



CITY OF EL PASO, TEXAS

Schedule of Expenditures of Federal and State Awards

August 31, 2004

(With Independent Auditors' Reports Thereon)

CITY OF EL PASO, TEXAS

Schedule of Expenditures of Federal and State Awards

August 31, 2004

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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, 2004, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 14, 2005, which included references to the reports of 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 and Firemen and Policemen's Pension Fund (FPPF) were not audited in accordance with *Government Auditing Standards* and 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We noted certain matters that we reported to management of the City in a separate letter dated January 14, 2005.

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 and the report of other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the State of Texas *Uniform Grant Management Standards*.

This report is intended solely for the information and use of the Mayor, 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

January 14, 2005

CITY OF EL PASO, TEXAS
 Schedule of Expenditures of Federal and State Awards
 Year ended August 31, 2004

Grant title	CFDA number	Federal grant number	Subrecipient expenditures	Total expenditures
FEDERAL AWARDS				
<u>U.S. Department of Agriculture</u>				
<u>Pass-through Texas Department of Health:</u>				
W.I.C.	10.557	7460007499-02-11	—	\$ 5,925
W.I.C.	10.557	7460007499-03-12	—	550,124
W.I.C.	10.557	7460007499-04-11	—	4,648,135
Total U.S. Department of Agriculture			—	5,204,184
<u>U.S. Department of Commerce</u>				
U.S. Community Adjustments and Investments Program (CAIP)	11.313	2001-039-TX-P	—	81,546
Total U.S. Department of Commerce			—	81,546
<u>U.S. Department of Housing and Urban Development</u>				
Supportive Housing Program	14.235	TX01B902001	—	77,368
Community Development Block Grant	14.218	B99-MC-48-0015	—	1,000
Community Development Block Grant	14.218	B00-MC-48-0015	—	541,653
Community Development Block Grant	14.218	B01-MC-48-0015	—	1,207,279
Community Development Block Grant	14.218	B02-MC-48-0015	—	3,098,201
Community Development Block Grant	14.218	B03-MC-48-0015	1,636,126	2,282,300
CDBG Revolving Loan Fund	14.218	B01-MC-48-0015	—	1,753,413
Total CFDA Number 14.218			1,636,126	8,883,846 *
Emergency Shelter Grant	14.231	S-02-MC-48-0005	—	7,747
Emergency Shelter Grant	14.231	S-03-MC-48-0005	—	420,993
Total CFDA Number 14.231			—	428,740
Home Investment Partnership	14.239	M-01-MC-48-0214	—	233,914
Home Investment Partnership	14.239	M-02-MC-48-0214	—	281,692
Home Investment Partnership	14.239	M-03-MC-48-0213	—	1,662,854
Home Revolving Loan Fund	14.239	M-03-MC-48-0213	—	1,091,944
Total CFDA Number 14.239			—	3,270,404
UDAG Fund – Project Arriba	14.000		—	120,000
Total CFDA Number 14.000			—	120,000

(Continued)

CITY OF EL PASO, TEXAS
 Schedule of Expenditures of Federal and State Awards
 Year ended August 31, 2004

Grant title	CFDA number	Federal grant number	Subrecipient expenditures	Total expenditures
Empowerment Zone Planning and Implementation Grant	14.244	EZ-99-TX-0013	—	2,701,362
Empowerment Zone Harvest Market	14.244		—	30,858
Total CFDA Number 14.244			—	2,732,220
Lead Hazard Control	14.900	TXLH80237-03	—	6,084
Total CFDA Number 14.900			—	6,084
Total U.S. Department of Housing and Urban Development			1,636,126	15,518,662
<u>U.S. Department of the Interior</u>				
National Park Service:				
Urban Forestry Partnership Grant	15.916		—	8,340
Urban Park Recovery	15.919	48-CTY-2190-01-01	—	303,073
Total U.S. Department of the Interior			—	311,413
<u>U.S. Department of Justice</u>				
Pass-through Governor's Office of Criminal Justice:				
Juvenile Justice Block Grant – SHOCAP	16.523	JB-01-J20-13359-04	—	9,266
Juvenile Justice Block Grant – SHOCAP	16.523	JB-02-J20-13359-05	—	251,884
Juvenile Justice Block Grant – SHOCAP	16.523	JB-03-J20-13359-06	—	16,017
Juvenile Justice Block Grant – Underage Drinking Initiative	16.523	JB-02-J20-15026-04	—	71,598
Juvenile Justice Block Grant – Underage Drinking Initiative	16.523	JB-02-J20-15026-05	—	134,744
Total CFDA Number 16.523			—	483,509
Domestic Violence Training Grant	16.526	SF-03-A10-15829-1	—	700
Total CFDA Number 16.526			—	700
Victims of Crime Act	16.575	VA-02-V30-13590-04	—	(364)
Victims of Crime Act	16.575	VA-02-V30-13590-05	—	42,916
Victims of Crime Act	16.575	VA-04-V30-13590-06	—	9,582
Total CFDA Number 16.575			—	52,134

(Continued)

CITY OF EL PASO, TEXAS
 Schedule of Expenditures of Federal and State Awards
 Year ended August 31, 2004

Grant title	CFDA number	Federal grant number	Subrecipient expenditures	Total expenditures
Victims Assistance Grant	16.576	04-G03661	—	31,536
Total CFDA Number 16.576			—	31,536
Victims Assistance Discretionary Grant	16.582	02-G02871	—	2,760
Victims Assistance Discretionary Grant	16.582	04-G02082	—	63,076
Total CFDA Number 16.582			—	65,836
Violence Against Women Formula Grant	16.588	WF-01-V30-13413-04	—	(224)
Violence Against Women Formula Grant	16.588	WF-98-V24-13413	—	35,323
Violence Against Women Formula Grant	16.588	WF-03-V30-13413-06	—	112,931
Total CFDA Number 16.588			—	148,030
Local Law Enforcement Block Grant Equipment and Technology Grant	16.592	2001-LB-BX-3286	—	84,143
Local Law Enforcement Block Grant	16.592	2002-LB-BX-2274	—	313,381
Local Law Enforcement Block Grant	16.592	2003-LB-BX-2249	—	2,631
Total CFDA Number 16.592			—	400,155 *
Metropolitan Medical Response System	16.007	282-99-0022	—	9,892
Total CFDA Number 16.007			—	9,892
Bulletproof Vest Program	16.607	010-07-274	—	2,632
Total CFDA Number 16.607			—	2,632
C.O.P.S. Universal – Federal Crime Bill	16.710	95CCWX0207	—	984,637
C.O.P.S. Hiring Award	16.710	95CCWX0207	—	2,115,604
C.O.P.S. In Schools	16.710	2001SHWX0634	—	137,009
C.O.P.S. Culture of Integrity	16.710	95CCWX0207	—	75,444
C.O.P.S. More – Civilian Award	16.710	99CLWX0259	—	177,763
C.O.P.S. More – Civilian Award	16.710	2000CLWX0038	—	23,495
C.O.P.S. More – Civilian Award	16.710	1999CLWX0259	—	128,954
C.O.P.S. More – Auto Ticket	16.710	2002CLWX0009	—	968,250
Total CFDA Number 16.710			—	4,611,156 *
Total U.S. Department of Justice			—	5,805,580

CITY OF EL PASO, TEXAS
 Schedule of Expenditures of Federal and State Awards
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Grant title	CFDA number	Federal grant number	Subrecipient expenditures	Total expenditures
U.S. Department of Labor Youth Offenders Program	17.261	FY99	—	179,354
Total U.S. Department of Labor				179,354
Airport Improvement Grant	20.106	AIP3-48-0077-2002	—	6,594,934 *
Total Federal Aviation Administration				6,594,934
Federal Transit Administration	20.507	various	—	4,257,730 *
Total Federal Transit Administration				4,257,730
U.S. Department of Transportation Pass-through State Department of Highways and Public Transportation:				
FHWA/TZDOT/MPO	20.205	—	—	1,061
FHWA/TZDOT/MPO	20.205	—	—	150
FHWA/NMESH/MPO FY01	20.205	—	—	(2,016)
FHWA/NMESH/MPO FY04	20.205	—	—	24,689
FHWA/TSDOT/MPO FY02	20.205	—	—	95,214
FHWA/TSDOT/MPO FY03	20.205	—	—	1,431
FHWA/TSDOT/MPO FY04	20.205	—	—	886,550
Total CFDA Number 20.205				1,007,079
TXDOT DWI Detection	20.600	583XXF6021	—	46,442
TXDOT Impaired Driving Step	20.600	584XXF6024	—	50,000
TXDOT Speed Step	20.600	581XXF6006	—	13,109
TXDOT Safe Communities	20.600	580XXF6020	—	36,990
TXDOT Safe Communities	20.600	584XXF6055	—	40,609
TXDOT Step Wave	20.600	583XXF6063	—	7,272
TXDOT Step Wave	20.600	584XXF6087	—	15,000
TXDOT Comprehensive Step	20.600	584XXF6024	—	240,852
TXDOT Click It or Ticket	20.600	583XXF6122	—	70,867
TXDOT Click It or Ticket	20.600	584XXF6136	—	66,881
Total CFDA Number 20.600				588,022
Total U.S. Department of Transportation				1,595,101

CITY OF EL PASO, TEXAS
 Schedule of Expenditures of Federal and State Awards
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Grant title	CFDA number	Federal grant number	Subrecipient expenditures	Total expenditures
<u>Environmental Protection Agency</u>				
Air Pollution	66.001	A-006154-02	—	105,308
Air Pollution	66.001	A-006154-97-2	—	(7,358)
Air Pollution	66.001	A-006154-04-0	—	363,075
TDH Asbestos	66.001	7460007499-2004-12A	—	17,978
Total CFDA Number 66.001				479,003
EMPACT – EPA Environmental Grant	66.500	82796401	—	467
Total CFDA Number 66.500				467
Brownsfield Site Assessment	66.811	BP-9868-6001-0	—	77,496
Brownsfield Cleanup	66.811	BL-97612001-0	—	678
Total CFDA Number 66.811				78,174
<u>Total Environmental Protection Agency</u>				
<u>Corporation for National and Community Service</u>				
<u>Pass-through Texas Department of Aging:</u>				
Foster Grandparent Program	94.011	01SFWTX003	—	34,807
Foster Grandparent Program	94.011	01SFWTX003	—	512,848
Total CFDA Number 94.011				547,655
Retired Seniors Volunteer Program	94.002	02SRWTX016	—	95,172
Retired Seniors Volunteer Program	94.002	02SRWTX016	—	96,349
Total CFDA Number 94.002				191,521
<u>Total Corporation for National and Community Service</u>				
<u>Federal Emergency Management Administration</u>				
MMRS Sustainment	97.005	02T00017401D	—	100,000
FEMA Education	97.005	FG0200126FPS001	—	10,410
TEEX Homestead Security	97.005	2003 24000	—	2,796
Total CFDA Number 97.005				113,206
FEMA Vehicle Exhaust System	97.004	EMW-2003-FG-04553	—	107,043
Total CFDA Number 97.004				107,043

(Continued)

CITY OF EL PASO, TEXAS
 Schedule of Expenditures of Federal and State Awards
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Grant title	CFDA number	Federal grant number	Subrecipient expenditures	Total expenditures
Emergency Management FY2004	97.042	EMT-2004-GR-0105	—	232,415
Total CFDA Number 97.042			—	232,415
Total Federal Emergency Management Administration			—	452,664
<u>U.S. Department of Education</u>				
Library Services – TTPLS	84.034	470-04-005	—	381,549
Total U.S. Department of Education			—	381,549
<u>U.S. Department of Health and Human Services</u>				
HHSC – Substance Abuse Grant	93.243	1H79SM54759-01	—	469,316
CDC TB Outreach	93.116	7460007499-02-01	—	(19)
CDC TB Outreach	93.116	7460007499-02-02	—	10,444
CDC TB Outreach	93.116	7460007499-00-03	—	107,505
CDC TB Outreach	93.116	7460007499-02-04	—	187,971
Total CDC TB Outreach			—	305,901
Pass-through Texas Department of Health:				
CDC Nonmonetary Assistance – Immunizations	93.116	—	—	1,150,701
Total CFDA Number 93.116			—	1,456,602 *
Childhood Lead Poisoning Prevention Program	93.262	740007499-03-138	—	60,738
Total CFDA Number 93.262			—	60,738
Immunization	93.268	7460007499-03-09	—	491,002
Total CFDA Number 93.268			—	491,002
Lab Bio Terrorism Preparedness	93.283	7460007499-03-148	—	498,675
Public Health Preparedness	93.283	7460007499-2004-10	—	885,907
Total CFDA Number 93.283			—	1,384,582 *
Sexually Transmitted Diseases	93.940	7460007499-2005-02	—	51,439
Total CFDA Number 93.940			—	51,439
HIV Surveillance	93.944	7460007499-99-018	—	31,817
Total CFDA Number 93.944			—	31,817

(Continued)

CITY OF EL PASO, TEXAS
 Schedule of Expenditures of Federal and State Awards
 Year ended August 31, 2004

Grant title	CFDA number	Federal grant number	\$	Subrecipient expenditures	Total expenditures
Local Public Health Service Program	93.991	7460007499-204-13A	—	—	21,484
Total CFDA Number 93.991					21,484
TDH Bureau of Clinical and Nutritional Service – CORE	93.994	7460007499-2004-09	—	—	92,852
TDH Bureau of Clinical and Nutritional Service – Title V	93.994	74660007499A-2004-03	—	—	163,986
Total CFDA Number 93.994					256,838
Total U.S. Department of Health and Human Services					4,223,818
Executive Office of the President					
HIDTA – Airport Task Force	7.000	17PSWP566	—	—	771,131
HIDTA – Airport Task Force	7.000	14PSWP574	—	—	332,106
HIDTA – ENTERPRISE	7.000	14PSWP574	—	—	4,659
HIDTA – GRAB	7.000	11PSWP557	—	—	38,731
HIDTA – GRAB	7.000	11PSWP574	—	—	59,977
HIDTA – GRAB	7.000	14PSWP574	—	—	5
HIDTA – Hijack FY2002	7.000	12PSWP552	—	—	(271,668)
HIDTA – Hotel/Motel FY2000	7.000	10PSWP566	—	—	10
HIDTA – Hotel/Motel FY2001	7.000	11PSWP566	—	—	15,612
HIDTA – Hotel/Motel FY2002	7.000	12PSWP566	—	—	(22,991)
HIDTA – Intelligence Initiative FY2002	7.000	12PSWP572	—	—	29,655
HIDTA – Intelligence Initiative FY2003	7.000	18PSWP557	—	—	89,389
HIDTA – Intelligence Initiative FY2004	7.000	14PSWP574	—	—	26,337
HIDTA – Source City Narcotics	7.000	18PSWP558	—	—	141,824
HIDTA – Source City Narcotics	7.000	14PSWP574	—	—	51,207
HIDTA – Multiagency FY2000	7.000	10PSWP558	—	—	21,805
HIDTA – Multiagency FY2001	7.000	11PSWP558	—	—	32,436
HIDTA – Multiagency FY2002	7.000	12PSWP558	—	—	(101,566)
HIDTA – Multiagency FY2003	7.000	13PSWP574	—	—	180,922
HIDTA – Multiagency FY2004	7.000	14PSWP574	—	—	24,702
HIDTA – Stash House Initiative FY2000	7.000	10PSWP574	—	—	182
HIDTA – Stash House Initiative FY2001	7.000	11PSWP574	—	—	21,352
HIDTA – Stash House Initiative FY2002	7.000	12PSWP574	—	—	(99,960)

CITY OF EL PASO, TEXAS
 Schedule of Expenditures of Federal and State Awards
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Grant title	CFDA number	Federal grant number	Subrecipient expenditures	Total expenditures
HIDTA – Stash House Initiative FY2003	7.000	I3PSWPS74	—	\$ 337,636
HIDTA – Stash House Initiative FY2004	7.000	I4PSWPS74	—	121,080
HIDTA – Transportation	7.000	I4PSWPS74	—	7,501
Total Executive Office of the President				1,812,074 *
<u>National Endowment for the Arts</u>				
NEA Discovery	45.024	04-6200-5008	—	24,000
NEFA Ballet Hispanico	45.024	FY2004-8759	—	4,000
Total CFDA Number 45.024				28,000
Technical Assistance Negotiated Grant	45.310	476-01015	—	808
Telecommunications Infrastructure Fund	45.310	QE-1999-TAIS-1917	—	40,002
Telecommunications Infrastructure Fund	45.310	476-04-015	—	71,883
Total CFDA Number 45.310				112,693
Total National Endowment for the Arts				140,693
Total Federal Awards			1,636,126	\$ 47,856,122

CITY OF EL PASO, TEXAS
 Schedule of Expenditures of Federal and State Awards
 Year ended August 31, 2004

Grant title	State grant number	Subrecipient expenditures	Total expenditures
STATE AWARDS			
Texas Historical Commission Historic Research Survey	48-01-16444.007	—	\$ 5,666
Total Texas Historical Commission			5,666
Texas State Library and Archive Commission Loan Star Libraries Grant	442-03150	—	(1)
Loan Star Libraries Grant	442-04149	—	42,854
Total Texas State Library and Archive Commission			42,853
Texas Arts Council			
TCA Exhibit Support – Gowis		—	3,000
TCA Exhibit Support – Wells		—	2,974
TCA Exhibit Support – FY2003	04-25076	—	549
TCA Advance/Services FY2004		—	9,492
TCA Arts in Education	04-25076	—	5,896
TCA Subgranting and Admin FY2004	04-25075	—	74,999
Total Texas Arts Council			96,910
Texas Department of Aging			
Foster Grandparent Program	03SFWTX001	—	3,211
Retired Seniors Volunteer Program	02SRWIX044	—	381
Retired Seniors Volunteer Program	03SRWIX017	—	27,973
Total Texas Department of Aging			31,565
Texas Department of Health			
TDH – Tuberculosis	7460007499-03-04	—	26,112
TDH – Tuberculosis	7460007499-2004-08	—	584,049
Total TDH – Tuberculosis			610,161 *
Office of Border Health	7460007499-2004-14	—	32,865
Total Office of Border Health			32,865
HIV Surveillance	7460007499-2005-01	—	5,050
Total HIV Surveillance			5,050

CITY OF EL PASO, TEXAS
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Grant title	State grant number	Subrecipient expenditures	Total expenditures
STD Admin	7460007499-03-06	—	38,969
Total STD Admin		—	38,969
TDH Local Public Health Service Program	7460007499-2004-13A	—	131,974
Total TDH Local Public Health Service Program		—	131,974 *
TDH – Immunization	7460007499-02-09	—	564
TDH – Immunization	7460007499-03-09	—	293,149
TDH – Immunization	7460007499-2005-03	—	524,623
Total Immunization		—	818,336
TDH Bureau of Clinical and Nutritional Services – Core	7460007499-03-08	—	4,155
TDH Bureau of Clinical and Nutritional Services – Title V	7460007499A-2002-02A	—	102
TDH Bureau of Clinical and Nutritional Services – Title V	7460007499A-2002-01	—	33,528
Carryover Title V – FY04	—	—	46,233
Total TDH Bureau of Clinical and Nutritional Services		—	84,018
Medicaid Administrative Claiming	00019100FOS-A	—	25,272
Total Medicaid Administrative Claiming		—	25,272
TDH Asbestos	7460007499-02-11	—	100
TDH Asbestos	7460007499-03-15	—	1,683
TDH Asbestos	7460007499-2004-12A	—	24,087
Total TDH Asbestos		—	25,870
Public Health Preparedness	7460007499-03-10A	—	136,328
Total Public Health Preparedness		—	136,328
Sexually Transmitted Diseases	7460007499-03-06	—	31,838
Total Sexually Transmitted Diseases		—	31,838

CITY OF EL PASO, TEXAS
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Grant title	State grant number	Subrecipient expenditures	Total expenditures
TDH Vector Initiative	7460007499-03-01	—	1,213
Total TDH Vector Initiative		—	1,213
Total Texas Department of Health		—	1,941,894
<u>Texas Commission on Environmental Quality</u>			
Air Quality	582-2-47338	—	19,157
Air Quality	582-3-51314	—	8,060
Air Quality	582-4-64435	—	365,376
Total Air Quality		—	392,593 *
Air Quality Pass-through	582-2-89438	—	5,631
Air Quality Pass-through	582-4-55824	—	128,149
Total Air Quality Pass-through		—	133,780
<u>Pass-through Rio Grande Council of Governments</u>			
Recycling Containers	04-08-G05	—	10,022
Total Pass-through Rio Grande Council of Governments		—	10,022
PM Sampling	582-3-55808	—	3,373
PM Sampling	582-3-55808	—	84,231
Total PM Sampling		—	87,604
Border Air Monitoring Grant	582-1-89385	—	(335)
Border Air Monitoring Grant	582-3-55815	—	23,217
Border Air Monitoring Grant	582-3-55818	—	29,970
Total Border Air Monitoring Grant		—	52,852
Total Texas Commission on Environmental Quality		—	676,851
<u>Governor's Office of Criminal Justice</u>			
ATPA Border Partners	SA-T01-10050-03	—	8,043
ATPA Border Partners	SA-T01-10050-04	—	730,926
Total ATPA Border Partners		—	738,969 *

CITY OF EL PASO, TEXAS
 Schedule of Expenditures of Federal and State Awards
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Grant title	State grant number	Subrecipient expenditures	Total expenditures
Juvenile Compliance Project	SF-04-J20-15409-04	\$ —	48,434
Total Juvenile Compliance Project		—	48,434
Total Governor's Office of Criminal Justice		—	787,403
<u>El Paso Community Foundation and Other Grants</u>			
Alliance for Senior Involvement	—	—	(1,558)
Archeology Awareness	—	—	(31)
E-Rate Library Funds	—	—	41,582
El Paso Community College Employment Program	—	—	10,658
EPISD Donations for the Arts	—	—	2,972
Graffiti Clean-Up Project	—	—	(20)
HAF WOS Gerardo Nunez	FY04-410	—	2,550
HAF WOS International Guitar Nite	FY04-409	—	925
Hervey Foundation Display	—	—	10,000
Paso Del Norte Ageless Health Initiative	—	—	17,628
Paso Del Norte Clean Air	—	—	310,677
PetSmart Spay and Neuter Program	—	—	(100)
School Services Private Awards	—	—	34,859
Texas Forest Service Arborist	—	—	47,270
YISD Donations for the Arts	—	—	7,000
PSB Funded Capital Project	—	—	214,079
Total El Paso Community Foundation and Other Grants		—	698,491
Total State Awards		\$ —	3,583,142

* Major program

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

CITY OF EL PASO, TEXAS

Notes to the Schedule of Expenditures of Federal and State Awards

August 31, 2004

(1) General

Overview of the City of El Paso, Texas' Fiscal 2004 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, 2004. 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, 2004, 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 Commerce:		
Economic Development Administration	11.305	\$ 4,321,579
Department of Housing and Urban Development:		
Community Development Block Grant and Urban Development Assistance Grant	14.218	14,906,661
Lomalinda	14.218	21,972
Home Investment Partnerships	14.239	19,413,606
Total revolving loans		<u>\$ 38,663,818</u>

CITY OF EL PASO, TEXAS

Notes to the Schedule of Expenditures of Federal and State Awards

August 31, 2004

(4) Commodities

The Texas Department of Human Services – Health Department provided vaccines to the El Paso City – County Health Department. All vaccines are funded by the Center for Disease Control in the amount of \$1,150,701 as shown in the schedule of expenditures of federal and state awards.

(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, 2004 is \$1,750,000.

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 Other 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 which would be included in the subsequent reports filed with the agencies.



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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, 2004. 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 \$4,889,902 in federal awards in its fiscal year ended February 28, 2004, which are not included in the schedule of expenditures of federal and state awards for the year ended August 31, 2004. 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.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended August 31, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 04-1 and 04-2, and 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 items 04-3.

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 or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas *Uniform Grant Management Standards*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities, the business 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, 2004 and have issued our report thereon dated January 14, 2005, which included references to the reports of other auditors. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal and state awards for the year ended August 31, 2004 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.

This report is intended solely for the information and use of the Mayor, 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

January 14, 2005

CITY OF EL PASO, TEXAS
 Schedule of Findings and Questioned Costs
 August 31, 2004

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:	Unqualified	
Internal control over financial reporting:		
• Material weakness(es) identified?	___ yes	<u>X</u> no
• Reportable condition(s) identified that are not considered to be material weaknesses?	___ yes	<u>X</u> none reported
Noncompliance material to financial statements noted:	___ yes	<u>X</u> no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	___ yes	<u>X</u> no
• Reportable condition(s) identified that are not considered to be material weakness(es)?	___ yes	<u>X</u> 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 section 510(a) of Circular A-133:	<u>X</u> yes	___ no

State Awards

Internal control over major programs:		
• Material weakness(es) identified?	___ yes	<u>X</u> no
• Reportable condition(s) identified that are not considered to be material weakness(es)?	___ yes	<u>X</u> 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:	<u>X</u> yes	___ no

CITY OF EL PASO, TEXAS
 Schedule of Findings and Questioned Costs
 August 31, 2004

Identification of major programs:

<u>CFDA</u>	<u>Name of Federal Program or Cluster</u>
<u>Number(s)</u>	
07.000	High Intensity Drug Trafficking Area
14.218	Community Development Block Grants/Entitlement Program
16.592	Local Law Enforcement Block Grant
16.710	Community Oriented Policing Services Grants
20.106	Federal Aviation Grant
20.507	Federal Transit Grant
93.116	CDC Nonmonetary Assistance – Immunizations
93.283	Lab Bio Terrorism / Public Health Preparedness

Name of State Program or Cluster

TDH Tuberculosis
 TDH Local Public Health Service Program
 Air Quality
 Automobile Theft Prevention Authority

Dollar threshold used to distinguish
 between type A and type B programs:

Federal	\$ 1,436,000
State	\$ 300,000

Auditee qualified as low-risk auditee for federal and state programs?

yes no

CITY OF EL PASO, TEXAS

Schedule of Findings and Questioned Costs

August 31, 2004

**SECTION II – FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

No such findings noted for the fiscal year ended August 31, 2004.

CITY OF EL PASO, TEXAS
Schedule of Findings and Questioned Costs
August 31, 2004

SECTION III – FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS

Finding 04-1: Real Property Acquisition and Relocation Assistance

Program/Grant: Community Development Block Grant

CFDA No.: 14.218

Federal Agency: U.S. Department of Housing and Urban Development

Grant Number: C7128CD0078

Pass-through Entity: None

Type of Finding: Noncompliance

Questioned Cost: None

Condition: In accordance with the U.S. Department of Transportation's single government-wide rule at 49 CFR, Part 24, *Uniform Relocation Assistance and Real Property Acquisition Regulations for Federal and Federally-Assisted Program*, property acquired must be appraised by qualified independent appraisers.

Effect: We noted that the required appraisal was not obtained for the property located at 3323 Alameda.

Cause: We noted that the property was previously owned by the City of El Paso (the City). As the property was previously owned by the City, the City elected to use the assessed property value rather than obtaining a current appraisal. We noted that the assessed value of approximately \$79,000 exceeded the purchase price of \$41,661. The assessed value was obtained from Juan Sandoval, Property Tax Director in the Tax Department.

Recommendation: We recommend more effective control and monitoring procedures over real property acquisition requirements be communicated to staff who are in charge of real property acquisition.

Management's Response and Corrective Action Plan

The property was acquired by an agency that did not have the power of eminent domain and according to 49CFR24.101, 5(a)(2), an appraisal was not required. This was explained to the auditor, who at the time seemed to understand. The Department has since changed its policy and now requires an appraisal for acquisitions of this type.

CITY OF EL PASO, TEXAS
Schedule of Findings and Questioned Costs
August 31, 2004

Auditors' Response to Management's Response

Our understanding of the acquisition of this property is that the City initially acquired the property with federal grant funds and then transferred ownership to an affiliated non-profit entity. Since the City acquired the property and the City has eminent domain, we believe an independent appraisal was required.

CITY OF EL PASO, TEXAS

Schedule of Findings and Questioned Costs

August 31, 2004

Finding 04-2: Special Tests and Provisions – Control, Accountability, and Safeguarding of Vaccine

Program/Grant: Nonmonetary Assistance Grant

CFDA No.: 93.116

Federal Agency: Center for Disease Control

Grant Number: N/A

Pass-through Entity: Texas Department of Health

Type of Finding: Noncompliance

Questioned Cost: None

Condition: Per review of the grant agreement, the City is required to comply with written policies and procedures provided by TDH in managing state-supplied vaccines, including guidelines for proper storage and handling of vaccines. Effective control and accountability must be maintained for all vaccines. Vaccines must be adequately safeguarded and used solely for authorized purposes.

Effect: We selected two clinics, Ysleta and Henderson, that have the highest administration figures for the year. We performed inventory observations, vouching a sample of five vaccine types, by lot number, to the inventories on hand, rolling back our counts to the most recent monthly inventory reports submitted to the Texas Department of Health. Rollbacks were performed using the daily tally sheets for each of the nurses. We noted that three out of five vaccines selected for our testwork at Ysleta did not agree to the actual number on hand based on our physical inventory observation and rollback. From procedures performed, it was noted that Ysleta's total vaccine inventories had been overstated by 20 doses at August 31, 2004. This represents a 2.5% error relative to the 795 doses that the clinic's records indicated were on hand at year-end.

Cause: Per our discussion with a nurse supervisor, we noted that the differences were due to either the prior month's miscount or lost/wasted doses. Based on our discussions, most wastes were due to blood aspiration, inaccurate drawing from a multi-dose vial, and/or mishandling of vaccines.

Recommendation: We recommend that the City's Health District implement more frequent inventory counts at each of its clinics (at least weekly), reconcile physical counts to the vaccine administration records and research variances noted in a timely fashion. In addition, proper recordkeeping regarding wastes is recommended.

CITY OF EL PASO, TEXAS

Schedule of Findings and Questioned Costs

August 31, 2004

Management's Response and Corrective Action Plan

Based on the above narrative, we were unable to ascertain the quantitative or qualitative nature of the "potential" finding even though it is identified as "noncompliance." Procedures for vaccine inventory counts, vaccine reconciliation counts, vaccine waste recordkeeping, and researching vaccine variances were reviewed and discussed by clinic management and we have implemented proactive procedures at the Northeast Clinic, Ysleta Clinic, Henderson Clinic, and Immunization Outreach sites.

CITY OF EL PASO, TEXAS
Schedule of Findings and Questioned Costs
August 31, 2004

STATE OF TEXAS AWARDS

Finding 04-3: Special Test – Professional Education

Program/Grant:	TDH Tuberculosis
State Grant No.:	G410307 and G410407
State Agency:	Texas Department of Health (TDH)
Pass-through Entity:	None
Type of Finding:	Noncompliance
Questioned Cost:	None
Criteria:	The tuberculosis grant requires that employees paid under the grant complete a specified level of professional education related to tuberculosis or to their job responsibilities during the grant period. New employees are required to have 40 hours and existing employees are required to have 16 hours.
Condition:	Out of a population of 13 employees, we selected 13 (100%) individuals paid with TDH funds. We noted that three existing lab employees did not achieve the required 16 hours of professional education during the grant period.
Effect:	Failure to comply with the training requirements of the grant could result in the loss of future funding to the City or this program.
Cause:	Compliance requirements were not fully understood by the staff supervisor.
Recommendation:	Supervisors should have an adequate understanding of the compliance requirements, including which training sessions qualify as professional education under the grant requirements. Responsibility for the periodic monitoring of individual achievement of TDH minimum professional education requirements should be assigned to a specific individual within the Health District.

Management's Response and Corrective Action Plan

It should be noted that the employees in question charge their actual time worked to the TB grant, and report to the Laboratory Director. Compliance with the educational requirements was previously delegated by management to the Laboratory Department. In addition, management has implemented procedures wherein the Laboratory Director will submit copies of the education and professional training documentation to the TB Manager. Managers will obtain full understanding of the compliance requirements, especially as to understanding which training sessions qualify as professional education under this grant.