS	Grant Award Number	Expenditures
Program Title		
Office of the Governor CJD — Asset Forfeiture State		<u>\$ 3,343,696</u>
Sam Houston State University:		
PSN Gun Violence	321-20-S052	(19)
PSN SE Gun Violence	321-20-S053	18,135
PSN-Firearms Lab	321-20-S051	2,599
Firearms Lab-Gun Violence	321-20-B145	<u>1,122</u>
Total Sam Houston State University		<u>21,837</u>
Texas Automobile Theft Prevention Authority — Major Access Shop / 16	ABTPA	<u>740,592</u>
Texas Comptroller of Public Accounts:		
Tobacco Compliance / 11		32,252
Tobacco Compliance / 10		<u>14,151</u>
Total Texas Comptroller of Public Accounts		<u>46,403</u>
Texas Department of Public Safety:		
Houston JNT Oper Int	C70363	1,512,120
Operation Loanstar		<u>311,054</u>
Total Texas Department of Public Safety		<u>1,823,174</u>
Texas Department of State Health Services:		
Milk & Dairy	7460011640B-07-01	7,333
Tuberculosis Elimin	2008-023237	1,033,941
Immunization State	2008-023575-001	497,282
Immunization State	7460011640A-07-02	194,005
Immunization State	7460011640-06-08	(3,985)
CHS FAM Plan Title V	2008-024029	186,859
CHS FAM Plan Title V	2007-020434-002	55,557
Tuberculosis Elimin	7460011640-06-07	(5,251)
Milk & Dairy	2008-0231-27-001	35,270
Tuberculosis Elimin	7460011640C-07-01	<u>297,451</u>
Total Texas Department of State Health Services		<u>2,298,461</u>

(Continued)

CITY OF HOUSTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2008

STATE AWARDS	Grant Award Number	Expenditures
Program Title		
Texas Department of Transportation — Bikeway Projects	12-6XXF6009	\$ <u>36,374</u>
Texas Dept. of Aging & Disability Services:		
State General Rev	2008-SGR-13	415,389
State General Rev	2007-SGR-13	47,845
State Highway Transportation	2008-SHF-13	<u>35,434</u>
Total Texas Dept. of Aging & Disability Services		<u>498,668</u>
Texas Parks & Wildlife Department:		
West 11TH Street Park	50-000380	3,660,061
Houston Park Adventure	52000385	<u>15,027</u>
Total Texas Parks & Wildlife Department		<u>3,675,088</u>
Texas State Library and Archive Comm:		
Loan Star	422-07231	98,628
Loan Star	442-08234	<u>185,274</u>
Total Texas State Library and Archive Comm		<u>283,902</u>
TOTAL EXPENDITURES OF STATE AWARDS		<u>\$13,845,481</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, 2008

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	\$ 169,106	\$ 10,502
Awards not Recognized in the Comprehensive Annual Financial Report	491	
Nonmajor Governmental Fund	4,769	3,344
Capital Projects Funds	10,800	
Enterprise Fund — Combined Utility System	66,673	
Enterprise Fund — Airport System Fund	85,689	
	<u> </u>	<u> </u>
Total	<u>\$ 337,528</u>	<u>\$ 13,846</u>

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:

	CFDA Number	Amount
Value of vaccines issued	93.268	\$ 8,287,003
Value of vaccines on hand		1,468,099

6. **Loans Outstanding** — The City had the following loan balances outstanding at June 30, 2008. Loans made during the year are included in the federal expenditures presented in the schedule.

Program Title	Number	Outstanding
Community Development Block Grant	14.218	\$ 25,255,569
HOME Investment Partnerships Program	14.239	17,368,789
Section 108 Guaranteed Loan Program	14.248	14,774,935

7. The following is the federal subrecipient cash disbursements:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Houston High Intensity Drug Trafficking Area Program Grants	07.18PHNP500Z	\$ 3,488
Community Development Block Grant	14.218	9,646,739
Community Development Block Grant/State Program	14.228	1,802,602
Emergency Shelter Grants Program	14.231	1,400,772
Housing Opportunities for Person with AIDS	14.241	5,918,883
Lead-Based Paint Hazard Control in Privately-Owned Housing Grant	14.900	17,195
Lead Hazard Reduction Demonstration Grant Program	14.905	91,459
Part E — Developing, Testing and Demonstrating Promising New Programs	16.541	1,925
Community Prosecution and Project Safe Neighborhoods	16.609	9,400
Public Safety Partnership and Community Policing Grants	16.710	1,124,981
Surveys, Studies, Research, Investigations Demonstrations Special	66.034	19,280
Special Programs for the Aging — Title VII, Chapter 3	93.041	41,277
Special Programs for the Aging — Title VII, Chapter 2	93.042	76,450
Special Programs for the Aging, Title III, Part D	93.043	117,175
Special Programs for the Aging, Title III, Part B	93.044	1,399,639
Special Programs for the Aging, Title III, Part C	93.045	3,407,619
Alzheimer's Disease Demonstration Grants to States	93.051	46,416
National Family Caregiver Support, Title III, Part E	93.052	891,149
Nutrition Services Incentive Program	93.053	1,225,993
Project Grants and Cooperative Agreements for Tuberculosis Control	93.116	5,400
Immunization Grants	93.268	42,668
Centers for Disease Control and Prevention	93.283	334,516
HIV Prevention	93.940	2,117,635
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	223,930
Social Services Block Grant	93.667	18,451
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	179,087
Total		<u>\$ 30,164,129</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 Access Shop/15	SAT041005407	\$ 1,915
Major Accessory Shop/16	ABTPA	28,350
State General Revenue	2008-SRG 13	415,389
State General Revenue	2007-SGR-13	47,845
State Highway Transportation	2008-SHF-13	35,434
Tuberculosis Elimination	2008-023237	<u>68,800</u>
Total		<u>\$ 597,733</u>

* * * * *

CITY OF HOUSTON, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

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. No 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 Hazard Mitigation Program and Airport Checked Baggage Screening Program, which were qualified for allowable costs 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
Community Development Block Grant	14.218
Community Development Block Grants/State Programs	14.228
Housing Opportunities for Persons with AIDS	14.241
Airport Improvement Program	20.106
Shared Forfeiture Property	16.1123-0011
Special Programs for the Aging Title III, Part B & C and Nutrition Services Incentive Program	93.044/93.045/93.053
Immunization Grants	93.268
Urban Areas Security Initiative	97.008
Hazard Mitigation Grant	97.039
Airport Checked Baggage Screening Program	97.100
Immunization State	State
Tuberculosis Elimination	State
Houston Joint Operation	State
West 11th Street Park	State

8. For federal awards and state awards, a dollar threshold of \$3,000,000 and \$415,364, 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 data-bbox="532 380 1260 411">Material Weakness in Internal Control — Finding 2008-1.</p> <p data-bbox="532 436 1344 569"><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 data-bbox="532 594 1328 825"><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 data-bbox="532 850 1308 951"><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 data-bbox="532 976 1344 1207"><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 data-bbox="532 1232 1328 1299"><u>Views of Responsible Officials:</u> Management does not disagree with this finding.</p> <p data-bbox="532 1325 1344 1457"><u>Corrective Action Plan of Management:</u> The City will begin a process of quarterly reconciliations and financial statement preparation. Instead of waiting for the annual audit, these periodic reviews will improve the proper reporting of financial operations.</p> <p data-bbox="532 1482 1045 1514"><u>Estimated Completion Date:</u> December 2009</p> <p data-bbox="532 1539 1268 1577"><u>City Contact Person:</u> Douglas Seckel, Deputy Director, Finance</p>	N/A

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
	Compliance Finding 2008-2: Reporting	
Community Development Block Grant/State Programs — CFDA # 14.228	<u>Finding:</u> For the programs noted below, the City did not comply with reporting requirements required by the grants.	N/A
Community Development Block Grant — CFDA # 14.218	Late Filings 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.	
	No Filings	
	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.	
	Inaccurate Filings	
	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).	
	CDBG: The Consolidated Annual Performance and Evaluation Report (CAPER) incorrectly included Public Service unliquidated obligations for projects that had already been completed.	
	<u>Criteria:</u> In accordance with OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> , all reports must be filed appropriately and by the date required in the grant agreement.	
	<u>Cause:</u> Controls in place failed to ensure the reports were filed appropriately and within the proper period of time.	
	<u>Effect:</u> City is not complying with the requirements set forth in the grant agreement.	
	<u>Recommendation:</u> The City should reevaluate its reporting procedures and implement new controls to ensure all reports are filed in accordance with the grant requirements.	

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
	Finding 2008-2 (continued)	
	<u>Views of Responsible Officials:</u> Management does not disagree with this finding.	
	<u>Corrective Action Plan:</u> Late filings — The City is now current on the CDBG Expenditure report and Draw Requests for the CDBG Texas Action Plan. The City will file all required reports. No Filings — Inaccurate Filings — Discussions with, and reviews by, the TDHCA indicate it is permissible to classify these civilian pay items with program costs of the Community Development Block Grant Texas Action Plan. CAPER — The Housing Department is currently in the process of reconciling all of its grants and moving to a monthly, quarterly, and semiannual recon schedule for all currently funded projects based on risk. The Housing Department believes that by doing this, it will allow The Housing Department to identify and process project closures in a timely manner.	
	<u>Estimated Completion Date:</u> CDBG Filings – January 30, 2009; CAPER Filings — June 30, 2009	
	<u>City Contact Person:</u> Douglas Seckel, Deputy Director, Finance; Donald Sampley, Deputy Director, Housing and Community Development; Renee Carrington, Assistant Director, Housing and Community Development	

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
Hazard Mitigation— CFDA # 97.039	Material Compliance and Control Finding 2008-3: Allowable Costs	\$4,136,007
	<p><u>Finding:</u> 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><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><u>Cause:</u> The expenditures were recorded when paid, rather than when incurred.</p> <p><u>Effect:</u> Expenditures are being reflected in the wrong fiscal year in the Schedule of Expenditures of Federal and State Awards.</p> <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.</p> <p><u>View of Responsible Officials:</u> Management does not disagree with this finding.</p>	

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
	<p>Finding 2008-3 (continued)</p> <p><u>Corrective Action Plan:</u> The City will continue with training sessions for proper accrual and recording of transactions and require each department’s financial managers to certify that costs have been reported in the proper fiscal year.</p> <p><u>Estimated Completion Date:</u> June 20, 2009</p> <p><u>City Contact Person:</u> Douglas Seckel, Deputy Director, Finance</p>	
	<p>Compliance Finding 2008-4: Subrecipient Monitoring</p>	
<p>Special Programs for the Aging, Title III, Part B— CFDA # 93.044</p>	<p><u>Finding:</u> For the program noted below the City’s subrecipient included the following finding.</p>	N/A
<p>Special Programs for the Aging Title III, Part C— CFDA # 93.045</p>	<p>Special Programs for the Aging, Title III, Part B & C and Nutrition Services Program: 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>Nutrition Services Incentive Program— CFDA # 93.053</p>	<p><u>Criteria:</u> In accordance with OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i>, the effects of the City’s subrecipient noncompliance are to be properly included in the pass-through entity’s records.</p> <p><u>Cause:</u> Neighborhood Centers Inc. does not currently have procedures in place to consistently monitor each subrecipient, review subrecipient single audit reports annually, and to document the monitoring being performed.</p> <p><u>Effect:</u> Because of the subrecipient finding, the Health department cannot be certain the subrecipient is in compliance with the grant program compliance requirements. Furthermore, the City is required to include the subrecipient finding in their single audit findings.</p>	

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
	<p>Finding 2008-4 (continued)</p> <p><u>Recommendation:</u> Ensure the effects of subrecipient noncompliance are included in the City's records.</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 Health Department will monitor subrecipients' activity more diligently to ensure compliance with the grant requirements.</p> <p><u>Estimated Completion Date:</u> June 30, 2009</p> <p><u>City Contact Person:</u> Sally Switek, Division Manager, Health</p>	
N/A	<p>Material Control Finding 2008-5: Reporting</p> <p><u>Finding:</u> 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> <ul style="list-style-type: none">The initial SEFA included expenditures related to costs not subject to single audit testing, thus overstating expenditures in the SEFA.The initial SEFA included expenditures improperly reported to discontinued or non-existent CFDA numbers.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.The Noncash Awards Note to the SEFA incorrectly disclosed the value of vaccines issued.The State Sub-Recipient Note to the SEFA incorrectly excluded expenditures to sub-recipients. <p><u>Criteria:</u> Management of the City is responsible for proper preparation of the SEFA.</p>	N/A

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
	Finding 2008-5 (continued)	
	<u>Cause:</u> Lack of understanding of the preparation of the SEFA by excluding eligible costs and including ineligible costs. The City does not update the CFDA numbers for grant programs on a timely basis.	
	<u>Effect:</u> Noncompliance with OMB Circular A-133 and UGMS Compliance requirements.	
	<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.	
	<u>Views of Responsible Officials:</u> Management does not disagree with this finding.	
	<u>Corrective Action Plan of Management:</u> The City will conduct training classes in the compliance requirements of OMB Circular A-133 and UGMS. The SEFA will be thoroughly reviewed for accuracy.	
	<u>Estimated Completion Date:</u> April 30, 2009	
	<u>City Contact Person:</u> Douglas Seckel, Deputy Director, Finance	

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
Compliance Finding 2008-6: Allowable Costs		
HIDTA— CFDA # 7.XXX	<u>Finding:</u> 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:	\$487,694
Edward Byrne Memorial Justice Assistance Grant Program— CFDA # 16.738	<p data-bbox="532 743 756 774">Program Amount</p> <p data-bbox="532 779 1065 810">(1) Urban Area Security Initiative — \$76,000</p> <p data-bbox="532 814 846 846">(2) HIDTA 2006 - \$18,417</p> <p data-bbox="532 850 1349 911">(3) Brownfields Assessments and Cleanup Cooperative Agreement — \$31,646</p> <p data-bbox="532 915 1159 947">(4) Metropolitan Medical Response System - \$33,947</p> <p data-bbox="532 951 1135 982">(5) Disaster Grants — Public Assistance - \$159,747</p> <p data-bbox="532 987 1300 1047">(6) Edward Byrne Memorial Justice Assistance Grant Program — \$167,937</p>	
Brownfields Assessments and Cleanup Cooperative Agreement— CFDA # 66.818		
Urban Areas Security Initiative— CFDA # 97.008		
Public Assistance Grants— CFDA # 97.036	<u>Criteria:</u> 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.	
Metropolitan Medical Response System— CFDA # 97.071		
	<u>Cause:</u> The expenditures were recorded when paid, rather than when incurred.	
	<u>Effect:</u> Expenditures are being reflected in the wrong fiscal year in the SEFA.	
	<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>Views of Responsible Officials:</u> Management does not disagree with this finding.	

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
Hazard Mitigation— CFDA # 97.039	Finding 2008-6 (continued)	
	<p><u>Corrective Action Plan of Management:</u> The City will continue with training sessions for proper accrual and recording of transactions and require each department's financial managers to certify that costs have been reported in the proper fiscal year.</p> <p><u>Estimated Completion Date:</u> June 30, 2009</p> <p><u>City Contact Person:</u> Douglas Seckel, Deputy Director, Finance</p>	
	Compliance Finding 2008-7: Reporting	
	<p><u>Finding:</u> The City excluded retainage for fiscal year 2008 services from the SEFA, totaling \$705,260.</p>	\$705,260
	<p><u>Criteria:</u> 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><u>Cause:</u> The expenditures were recorded when paid, rather than when incurred.</p>	
	<p><u>Effect:</u> Expenditures are being reflected in the wrong fiscal year in the SEFA.</p>	
	<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.</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 with all Departments the proper accounting for retainage and carefully monitor retainage transactions for all construction grants.</p>	
	<p><u>Estimated Completion Date:</u> June 30, 2009</p>	
	<p><u>City Contact Person:</u> Douglas Seckel, Deputy Director, Finance</p>	

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
Airport Checked Baggage Screening — CFDA # 97.100	Material Compliance and Control Finding 2008-8: Davis-Bacon Act <u>Finding:</u> 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. <u>Cause:</u> A separate department within the organization maintained responsibility for the grant and was unaware of these requirements. <u>Effect:</u> The City was not in compliance with the grant agreement. <u>Recommendation:</u> City should be aware of all grant requirements and ensure their compliance. <u>Views of Responsible Officials:</u> Management does not disagree with this finding. <u>Corrective Action Plan of Management:</u> City will conduct training classes in the compliance requirements of OMB Circular A-133 and UGMS. <u>Estimated Completion Date:</u> April 30, 2009 <u>City Contact Person:</u> Douglas Seckel, Deputy Director, Finance	N/A

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
Compliance Finding 2008-9: Allowable Costs		
Immunization Federal— 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 related to prior fiscal years.	\$81,602
Housing Opportunities for Persons with AIDS— CFDA # 14.241	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.	
Shared Forfeiture Property— CFDA # 16.1123-0011	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.	
	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.	
	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.	
	<u>Cause:</u> The expenditures were recorded when paid, rather than when incurred.	
	<u>Effect:</u> Expenditures are being reflected in the wrong fiscal year in the Schedule of Expenditures of Federal and State Awards.	
	<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>Views of Responsible Officials:</u> Management does not disagree with this finding.	

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
---------	-----------------------	--------------------

Compliance Finding 2008-9 (continued)

Corrective Action Plan of Management: The City will continue with training sessions for proper accrual and recording of transactions and require each department's financial managers to certify that costs have been reported in the proper fiscal year.

Estimated Completion Date: June 30, 2009

City Contact Person: Douglas Seckel, Deputy Director, Finance

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

Program	Finding/Noncompliance	Questioned Cost
Financial Reporting	Financial Reporting Finding 2007-1.	N/A
	<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>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>Status:</u> The finding has been repeated in fiscal year 2008 as finding 2008-1.</p>	
	Finding 2007-2.	
Immunization Federal — CFDA # 93.268	<p><u>Finding:</u> Internal controls surrounding the recording of immunization usage and inventory balances were deficient, which resulted in the following issues:</p>	\$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 Center for Disease Control (CDC). 	
	<p><u>Recommendation:</u> Maintain more thorough records of vaccinations received, including updated and correct receiving logs and other supporting documentation, 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>Status:</u> Complete</p>	

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

Program	Finding/Noncompliance	Questioned Cost
Hurricane Relief — CFDA # 16.738	<p>Finding 2007-3.</p> <p><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><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><u>Status:</u> This corrective action plan is currently in process. The SAP modifications to the time reporting process have been slowed because of the health related absence of the business process owner. The revised estimated completion date is May 2009.</p>	\$155
Acres Home — State Major Accessory Shop — State	<p>Finding 2007-4.</p> <p><u>Finding:</u> For the programs noted below, we identified expenditures reflected in the SEFA 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>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 SEFA.</p> <p>Major Accessory Shop: One out of nine nonpayroll selections represented travel during the period of June 2006.</p> <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>Status:</u> While the specific programs mentioned in this finding have been corrected, reporting expenditures has continued to be an issue for the City. See response to Finding 2008-3.</p>	\$393,988

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

Program	Finding/Noncompliance	Questioned Cost
Acres Home — State	<p>Finding 2007-5.</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 SEFA. These items resulted in an adjustment to the City’s books, records, and the City’s SEFA for \$349,176.</p> <p><u>Recommendation:</u> Policies and procedures need to be established to ensure that all expenditures are recorded in the proper fiscal year.</p> <p><u>Status:</u> While the specific programs mentioned in this finding have been corrected, reporting expenditures has continued to be an issue. See response to Finding 2008-3.</p>	\$349,176
Acres Home — State	<p>Finding 2007-6.</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>Recommendation:</u> The City should put controls in place to ensure that all laborers employed by a contractor on a project by the City with \$2,000 or more financed by a federal or state agency must be paid the prevailing wage rates.</p> <p><u>Status:</u> This finding was repeated 2008. See response to Finding 2008-8.</p>	N/A
HIV Prevention — CFDA # 93.940	<p>Finding 2007-7.</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>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>Status:</u> Complete. The Health Department is now filing these reports timely.</p>	N/A

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

Program	Finding/Noncompliance	Questioned Cost
	Finding 2007-8.	
CDC, Prevention & Epidemiology — CFDA # 93.283	<p><u>Finding:</u> It was noted that the City included an expenditure in the SEFA for fiscal year 2007 that was cancelled and subsequently never paid. This resulted in an adjustment to the City’s books and records and the City’s SEFA for \$60.</p> <p><u>Recommendation:</u> The City should put controls in place to ensure that all expenditures are adequately documented and supported.</p> <p><u>Status:</u> Complete. Because of additional training and experience with SAP, vendor payment procedures are no longer an issue.</p>	\$60
	Finding 2007-9.	
Allen’s Landing — CFDA #20.205	<p><u>Finding:</u> In accordance with OMB Circular A-133 and the State of Texas, UGMS, the City is responsible for preparing the 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>	N/A
Congestion Mitigation and Air Quality — CFDA #20.205	<p>Allen’s Landing: \$96,909 was not included on SEFA, despite the fact that it was a federal grant program.</p>	
Green’s Road — CFDA #20.205	<p>Congestion Mitigation and Air Quality: \$127,357 was not included on SEFA, despite the fact that it was a federal grant program.</p>	
Capitalization Grants for Clean Water State Revolving Funds — CFDA # 66.458	<p>Green’s Road: \$145,941 was not included on SEFA, despite the fact that it was a federal grant program.</p>	
STEP-IDM — CFDA # 20.600	<p>Capitalization Grants for Clean Water State Revolving Funds: The initial SEFA 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 SEFA.</p>	

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

Program	Finding/Noncompliance	Questioned Cost
	Finding 2007-9 (continued)	
	STEP-IDM: Grant Award # 070202B1BE was incorrectly classified as CFDA 20.601, instead of CFDA 20.600.	
	<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.	
	<u>Status:</u> This finding was repeated in 2008. See response to Finding 2008-5.	
	Finding 2007-10.	
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 SEFA 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	Program Amount	
Housing Opportunity for Persons with AIDS — CFDA # 14.241	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	
Lead-Based Paint Hazard Control — CFDA # 14.900	<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>Status:</u> This finding was repeated in 2008. See response to Finding 2008-3.	
Forensic DNA Block Grant — CFDA # 16.564		

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

Program	Finding/Noncompliance	Questioned Cost
Tuberculosis Elimination — State	<p>Finding 2007-11.</p> <p><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.</p> <p><u>Recommendation:</u> Review existing policy and procedures related to the recording of temporary personnel costs to ensure rates are appropriate and correct.</p> <p><u>Status:</u> Complete. Temporary personnel costs are now reported accurately.</p>	\$346
HOME Investment Partnership Program — CFDA # 14.239	<p>Finding 2007-12.</p> <p><u>Finding:</u> It was noted that the City included expenditures in the SEFA for fiscal year 2007 that were cancelled and subsequently never paid. This resulted in an adjustment to the City’s SEFA for \$72,500.</p> <p><u>Recommendation:</u> The City should put controls in place to ensure that all expenditures are adequately documented and supported.</p> <p><u>Status:</u> Complete. Housing and Community Development is now reconciling expenditures on a monthly basis.</p>	\$72,500