

REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

SINGLE AUDIT

CITY OF BROWNSVILLE, TEXAS

September 30, 2008



CITY OF BROWNSVILLE, TEXAS

SINGLE AUDIT

September 30, 2008

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FEDERAL SINGLE AUDIT

**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**

The Honorable Mayor and Members of the City Commission
City of Brownsville, 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 Brownsville, Texas (City) for the year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 27, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 City'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 City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2008-1 to be significant deficiencies 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 City'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 none of the significant deficiencies 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*.

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

This report is intended solely for the information and use of management, the audit committee, the City Commission, and federal awarding agencies, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Long Chilton LLP
LONG CHILTON LLP
Certified Public Accountants

Brownsville, Texas
March 27, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

The Honorable Mayor and Members of the City Commission
City of Brownsville, Texas

Compliance

We have audited the compliance of the City of Brownsville, Texas (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 Single Audit Circular* that are applicable to each of its major federal/state programs for the year ended September 30, 2008. The City's major federal/state programs are identified in the summary of auditor's 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/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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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/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 of 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/stat programs for the year ended September 30, 2008.

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 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/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 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/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/state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal/state program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items IC 2008-1 to be a significant deficiency.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2008, and have issued our report thereon dated March 27, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal/state awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 City Commission, management, and applicable Federal/State awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.



LONG CHILTON, LLP
Certified Public Accountants

Brownsville, Texas
March 27, 2009

CITY OF BROWNSVILLE, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS
 Year Ended September 30, 2008

Source and Title of Grant	Federal CFDA Number	Grant Number	Program Expenditures	
			Grantee	Grantor
Federal Financial Assistance:				
.. Department of Housing and Urban Development Direct Programs:				
..... Community Planning and Development:				
..... Metropolitan Entitlement	14.218	B-07-MC-48-0501	\$ 0	\$ 1,885,974
..... Metropolitan Entitlement	14.218	B-06-MC-48-0501	\$ 0	\$ 504,440
..... Metropolitan Entitlement	14.218	B-05-MC-48-0501	\$ 0	\$ 483,648
..... Metropolitan Entitlement	14.218	B-04-MC-48-0501	\$ 0	\$ 58,830
..... Metropolitan Entitlement	14.218	B-03-MC-48-0501	\$ 0	\$ 611,004
..... Metropolitan Entitlement	14.218	B-01-MC-48-0501	\$ 0	\$ 77,463
..... Total Metropolitan Entitlements			\$ 0	\$ 3,621,359
..... Emergency Shelter Grants Program	14.231	S-07-MC-48-0501	\$ 0	\$ 144,653
..... Total Emergency Shelter Grants Program			\$ 0	\$ 144,653
..... HOME Investment Partnership Program	14.239	M-07-MC-48-0501	\$ 0	\$ 640,948
..... HOME Investment Partnership Program	14.239	M-06-MC-48-0501	\$ 0	\$ 391,887
..... HOME Investment Partnership Program	14.239	M-05-MC-48-0501	\$ 0	\$ 507,284
..... HOME Investment Partnership Program	14.239	M-04-MC-48-0501	\$ 0	\$ 383,750
..... HOME Investment Partnership Program	14.239	M-03-MC-48-0501	\$ 0	\$ 9,546
..... HOME Investment Partnership Program	14.239	M-02-MC-48-0501	\$ 0	\$ 1,750
..... Total HOME Investment Partnership Program			\$ 0	\$ 1,935,165
..... Subtotal			\$ 0	\$ 5,701,177
.. Pass-through Texas Department of Housing and Community Affairs:				
..... Emergency Shelter Grants Program	14.231	42080000263. (08-09)	\$ 0	\$ 12,699
..... Emergency Shelter Grants Program	14.231	4200000020. (07-08)	\$ 0	\$ 176,989
..... Total Emergency Shelter Grants Program			\$ 0	\$ 189,688
..... Total Department of Housing and Urban Development			\$ 0	\$ 5,890,865
.. Department of Justice:				
..... Office of Justice Programs:				
..... Justice Assistance Grant		2007-F3537-TX-DJ	1,300	0
..... Total Justice Assistance Grants			1,300	0
..... Bureau of Justice Assistance:				
..... Office of National Drug Policy:				
..... Operation Cash Flow & Firewall	16.58		507	4,328
..... Total Office of National Drug Policy			\$ 507	\$ 4,328
Federal Financial Assistance, Cont'd:				
.. Department of Justice, Cont'd:				
..... Pass-through Drug Enforcement Agency:				
..... Executive Office for Weed and Seed	16.595	2007-WS-Q6-0097	9,025	38,900
..... Total Office for Weed and Seed			\$ 9,025	\$ 38,900
..... Total Department of Justice			\$ 10,832	\$ 43,228
.. Department of Transportation:				
..... Federal Transit Administration:				
..... Operating Assistance Grant	20.507	TX-90-X752	\$ 2,410,121	\$ 524,155
..... Operating Assistance Grant	20.507	TX-90-X797	\$ 0	\$ 1,252,229
..... Operating Assistance Grant	20.516	51721F7086 JAC.0701	\$ 78,260	\$ 149,845
..... Operating Assistance Grant	URB.0801.(21	51821F7045	\$ 0	\$ 544,575
..... Total Operating Assistance			\$ 2,488,381	\$ 2,470,804

CITY OF BROWNSVILLE, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS
 Year Ended September 30, 2008

Source and Title of Grant	Federal CFDA Number	Grant Number	Program Expenditures	
			Grantee	Grantor
..... Capital Equipment Grant	20.507	TX-90-X468	\$ 16,152	\$ 64,617
..... Capital Equipment Grant	20.507	TX-90-X586	4,836	19,341
..... Capital Equipment Grant	20.507	TX-90-X635	7,210	28,836
..... Capital Equipment Grant	20.507	TX-90-X713	69,354	277,415
..... Capital Equipment Grant	20.507	TX-90-X752	127,620	510,471
..... Capital Equipment Grant	20.507	TX-90-X797	329,129	1,316,516
..... Capital Equipment Grant	20.507	TX-90-X819	3,010	12,040
..... Capital Equipment Grant	20.516	TX-37-X018	1,322	1,213
..... Capital Equipment Grant	20.500	TX-04-0035	474,235	1,578,400
..... Capital Equipment Grant	20.500	FYA FY. 2009 Sect. 5309 Earmark	68,668	274,673
..... Capital Equipment Grant	20.513	51721F7156 ED. 0701 (21) 02	\$ 51,797	\$ 100,470
..... Capital Equipment Grant	20.513	51821F7193 ED. 0804 (21) 03	\$ 4,100	\$ 16,399
..... Capital Equipment Grant	20.513	51821F7222 ED. 0811 (21) 01	\$ 28,445	\$ 113,780
..... Capital Equipment Grant	20.516	51721F7086 JAC. 0701	0	113,236
..... Capital Equipment Grant	20.521	51821F7072 NF. 0801 (21) 02	\$ 3,272	\$ 8,142
..... Total Capital Equipment			\$ 1,189,150	\$ 4,435,549
..... Planning Grant	20.507	TX-90-X713	2,944	11,775
..... Planning Grant	20.507	TX-90-X752	2,472	9,889
..... Planning Grant	20.507	TX-90-X797	2,686	10,746
..... Planning Grant	20.515	218XX57001.PLN.0801 (21) 15	0	7,543
..... Total Planning Assistance			\$ 8,102	\$ 39,953
..... Total Federal Transit Administration			\$ 3,685,633	\$ 6,946,306
..... Highway Planning and Construction:				
..... Urban Transportation Study (Sec. 112)	20.205	50-8XXX0021	0	222,252
..... Urban Transportation Study (Sec. 8)	20.205	50-8XXX0021	0	49,851
..... Total Highway Planning and Construction			\$ 0	\$ 272,103
..... Federal Aviation Administration:				
..... Airport Improvement Program	20.106	3-48-0031-24-03	1,102	836
..... Airport Improvement Program	20.106	3-48-0031-25-04	9,412	185,017
..... Airport Improvement Program	20.106	3-48-0031-26-04	19,258	94,755
..... Airport Improvement Program	20.106	3-48-0031-28-05	15,879	301,705
..... Airport Improvement Program	20.106	3-48-0031-30-06	1,575	29,923
..... Airport Improvement Program	20.106	3-48-0031-32-07	135,340	2,571,453
..... Airport Improvement Program	20.106	3-48-0031-33-08	429,147	8,153,818
..... Total Airport Improvement Program			\$ 611,713	\$ 11,337,507
Federal Financial Assistance, Cont'd:				
..... Department of Transportation:				
..... National Highway Traffic Safety Administration:				
..... State and Community Highway Safety:				
..... Texas Department of Transportation:				
..... Traffic Signal Maintenance and Operation Provisions	20.600	6152-88-001	\$ 0	\$ 28,215
..... Traffic Signal Maintenance and Operation Provisions	20.600	6186-88-001	\$ 0	\$ 2,880
..... Texas Department of Highways:				
..... National Maximum Speed Limit - S.T.E.P. Wave	20.600	588XXX6138	\$ 15,882	\$ 59,503
..... Click It or Ticket - S.T.E.P.	20.600	588EGF6014	0	10,211
..... Total State and Community Highway Safety			\$ 15,882	\$ 100,809
..... Total Department of Transportation			\$ 4,313,228	\$ 18,656,725

CITY OF BROWNSVILLE, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS
 Year Ended September 30, 2008

Source and Title of Grant	Federal CFDA Number	Grant Number	Program Expenditures	
			Grantee	Grantor
Federal Emergency Management Agency:				
Office of National Preparedness:				
Pass-through Texas Department of Public Safety's				
Division of Emergency Management:				
Assistance to Firefighters Grant Program	97.044	EMW-2007-FO-09208	59,318	237,274
Emergency Management Performance Grants	97.042	08TX-EMPG-0687	219,406	28,749
FEMA - 1780 - DR Hurricane Dolly	97.036		626,382	1,707,637
FEMA - 3294 - EM Hurricane Ike	97.036		0	2,287
Total Federal Emergency Management Agency			<u>905,106</u>	<u>1,975,947</u>
U.S. Department of Homeland Security:				
Transportation Security Administration:				
Law Enforcement Officer Program	97.09	HSTS0208HSLR042	\$ 0	\$ 68,219
Total Transportations Security Administration			<u>\$ 0</u>	<u>\$ 68,219</u>
Department of Health and Human Services				
Pass-through Texas Department of Health:				
Youth Empowerment Grant (UTB/TSC)			0	755
Total Department of Health and Human Services			<u>\$ 0</u>	<u>\$ 755</u>
Total Federal Awards Expended			<u>\$ 5,229,166</u>	<u>\$ 26,635,739</u>
State Financial Assistance (Note 5):				
Texas Department of Transportation:				
Texas Automobile Theft Prevention Authority		SA-T01-10041-08	333,257	424,639
Texas Automobile Theft Prevention Authority		SA-T01-10041-09	26,502	42,334
Total Texas Department of Transportation			<u>359,759</u>	<u>466,973</u>
Texas State Library & Archives Commission:				
Lone Star Libraries Grant		442-08061	0	29,139
Total Texas State Library & Archives Commission			<u>\$ 0</u>	<u>\$ 29,139</u>
U.S. Department of Homeland Security:				
Texas Department of Public Safety:				
Texas Engineering Extension Service:				
State Homeland Security Grant FY 06		2006-GE-T5-0068	19,939	265,048
Total Texas Engineering Extension Service			<u>\$ 19,939</u>	<u>\$ 265,048</u>
Division of Emergency Management, Office of the Governor				
Texas Department of Public Safety:				
Local Border Security Program (Border Star)		LBSP-08-013	0	123,213
Total Texas Department of Public Safety			<u>\$ 0</u>	<u>\$ 123,213</u>
Office of the Comptroller:				
Comptroller of Public Accounts				
Tobacco Compliance FY 08			0	5,907
Total Texas Engineering Extension Service			<u>\$ 0</u>	<u>\$ 5,907</u>
Total U.S. Department of Homeland Security			<u>\$ 19,939</u>	<u>\$ 394,168</u>
Texas Department of State Health Services				
Border Health				
EMS Local Projects Grant		2007-022897-001	0	3,754
Total Texas Department of State Health Services		2008-025176-001	147	14,852
			<u>147</u>	<u>18,606</u>
Total State Awards Expended			<u>\$ 379,845</u>	<u>\$ 908,886</u>
Total Federal and State Awards Expended			<u>\$ 5,609,011</u>	<u>\$ 27,544,625</u>

CITY OF BROWNSVILLE, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS

Year Ended September 30, 2008

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal/State Awards presents the activity of federal/state expenditures of programs of the City of Brownsville, Texas (City), except for programs administered by the Public Utilities Board of the City of Brownsville, Texas. The City of Brownsville reporting entity is defined in Note 1(a) to the City's basic financial statements.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal/state awards is presented using the modified accrual basis of accounting for federal/state awards reflected in the City's governmental fund types and the accrual basis of accounting for federal/state awards reflected in the City's proprietary fund types.

NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS

Federal/state award expenditures as reported in the accompanying schedule of expenditures of federal/state awards are reflected in the City's financial statements as expenditures with respect to governmental funds and expenses or capital asset additions with respect to proprietary funds.

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule may not agree with the amounts reported in the related Federal and state financial reports filed with the grantor agencies because of the effect of accruals made in the schedule.

CITY OF BROWNSVILLE, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL/STATE AWARDS
Year Ended September 30, 2008**

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ X Yes _____ None Reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None Reported

Type of auditor's 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? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal/State Program or Cluster</u>
20.507, 20.516	Federal Transit/Administration – Operating Assistance Grant
20.500, 20.507, 20.509, 20.513, 20.516, 20.521	Federal Transit Administration – Capital Equipment Grant
20.507, 20.515	Federal Transit Administration – Planning Grant
14.231	Dept. of Housing & Urban Development Direct Programs – Emergency Shelter Grants Program
20.106	Federal Aviation Administration – Airport Improvement Program
-	Highway Planning and Construction – Urban Transportation Study
97.044	Office of National Preparedness – Assistance to Firefighter's Grant Program
97.036	Office of National Preparedness – FEMA 1780 and FEMA 3294 DR Hurricane Dolly and EM Hurricane Ike
-	Texas Department of Transportation – Texas Automobile Theft Prevention Authority

CITY OF BROWNSVILLE, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL/STATE AWARDS – CONTINUED
Year Ended September 30, 2008

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS – CONTINUED

Dollar threshold used to distinguish between
type A and type B programs \$ 785,223

Auditee qualified as low-risk auditee? X Yes No

II. FINANCIAL STATEMENT FINDINGS

Department of Transportation

IC 2008-1 Federal Aviation Administration Grant – CFDA 20.106; Grant No. 3-48-0031-3207;
Grant No. 3-48-0031-3308
Grant period: Year Ended September 30, 2008

Condition: During the year the City drew \$1,645,961 of available funds from grant 3-48-0031-3207 and \$737,616 from grant 3-48-0031-3308 without proper authorization and without having any supporting documentation of expenditures.

Criteria: The grant is a reimbursement grant which requires the City to incur expenditures before drawing funds.

Effect: The City has recorded a \$2,383,577 payable to the Federal Aviation Administration.

Recommendation: Policies and procedures should be reviewed with all employees involved in handling cash for any federal or state program. Employees need to understand that they cannot draw funds down without first obtaining the approval of the supervisor and if the grant is a reimbursable grant that drawdown is supported with allowable expenditures.

III. FEDERAL AWARD FINDINGS

None noted which were required to be reported.

CITY OF BROWNSVILLE, TEXAS

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Year Ended September 30, 2008**

II. FINANCIAL STATEMENT FINDINGS

None reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL/STATE AWARDS

None reported.

CITY OF BROWNSVILLE, TEXAS
CORRECTIVE ACTION PLAN
Fiscal Year Ended September 30, 2008

Identifying Number: IC 2008-1

Federal Aviation Administration Grant – CFDA 20.106
Grant No. 3-48-0031-3308 and Grant No. 3-48-0031-3207
Grant period: Year Ended September 30, 2008

Condition: During the year the City drew \$1,645,961 of available funds from grant 3-48-0031-3207 and \$737,616 from grant 3-48-0031-3308 without proper authorization and without having any supporting documentation of expenditures.

Criteria: The grant is a reimbursement grant which requires the City to incur expenditures before drawing funds.

Effect: The City has recorded a \$2,383,577 payable to the Federal Aviation Administration.

Recommendation: Policies and procedures should be reviewed with all employees involved in handling cash for any federal or state program. Employees need to understand that they cannot draw funds down without first obtaining the approval of the supervisor and if the grant is a reimbursable grant that draw-down is supported with allowable expenditures.

Response: We concur with the finding. The inadvertent error was caused by having two separate grants over two years for the same project (taxiways G). We concur with the recommendation regarding review of policies and procedures regarding draw-downs. We have advised the FAA of the error and we are in the process of remitting the balance due to the FAA.