



**CITY OF EL PASO, TEXAS**

Schedule of Expenditures of Federal and State Awards

August 31, 2007

(With Independent Auditors' Reports Thereon)

# CITY OF EL PASO, 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* and  
the State of Texas *Uniform Grant Management Standards***

The Honorable Mayor and Members of the City Council  
City of El Paso, Texas:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of El Paso, Texas (the City) as of and for the year ended August 31, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 29, 2008. Our report was modified to include a reference to 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*, issued by the Governor's Office of Budget and Planning. The financial statements of the City Employees' Pension Fund were not audited in accordance with *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards*. Other auditors audited the financial statements of the Firemen and Policemen's Pension Fund and El Paso Water Utilities, as described in our report on the City's financial statements. 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. The financial statements of the Firemen and Policemen's Pension Fund were not audited in accordance with *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards*. The financial statements of El Paso Water Utilities were not audited in accordance with the State of Texas *Uniform Grant Management 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency 07-1 described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not 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* or under the State of Texas *Uniform Grant Management Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated February 29, 2008.

This report is intended solely for the information and use of the Mayor, City Manager, City Council members and management of the City, the federal and state cognizant agencies, other federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

February 29, 2008



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**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Federal and State Program, on Internal  
Control over Compliance in Accordance with OMB Circular A-133 and  
the State of Texas *Uniform Grant Management Standards*, and Report  
on the Schedule of Expenditures of Federal and State Awards**

The Honorable Mayor and Members of the City Council  
City of El Paso, Texas:

**Compliance**

We have audited the compliance of the City of El Paso, 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* that are applicable to each of its major federal and state programs for the year ended August 31, 2007. The City's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's financial statements include operations of the Public Service Board – City of El Paso (El Paso Water Utilities), a discretely presented component unit of the City that received \$17,804,912 in federal awards in its fiscal year ended February 28, 2007, which are not included in the schedule of expenditures of federal and state awards for the year ended August 31, 2007. Our audit, described below, did not include the operations of the El Paso Water Utilities because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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 the State of Texas *Uniform Grant Management Standards*. Those standards and OMB Circular A-133 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 07-4 in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding subrecipient monitoring that are applicable to its Empowerment Zone Grant major federal program. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to this 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 August 31, 2007. The results of our auditing procedures also disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 07-3. The results of our auditing procedures also disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the State of Texas *Uniform Grant Management Standards* and which is described in the accompanying schedule of findings and questioned costs as item 07-5.

### **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 or state programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal or 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 on 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 certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 07-2, 07-3, 07-4, and 07-5 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. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

### **Schedule of Expenditures of Federal and State Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended August 31, 2007 and have issued our report thereon dated February 29, 2008, which included references to the reports of other auditors. Our audit was performed for the purpose of forming 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

purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas *Uniform Grant Management Standards*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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 responses and, accordingly, express no opinion on them.

This report is intended solely for the information and use of the Mayor, City Manager, City Council members and management of the City, the federal and state cognizant agencies, other federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 29, 2008

**CITY OF EL PASO, TEXAS**  
Schedule of Expenditures of Federal and State Awards  
Year ended August 31, 2007

CFDA #	Grant title	Federal/state expenditures	Federal, state or pass-through grant number
	Federal awards:		
	U.S. Department of Agriculture:		
	Pass through Texas Department of Health:		
10.557	WIC	\$ 3,827,765	2007-020878-001
10.557	WIC	229,009	2007-020878-001
10.557	WIC	1,105,574	2007-020878-001
10.557	WIC	597,254	7460007499-06-13
10.557	WIC	33,123	7460007499-06-13
10.557	WIC	185,948	7460007499-06-13
	Total U.S. Department of Agriculture	<u>5,978,673</u>	
	U.S. Department of Defense:		
12.607	BRAC Growth Planning	301,595	RA0619-07-01
	Total U.S. Department of Defense	<u>301,595</u>	
	U.S. Department of Housing & Urban Development:		
14.218	Community Development Block Grant	362,455	B-02-MC-48-0015
14.218	Community Development Block Grant	1,142,242	B-04-MC-48-0015
14.218	Community Development Block Grant	5,853,967	B-05-MC-48-0016
14.218	Community Development Block Grant	50,847	B-05-MC-48-0016
14.218	Community Development Block Grant	1,389,045	B-05-MC-48-0016
14.218	Community Development Block Grant	1,352,001	B-05-MC-48-0016
14.218	Community Development Block Grant	1,453,414	B-05-MC-48-0016
	Total CFDA #14.218	<u>11,603,971</u>	
14.231	Emergency Shelter Grants	1,543	S-05-MC-48-0005
14.231	Emergency Shelter Grants	385,665	S-06-MC-48-0005
	Total CFDA #14.231	<u>387,208</u>	
14.235	Supportive Housing Program	35,958	TX01B902001
	Total CFDA #14.235	<u>35,958</u>	
14.239	Home Investment Partnership	160,143	M-03-MC-48-0213
14.239	Home Investment Partnership	718,385	M-04-MC-48-0213
14.239	Home Investment Partnership	655,029	M-05-MC-48-0213
14.239	Home Revolving Loan Fund	1,584,732	M-03-MC-48-0213
14.239	Home Investment Partnership	418,909	M-06-MC-48-0213
	Total CFDA #14.239	<u>3,537,198</u>	
14.244	Empowerment Zone 1st Neighborhoods Program	958	EZ99TX0013
14.244	Empowerment Zone	1,397,066	EZ99TX0013
	Total CFDA #14.244	<u>1,398,024</u>	
14.900	Lead Hazard Control	53,670	TXLHB0237-03
	Total CFDA #14.900	<u>53,670</u>	
	Total U.S. Department of Housing & Urban Development	<u>17,016,029</u>	
	U.S. Department of Justice:		
	Pass through Governor's Office of Criminal Justice:		
	Juvenile Justice Block Grant – SHOAP	14,597	JB-05-J20-13359-08
	Total CFDA #16.523	<u>14,597</u>	
16.575	Victims of Crime Act	73,474	VA-06-V30-13590-08
	Total CFDA #16.575	<u>73,474</u>	
16.576	Victims Assistance Grant	35,922	07-00337
	Total CFDA #16.576	<u>35,922</u>	
16.582	Victims Assistance Discretionary Grant	52,211	06-G01918
	Total CFDA #16.582	<u>52,211</u>	
16.588	Violence Against Women Formula Grant	53,336	WF-04-V30-13413-07
	Total CFDA #16.588	<u>53,336</u>	
16.580	Local Law Enforcement Block Grant	91,838	2004-LB-BX-0865
	Total CFDA #16.580	<u>91,838</u>	



**CITY OF EL PASO, TEXAS**

Schedule of Expenditures of Federal and State Awards

Year ended August 31, 2007

CFDA #	Grant title	Federal/state expenditures	Federal, state or pass-through grant number
16.607	Bulletproof Vest Program	\$ 5,056	
	Total CFDA #16.607	5,056	
16.710	COPS Universal Hiring Award	444,829	95CCWX0207
16.710	G210716 COPS Step Schools FY06	24,995	95CCWX0207
16.710	COPS in Schools	(1)	2001SHWX0634
16.710	COPS in School '04	129,381	2002CLWX0009
16.710	210515 Human Trafficking Grant	178,782	2005-VTBX-0014
16.710	G210619 COPS Sec our Schools	13,372	2003-CKWX-0444
	Total CFDA #16.710	791,358	
16.738	TPA Tech & Program	17,364	2006-DJ-BX-0121
	Total CFDA #16.738	17,364	
	Total U.S. Department of Justice	1,135,156	
	U.S. Department of Transportation:		
20.106	Airport Improvement Grant	10,344,392	AIP3-48-0077-2002
	Total CFDA #20.106	10,344,392	
20.507	Federal Transit Program	15,267,942	Various
	Total CFDA #20.507	15,267,942	
	Pass through State Department of Highways and Public Transportation:		
20.600	TXDOT Click It or Ticket	10,708	587XXF6174
20.600	TXDOT Underage Drinking Initiative	33,274	587XXF6001
20.600	TXDOT Click It or Ticket	7,477	587XXF6126
20.600	TXDOT Comprehensive Step	84,721	586XXF6027
20.600	TXDOT Click It or Ticket	6,929	586XXF6152
20.600	TXDOT Safe Communities	11,970	586XXF6056
20.600	TXDOT Safe Communities FY '07	73,731	587XXF6107
20.600	TXDOT Communities Step FY '07	431,429	587XXF6048
20.600	TXDOT Impaired FY '07	11,240	586XXF9199
	Total CFDA #20.600	671,479	
20.205	TIP Planning Funds	194,647	
20.205	FHWA/TSDOT/MPO FY00	729	
20.205	BIP Border Improvement Program FY02	83,739	
20.205	BIP New Mexico	13,870	
20.205	BIP Local Private	9,712	
20.205	BIP Airport	16,664	
20.205	BIP City	2,761	
20.205	FHWA / NMSHTD / MPO FY'05	815	
20.205	FHWA/TXDOT/MPO FY05	67,439	
20.205	NM SPECIAL STUDIES	5,346	
20.205	FHWA BORDER WIZARD '05	13,331	
20.205	FHWA/NMSH/MPO FY06	3,174	
20.205	FHWA/TXDOT/MPO FY06	122,669	
20.205	G780701 FHWA/NMDOT/MPO FY07	57,797	
20.205	G780703 FHWA/TXDOT/MPO FY07	1,117,225	
	Total CFDA #20.205	1,709,918	
	Total U.S. Department of Transportation	27,993,731	
	Environmental Protection Agency:		
	Pass through Texas Commission on Environmental Quality:		
66.001	TCEQ Air Pollution	5,975	A-006154-06-0
66.001	TCEQ Pass Thru	61,312	582-6-72616
66.001	EPA Air Pollution	50,824	A-006154-04-0
66.001	TCEQ Whole Air Pollution	258,005	A-006154-05-0
66.001	TCEQ PM Sampling	44,107	585-5-55865
66.001	TCEQ Whole Air Pollution	7,815	585-5-55897
66.001	EPA Air Quality	304,025	582-6-74931
66.001	TCEQ Pass Thru	7,837	582-6-72616
66.001	EPA Air Quality	85,263	582-6-74391
66.001	TCEQ Whole Air Pollution	28	582-6-72670
66.001	TCEQ PM Sampling	1,990	582-5-55865
66.001	EPA Air Quality	1,218	582-5-55586
66.001	EPA Juarez Monitoring	4,077	

**CITY OF EL PASO, TEXAS**

Schedule of Expenditures of Federal and State Awards

Year ended August 31, 2007

CFDA #	Grant title	Federal/state expenditures	Federal, state or pass-through grant number
66.001	EPA Juarez Monitoring	\$ (28)	
66.001	Border Air Monitoring	28,156	582-5-55886
	Total CFDA #66.001	860,604	
66.801	TDH Asbestos	7,147	746007499C-2006-01
66.801	TDH Asbestos	(2,914)	746007499-2006-10
	Total CFDA #66.801	4,233	
	Total Environmental Protection Agency	864,837	
	Corporation for National and Community Service:		
94.011	Foster Grandparent Program	491,078	04SFWTX008
94.011	Foster Grandparent Program	41,022	04SFWTX008
	Total CFDA #94.011	532,100	
94.002	Retired Seniors Volunteer Program	136,751	05RWTX007
94.002	Retired Seniors Volunteer Program	—	04SRWTX016
94.002	Retired Seniors Volunteer Program	(4,656)	05SRWTX007
	Total CFDA #94.002	132,095	
	Total Corporation for National and Community Service	664,195	
	Department of Homeland Security:		
	Pass through Texas Department of Public Safety:		
97.044	FIRE SPECIAL OPS -EPA	(218)	
97.044	FIRE SAFETY FOR SENIORS	2,174	3216 EM TX
	Total CFDA #97.044	1,956	
97.071	MMRS Sustainment	35,047	EMW-2004-FP-02039
97.071	MMRS'03 CONTRACT	75,105	EMW-2003-FP-02038
97.071	MMRS CAPABILITY ASSESSMN	70,571	EMW-2004-GR-0808
97.071	MMRS-Medical Response System	1,660,226	2005-GE-T5-4025
	Total CFDA #97.071	1,840,949	
97.004	FIREFIGHTER GRNT PROG	(49,076)	EMW-2004-FG-07278
	Total CFDA #97.004	(49,076)	
97.005	State Homeland Security grant	91,684	2006-GE-T6-0068
	Total CFDA #97.005	91,684	
97.042	Emergency Management FY2006	45,251	EMT-2006-GR-0107
97.042	Emergency Management FY2007	225,146	
	Total CFDA #97.042	270,397	
97.072	Canine Grant	251,000	
	Total CFDA #97.072	251,000	
97.073	TEEK 2004 SHSP	(1,536)	2004-SHSP-24000
	Total CFDA #97.073	(1,536)	
97.078	Bufferzone grant	49,739	2005-BZPP-24000
	Total CFDA #97.078	49,739	
97.036	FEMA-HURRICANE KATRINA	376	3216 EM TX
97.036	Storm 2006 Disaster – Presidential Declaration	100,067	DR-1658-TX
	Total CFDA #97.036	100,443	
	Total Department of Homeland Security	2,555,556	
	U.S. Department of Education:		
	Pass through Texas State Library:		
45.310	Library Services TTPLS	7,075	470-06-005
45.310	Library Services TTPLS	373,452	470-07-005
45.310	Technical Assistance Negotiated Grant	740	476-05-015
45.310	Technical Assistance Negotiated Grant	61,813	476-05-015
	Total CFDA #45.310	443,080	

**CITY OF EL PASO, TEXAS**

Schedule of Expenditures of Federal and State Awards

Year ended August 31, 2007

<b>CFDA #</b>	<b>Grant title</b>	<b>Federal/state expenditures</b>	<b>Federal, state or pass-through grant number</b>
45.024	TCA Exhibits FY07	\$ 4,533	
45.024	TCA Core Support FY07	2,630	07-28110
45.024	TCA Subgrant Award FY07	17,534	07-28111
	Total CFDA #45.02	24,697	
45.025	NEA – The Big Read	16,351	
45.025	NEA – Arts in Education	11,060	
	Total CFDA #45.025	27,411	
	Total U.S. Department of Education	495,188	
	U.S. Department of Health & Human Services:		
93.243	HHSC – Substance Abuse Grant	1	1H79SM54759-01
	Total CFDA #93.243	1	
	Center for Disease Control:		
93.116	CDC TB Outreach	114,292	2007-021980, Attach 001
93.116	CDC TB Outreach	23,384	7460007499-02-05
93.116	CDC TB Outreach	115,539	7460007499-2007-01
	Total CFDA #93.116	253,215	
93.944	Sexually Transmitted Disease	46,772	7460007499-2007-02
93.944	STD/HIV	12,680	7460007499-2005-01
93.944	HIV Surveillance	2,742	7460007499-2006-04
93.944	HIV Surveillance	13,351	7460007499-2007-03
	Total CFDA #93.944	75,545	
93.994	Title V FEES – FY05	10,849	746007499A-2006-01
93.994	TDH Vector Initiative	(3,918)	746007499A-2006-03
	Total CFDA #93.994	6,931	
93.197	Childhood Lead Poisoning Prevention Program	24,999	7460007499E-2007
	Total CFDA #93.197	24,999	
	Health Care and Other Facilities:		
93.887	OPHP/Bioterrorism	78,029	
93.887	OPHP/Bioterrorism	874,204	7460007499-2006-07
93.887	Lab Bio Terrorism Preparedness	379,290	7460007499-2006-08
93.887	211 AREA INFO CNTR '06	85,807	HHSC 529-06-004-00018B
93.887	211 AREA INFO CNTR '07	70,405	
	Total CFDA #93.887	1,487,735	
	Pass through Texas Department of Health:		
93.268	CDC Nonmonetary Assistance – Immunizations	3,365,282	
	Total CFDA #93.268	3,365,282	
	Total U.S. Department of Health and Human Services	5,213,708	
	Executive Office of the President:		
7.000	HIDTA – STING	9,440	15PSWP574
7.000	HIDTA – STING-RDI	5,517	15PSWP574
7.000	HIDTA – STING	757,056	16PSWP574
7.000	HIDTA – ENTERPRISE 2006	6,546	16PSWP574
7.000	HIDTA – GRAB	393	14PSWP574
7.000	HIDTA – Intelligence Initiative FY2004	468	14PSWP574
7.000	HIDTA – Intelligence Initiative FY2005	2,390	15PSWP574
7.000	HIDTA – Intelligence Initiative FY2006	111,439	16PSWP574
7.000	HIDTA – Multiagency FY2005	21,306	15PSWP574
7.000	HIDTA – Multiagency FY2006	164,486	16PSWP574
7.000	HIDTA – Stash House Initiative FY2005	784	15SPWP574
7.000	HIDTA – Stash House Initiative FY2005 – DHI	8	15PSWP574
7.000	HIDTA – Stash House Initiative FY2006	221,655	16PSWP574
7.000	HIDTA – Transportation 2005	1,255	15SPWP574
7.000	HIDTA – Transportation 2006	17,852	16PSWP574
7.000	HIDTA – FUGITIVE FY'06	7,819	16PSWP574
7.000	G210732 HIDTA STING-DHI FY06	38,835	17PSWP574
7.000	G210733 HIDTA S.HOUSE DHI FY06	10,680	17PSWP574
7.000	G210722 OCDEFY 07 0413	5,829	17PSWP574
7.000	G210723 OCDEFY 07 0404H	2,000	17PSWP574
7.000	G210725 HIDTA STING 2007	464,534	17PSWP574

**CITY OF EL PASO, TEXAS**

Schedule of Expenditures of Federal and State Awards

Year ended August 31, 2007

CFDA #	Grant title	Federal/state expenditures	Federal, state or pass-through grant number
7.000	G210726 INTEL 2007	\$ 37,861	17PSWP574
7.000	G210727 STASH HOUSE 2007	216,480	17PSWP574
7.000	G210728 MULTI 2007	16,080	17PSWP574
7.000	G210729 HIDTA ENTERPRISE FY07	6,998	17PSWP574
7.000	G210730 HIDTA TRANS FY07	3,358	17PSWP574
7.000	G210731 FUGITIVE 2007	5,470	17PSWP574
	Total Executive Office of the President	<u>2,136,539</u>	
	Total federal awards	<u>\$ 64,355,207</u>	
State awards:			
Texas State Library & Archive Commission:			
	E-Rate Library Funds	\$ 15,413	
	Begin at Birth Grant	18,129	
	Loan Star Libraries Grant	42,532	442-07153
	Total Texas State Library & Archive Commission	<u>76,074</u>	
Texas Department of Aging:			
	Foster Grandparent Program	3,211	05SFWTX008
	Retired Seniors Volunteer Program	28,062	05SRWTX024
	Total Texas Department of Aging	<u>31,273</u>	
Department of Health & Human Services:			
	TDH Tuberculosis	305,917	7460007499-20056-07A
	MEDICAL INSTITUE	8,876	
	HIV Surveillance	22,187	7460007499B-2007
	HEALTH FACILITIES 2002	2,535	C76HF01346-01-01
	TDH Office Regional Planning	6,861	7460007499-2004-13A
	Immunizations FY06 DSH	77,252	7460007499-2006-05
	Immunizations FY07 DSH	1,290,957	2007-021270, Attach 003B
	CHS – Fee for Service FY07	170,767	2007-020437-001
	CHS – Family Planning FY07	7,638	2007-020437-002
	Title V FEES _ Carryover	146,565	
	Title V FEES _ Carryover	10,866	
	CHS Population Based FY07	249,753	2006-020403-001
	CHS Population Based FY08	25	2006-020403-001
	RLSS-LPHS FY07	183,832	7460007499B-2007, Attach 1
	Bio Terrorism Lab	(4,173)	
	Public Health Preparedness	(92,424)	7460007499-2004-10
	Public Health Preparedness	92,424	
	Tobacco Compliance FY07	17,671	2007-020437-002
	Total Department of Health & Human Services	<u>2,497,529</u>	
Texas Commission on Environmental Quality:			
Pass Through Rio Grande Council of Governments:			
	Litter and Illegal clean-up & Community Collection Events	8,353	
	DMD Surveillance	3,000	
	KEPB Took Sheds	34,477	
	Total Pass through Rio Grande Council of Governments	<u>45,830</u>	
Governor's Office of Criminal Justice:			
	ATPA Border Partners	865,787	SA-T01-10050-07
	Total ATPA	<u>865,787</u>	
	Operation Wrangler	132,691	
	Operation Wrangler	41,381	
	Total Operation Wrangler	<u>174,072</u>	
Pass Through City of Dallas:			
	Internet Crimes Against Children	446	
	Total Pass Through City of Dallas	<u>446</u>	

**CITY OF EL PASO, TEXAS**  
 Schedule of Expenditures of Federal and State Awards  
 Year ended August 31, 2007

<u>CFDA #</u>	<u>Grant title</u>	<u>Federal/state expenditures</u>	<u>Federal, state or pass-through grant number</u>
	Pass Through Texas Forest Service:		
	Texas Forest Service Arborist	\$ 4,164	02-11-07
	Total Texas Forest Service Arborist	<u>4,164</u>	
	Texas Historical Commission	<u>827</u>	48-04-ML-0088
	Total Texas Historical Commission	<u>827</u>	
	Total state awards	<u>3,696,002</u>	
	Total federal and state awards	<u>\$ 68,051,209</u>	

See accompanying notes to schedule of expenditures of federal and state awards.

**CITY OF EL PASO, TEXAS**

Notes to Schedule of Expenditures of Federal and State Awards

Year ended August 31, 2007

**(1) General**

*Overview of the City of El Paso, Texas' Fiscal 2007 Annual Audit*

The City of El Paso, Texas (the City) is the recipient of various federal and state awards. The grant programs are administered by various departments within the City. The activities of these organizations are monitored by City staff to ensure compliance with the requirements of the underlying grants.

The accompanying schedule of expenditures of federal and state awards presents activity of all federal and state financial assistance programs of the City for the year ended August 31, 2007, except for the financial assistance received by the Public Service Utilities Board – City of El Paso. The accompanying schedule of federal and state awards does not include expenditures of the Public Service Board – City of El Paso. The City's reporting entity is defined in note 1(A) to the City's basic financial statements. Federal and state awards received directly from federal and state agencies, as well as federal and state financial assistance passed through other entities, are included on the schedule of expenditures of federal and state awards.

**(2) Basis of Accounting**

The accompanying schedule of expenditures of federal and state awards is presented using the cash basis of accounting except for the FAA Airport Improvement grant and the FTA Capital and Planning grants, which use the full accrual basis of accounting.

**(3) Revolving Loan Programs**

The City administers federal loan programs. These programs are initiated with a grant of federal funds and are sustained after the original money is disbursed in loans by using principal payments for subsequent loans to qualified borrowers. The interest received is considered to be program income and is used to pay administrative costs associated with the programs as well as for subsequent loans. As of August 31, 2007, outstanding principal balances of these loans were as follows:

<u>Federal grantor/program title</u>	<u>Federal CFDA No.</u>	<u>Loans receivable principal</u>
Department of Housing and Urban Development:		
Community Development Block Grant	14.218	\$ 18,129,306
Home Investment Partnerships	14.239	25,861,203
Empowerment Zone	14.244	3,204,605
Total revolving loans		<u>\$ 47,195,114</u>

**(4) Commodities**

The Texas Department of Health provided vaccines to the El Paso City – County Health Department. All vaccines are funded by the Center for Disease Control in the amount of \$3,365,282 as shown in the schedule of expenditures of federal and state awards, CFDA No. 93.268.

**CITY OF EL PASO, TEXAS**

Notes to Schedule of Expenditures of Federal and State Awards

Year ended August 31, 2007

**(5) Federal Loan**

During fiscal year ended August 31, 1992, the City received a \$3,000,000 federal loan for construction work on the International Zaragosa Bridge. The balance of the loan at August 31, 2007 is \$1,450,000.

There are no significant continuing compliance requirements.

**(6) Adjustments to Revenue and Expenditures**

The accompanying schedule reflects certain adjustments resulting from final adjustments to closed grants and transfers between grants. As a result, certain grants show negative expenditures.

**(7) Relationship to Financial Statements**

Federal and state financial assistance programs are reported in the City's financial statements primarily in the Community Development Block Grants and Non-Major Governmental Funds. Certain programs are included in the enterprise funds, of which certain grants are reported as capital contributions in the Income (Loss) Before Capital Contributions and Transfers section of the Statement of Revenue, Expenses, and Changes in Fund Net Assets (Deficit) Proprietary Funds.

**(8) Relationship to Federal and State Financial Reports**

Amounts reported in the accompanying schedule of expenditures of federal and state awards may not agree with the amounts reported in the related federal and state financial reports filed with grantor agencies because of accruals that would be included in the subsequent reports filed with the agencies.

**(9) Funds Passed Through to Subrecipients**

**(a) Federal Funds**

During the fiscal year ended August 31, 2007, the City passed through \$1,402,848 of Community Development Block Grant funds (CFDA No. 14.218), \$1,240,140 of Empowerment Zone funds (CFDA No. 14.244), \$35,958 of Supportive Housing funds (CFDA No. 14.235), and \$387,208 of Emergency Shelter Grant funds (CFDA No. 14.231) for subrecipient expenditures.

**(b) State of Texas Funds**

No State of Texas funds were passed through to subrecipients in 2007.

**CITY OF EL PASO, TEXAS**

Schedule of Findings and Questioned Costs

Year ended August 31, 2007

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to financial statements noted  yes  no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditors’ report issued on compliance for major programs: Unqualified for all major programs except for Empowerment Zone which was qualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133:  yes  no

**State Awards**

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with State of Texas UGM Standards:  yes  no



**CITY OF EL PASO, TEXAS**

Schedule of Findings and Questioned Costs

Year ended August 31, 2007

Identification of major programs:

<b>CFDA number(s)</b>	<b>Name of federal program or cluster</b>
14.218	Community Development Block Grants
14.244	Empowerment Zone
20.106	Airport Improvement Grant
20.507	Federal Transit Formula Grants
	<b>Name of state program or cluster</b>
	TDH Tuberculosis
	ATPA Border Partners

Dollar threshold used to distinguish

between type A and type B programs:

Federal	\$1,930,656
State	\$ 300,000

Auditee qualified as low-risk auditee for federal programs?

    yes        X  no

Auditee qualified as low-risk auditee for state programs?

  X  yes          no

**CITY OF EL PASO, TEXAS**

Schedule of Findings and Questioned Costs

Year ended August 31, 2007

**Section II – Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards* and State of Texas *Uniform Grant Management Standards***

**Finding 07-1: Segregation of Duties over Journal Entries**

In our testing of manual journal entries, we noted that certain members of management in the accounting department are able to both create and post journal entries. The ability to both create and post a journal entry eliminates certain segregation of duties that is ordinarily anticipated in a well-designed control environment and creates the potential for an individual to manipulate financial results and reporting without reasonable assurance of detection by employees performing their assigned functions. We recommend that management implement additional controls that will mitigate the risk that an individual can post a journal entry without it being subject to review by another member of the staff. Anticipated controls would include review by a higher level member of management which is enforced by the system or an effective manual means. This will reduce the risk, whether real or perceived, that an individual could willingly or inadvertently post an improper entry that will affect financial results of the City.

***Views of Responsible Officials and Corrective Action Plan***

The City of El Paso concurs and will develop procedures to ensure that all journal entries are reviewed at the appropriate supervisory level.

**CITY OF EL PASO, TEXAS**

Schedule of Findings and Questioned Costs

Year ended August 31, 2007

**Section III – Findings and Questioned Costs**

*Federal Awards*

**Finding 07-2: Procurement and Suspension and Debarment**

**Program/Grant:** Airport Improvement Programs/U.S. Department of Transportation  
**CFDA No.:** 20.106  
**Award Years:** 2002  
**Award Numbers:** AIP3-48-0077-2002  
**Questioned Cost:** None

**Program/Grant:** Community Development Block Grants/U.S. Department of Housing and Urban Development  
**CFDA No.:** 14.218  
**Award Years:** Multiple award years  
**Award Numbers:** B-02-MC-48-0015, B-04-MC-48-0015 and B-05-MC-48-0016  
**Questioned Cost:** None

**Program/Grant:** Federal Transit Administration Grant/ U.S. Department of Transportation  
**CFDA No.:** 20.507  
**Award Years:** Multiple award years  
**Award Numbers:** Various  
**Questioned Cost:** None

**Type of Finding:** Significant Deficiency

*Criteria*

Per 2 CFR part 180, nonfederal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction that is expected to equal or exceed \$25,000. When a nonfederal entity enters into a covered transaction with an entity at a tower tier, the nonfederal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

*Condition/Context*

The City of El Paso does not require suspension and debarment certifications from vendors entering into A&E (architectural, engineering, and surveying) contracts. This is not in compliance with the federal regulations. During suspension and debarment testwork, the following instances were noted in which the City neither had documentation that the vendor was not included on the list of *Parties Excluded from Federal Procurement or Nonprocurement* nor obtained certifications:

- For the *Airport Improvement Program* a sample of 8 procurement transactions (100% of population) was selected for testwork. Of the eight samples selected, five exceptions were noted all of which related to A&E contracts.

**CITY OF EL PASO, TEXAS**

Schedule of Findings and Questioned Costs

Year ended August 31, 2007

- For the *Community Development Block Grants*, a sample of 16 procurement transactions (100% of the population) was selected for testwork. Of the 16 samples selected, 6 exceptions were noted all of which related to A&E contracts.
- For the *Federal Transit Administration Grant*, a sample of 11 procurement transactions (100% of population) was selected for testwork. Of the 11 samples selected, 4 exceptions were noted, all of which related to A&E contracts.

Upon review of the EPLS, none of the vendors were listed as being suspended or debarred.

***Cause and Effect***

The City does not have a control in place to ensure compliance with applicable compliance requirements related to Suspension find Debarment. This could result in the City procuring services with an ineligible vendor.

***Recommendation***

The City's purchasing department should ensure that suspension and debarment checks/certifications are performed prior to awarding all contracts, including A&E contracts.

***Views of Responsible Officials and Corrective Action Plan***

The City of El Paso will develop a procedure for ensuring that suspension and debarment certifications are performed on all A&E contracts prior to the award of those contracts. The Purchasing Division of the Financial Services Department will certify that all A&E vendors are checked for suspension and debarment prior to the issuance of the purchase order. This will be documented by a screen print from the <http://www.epls.gov/epls/search> Web site that will remain in the contract file.

Implementation Date: Immediately

Responsible Person: Terry Frieberg, Purchasing Director

**CITY OF EL PASO, TEXAS**

Schedule of Findings and Questioned Costs

Year ended August 31, 2007

**Finding 07-3: Allowable Costs/Cost Principles**

**Program/Grant:** Community Development Block Grants/U.S. Department of Housing and Urban Development

**CFDA No.:** 14.218

**Award Years:** Multiple award years

**Award Numbers:** B-02-MC-48-0015, B-04-MC-48-0015 and B-05-MC-48-0016

**Questioned Cost:** Undeterminable

**Type of Finding:** Significant Deficiency and Noncompliance

***Criteria***

In accordance with OMB Circular A-87, where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subSection (5) unless a statistical sampling system (see subSection (6)) or other substitute system has been approved by the cognizant federal agency.

***Condition/Context***

Out of four payroll expenditures selected, we noted one employee that worked on multiple cost objectives whose salary was solely charged to the Community Development Block Grant.

***Cause and Effect***

The City did not comply with documentation requirements when charging payroll to the Community Development Block Grant. It appears that the Community Development Block Grant was overcharged while other housing grants were undercharged. The exact amount overcharged is unable to be determined since effort reports were not maintained. The employee in question is the City's Community Development Department Director. Per City personnel, only the Director and certain administrative personnel work on multiple awards and cost objectives.

***Recommendation***

The City should implement procedures to ensure that time and effort reporting is in compliance with federal regulations.

***Views of Responsible Officials and Corrective Action Plan***

The City of El Paso concurs with this finding and the Director of Community Development will immediately start keeping time sheets for the different programs that he manages. Manual allocations to the various programs will be made on an "after the fact" distribution of payroll based on the time sheets provided.

Implementation Date: June 1, 2008

Responsible Person: William Bill Lilly, Community Development Director

**CITY OF EL PASO, TEXAS**

Schedule of Findings and Questioned Costs

Year ended August 31, 2007

**Finding 07-4: Subrecipient Monitoring**

**Program/Grant:** Empowerment Zone/U.S. Department of Housing and Urban Development  
**CFDA No.:** 14.244  
**Award Years:** 1999  
**Award Numbers:** EZ99TX0013  
**Questioned Cost:** Undeterminable  
**Type of Finding:** Significant Deficiency and Material Noncompliance

***Criteria***

Per the OMB Circular A-133 (§\_\_\_.225 and §\_\_\_.400(d)), the program is responsible for assuring before disbursing any Empowerment Zone funds to a subrecipient, the recipient shall sign a written agreement with the subrecipient, which shall include provisions concerning the statement of work, records, and reports, program income, uniform administrative requirements, and reversions of assets. In addition, the program is responsible for monitoring subrecipients for compliance with agreements and other OMB requirements.

***Condition/Context***

The City utilized only one subrecipient in the delivery of services related to this grant. During the City's subrecipient monitoring activities in Fall 2006, the City identified concerns regarding the subrecipient's utilization of federal grant funds. The concerns involve allegations regarding business and accounting practices, lack of sufficient controls and possible illegal acts and abuse regarding the payment of certain expenditures. In December 2006, the subrecipient's independent external auditor completed an audit in accordance with OMB Circular A-133 and identified two findings and questioned costs of \$611,520.

Subsequent to the identification of the issues noted above, the Department of Housing and Urban Development (HUD) conducted their own investigation into the Empowerment Zone grant with a particular focus on the subrecipient's activities. Based on HUD's review, HUD has issued notices of preliminary findings regarding the City's management of the program which included the \$611,520 of questioned costs noted above plus an additional \$508,025 (total of \$1,119,545). Per an April 10, 2008 letter from HUD, the City cleared \$320,006 of the questioned cost. The remaining \$799,539 of questioned costs is being discussed.

***Cause and Effect***

The subrecipient under this grant expended funds in manner that may not be in compliance with the terms of the grant agreement and, based on this, HUD has raised questions regarding the City's subrecipient monitoring practices. As a result of the concerns noted, HUD has requested the City to reimburse HUD for amounts it believes the subrecipient improperly expended. Potential questioned costs range from \$0 up to \$799,539.

**CITY OF EL PASO, TEXAS**

Schedule of Findings and Questioned Costs

Year ended August 31, 2007

***Recommendation***

We recommend that the City complete its investigation into the potentially unallowable expenditures. We also recommend that the City evaluate their subrecipient monitoring procedures for opportunities to improve this process in the future.

***Views of Responsible Officials and Corrective Action Plan***

The City of El Paso is working diligently with the U.S. Department of Housing and Urban Development to resolve all pending issues and restore the program.

Implementation Date: Ongoing

Responsible Person: William Bill Lilly, Community Development Director

**CITY OF EL PASO, TEXAS**

Schedule of Findings and Questioned Costs

Year ended August 31, 2007

*State of Texas Awards*

**Finding 07-5: Matching, Earmarking and Level of Effort**

**Program/Grant:** TDH – Tuberculosis  
**State Agency** Texas Department of Health  
**Award Years:** 2007  
**Award Numbers:** 7460007499-20056-07A  
**Questioned Cost:** \$20,043  
**Type of Finding:** Significant Deficiency and Noncompliance

***Criteria***

The City’s grant agreement with the Texas Department of Health requires the City to match the State funds.

***Condition/Context***

Per review of the City’s grant agreement, the City is required to provide \$157,429 of funds to match the State provided grant funds. The City only provided \$137,386 of matching funds.

***Cause and Effect***

The City experienced significant turnover during the fiscal year and did not adequately monitor its matching requirements under the terms of the grant document. The questioned cost is equal the deficit matching amount.

***Recommendation***

We recommend that the City evaluate the circumstances that resulted in the deficient match amount and implement appropriate controls to prevent a reoccurrence.

***Views of Responsible Officials and Corrective Action Plan***

The City of El Paso concurs with this finding and will ensure that all grant match is posted in an accurate and timely manner. Grant match will be posted as funds are requested from funding agency.

Implementation Date: Immediately

Responsible Person: Carlos Campos, Administrative Services Manager, City Health Department