

# HOUSTON INDEPENDENT SCHOOL DISTRICT

## TABLE OF CONTENTS

---

	<b>Page</b>
AUDITOR-PREPARED:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1–2
Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	3–5
Schedule of Findings and Questioned Costs	6–8
AUDITEE-PREPARED:	
Schedule of Expenditures of Federal Awards	9–14
Notes to the Schedule of Expenditures of Federal Awards	15
Status of Prior Year Audit Findings	16–17

## **INDEPENDENT AUDITOR'S 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 Board of Education  
Houston Independent School District:

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Houston Independent School District (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2013.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Deloitte & Touche LLP*

November 14, 2013

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

The Board of Education  
Houston Independent School District

### **Report on Compliance for Each Major Federal Program**

We have audited the Houston Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 program occurred. An audit includes examining, on a test basis, evidence about the District'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 on compliance for each major federal state program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the District as of and for the year ended June 30, 2013, and have issued our report thereon dated November 14, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Deloitte & Touche LLP*

November 14, 2013

# HOUSTON INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2013

---

### Section I — Summary of Auditor's Results:

#### Financial Statements

Type of auditor's report issued:	Unqualified/(Unmodified)
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

#### Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	No
Type of auditor's report issued on compliance for major programs:	Unqualified/(Unmodified)
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510(a))?	No

(Continued)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction, Recovery Act
84.165A	Magnet Schools Assistance
84.010A	Title I, Part A Cluster
84.367A	Title II, Part A Improving Teacher Quality State Grants
84.365A	Title III, Part A English Language Acquisition Grants
84.374A, 84.374B	Teacher Incentive Fund
84.377A, 84.388A	School Improvement Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee?                      Yes

**Section II – Findings Related to the Financial Statements**

No matters were reported.

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.

# HOUSTON INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Pass-Through Grantor's Number	Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Total Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE — FOOD AND NUTRITION SERVICE</u>			
Pass-Through Texas Department of Agriculture: Non-Cash Assistance:			
N/A	National School Lunch Program	10.555	\$ 3,587,199
N/A	Summer Food Service Program for Children	10.559	185,178
	Non-Cash Assistance Subtotal		<u>3,772,377</u>
Cash Assistance:			
N/A	School Breakfast Program	10.553	32,287,641
N/A	National School Lunch Program	10.555	62,786,343
N/A	Child and Adult Care Food Program	10.558	649,585
N/A	Summer Food Service Program for Children	10.559	3,207,653
	Cash Assistance Subtotal		<u>98,931,222</u>
	Total U.S. Department of Agriculture - Food and Nutrition Service		<u>102,703,599</u>
<u>U.S. DEPARTMENT OF AGRICULTURE—ECONOMIC RESEARCH SERVICE</u>			
59-5000-0-0079	Pass-Through Baylor College of Medicine: Food Assistance and Nutrition Research Programs	10.253	<u>33,502</u>
	Total Pass-Through Baylor College of Medicine		<u>33,502</u>
	Total U.S. Department of Agriculture - Economic Research Service		<u>33,502</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
N/A	Direct Program: JROTC Career Academy	12.000	<u>2,120,189</u>
	Total U.S. Department of Defense		<u>2,120,189</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
4600011931/2012-1119	Pass-Through City of Houston/Department of Housing and Community Development: Community Development Block Grant	14.218	<u>180,007</u>
	Total U.S. Department of Housing and Urban Development		<u>180,007</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
20-D-13-HO-0074	Drug Enforcement Administration: Public Safety Partnership and Community Policing Grants	16.710	<u>11,595</u>
	Total U.S. Department of Justice		<u>11,595</u>

(Continued)

# HOUSTON INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Pass-Through Grantor's Number	Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Total Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
TP0709-10/#912-00-363	Pass-Through Houston-Galveston Area Council: Highway Planning and Construction, Recovery Act	20.205	\$ 1,118,806
	Total Pass-Through Houston-Galveston Area Council		1,118,806
582EGF6545	Pass-Through Texas Department of Transportation: Occupant Protection Incentive Grants	20.602	3,873
	Total Pass-Through Texas Department of Transportation		3,873
	Total U.S. Department of Transportation		1,122,679
<u>U.S. DEPARTMENT OF ENERGY</u>			
CM1241	Pass-Through Comptroller of Public Accounts/State Energy Conservation Office: State Energy Program	81.041	100,000
	Total Pass-Through Comptroller of Public Accounts/State Energy Conservation Office		100,000
	Total U.S. Department of Energy		100,000
<u>U.S. DEPARTMENT OF EDUCATION</u>			
	Direct Program:		
U165A100037	Magnet Schools Assistance	84.165A	3,586,302
S215G120194	Fund For the Improvement of Education	84.215G	235,411
S215L060278	Fund for the Improvement of Education	84.215L	1,440
U215X080193	Fund for the Improvement of Education	84.215X	533,593
P334A050073	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	377,189
U350A070035	Transition to Teaching Program	84.350A	306,015
U350A090044	Transition to Teaching Program	84.350A	247,851
U351C120100	Arts in Education	84.351C	181,270
U363A090171	School Leadership Program	84.363A	487,208
S374A100018	Teacher Incentive Fund	84.374A	5,300,328
S374B120011	Teacher Incentive Fund	84.374B	806,856
	Total Direct Program		12,063,463
	Pass-Through Texas Education Agency:		
134100087110504	Adult Education-Basic Grants to States	84.002A	122,445
12610104101912006	Title I Grants to Local Education Agencies	84.010A	53,278
12610104101912007	Title I Grants to Local Education Agencies	84.010A	6,527
12610104101912010	Title I Grants to Local Education Agencies	84.010A	3,766
12610104101912017	Title I Grants to Local Education Agencies	84.010A	13,929
12610104101912018	Title I Grants to Local Education Agencies	84.010A	9,895
12610104101912019	Title I Grants to Local Education Agencies	84.010A	3,307
12610104101912020	Title I Grants to Local Education Agencies	84.010A	27,925
12610104101912029	Title I Grants to Local Education Agencies	84.010A	32,243
12610104101912041	Title I Grants to Local Education Agencies	84.010A	646
12610104101912051	Title I Grants to Local Education Agencies	84.010A	840
12610104101912066	Title I Grants to Local Education Agencies	84.010A	2,064
12610104101912072	Title I Grants to Local Education Agencies	84.010A	3,778
12610104101912077	Title I Grants to Local Education Agencies	84.010A	64

(Continued)

# HOUSTON INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Pass-Through Grantor's Number	Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Total Expenditures
12610104101912082	Title I Grants to Local Education Agencies	84.010 A	\$ 60,427
12610104101912295	Title I Grants to Local Education Agencies	84.010 A	5,427
12610104101912327	Title I Grants to Local Education Agencies	84.010 A	96
12610104101912023	Title I Grants to Local Education Agencies	84.010 A	2,727
12610104101912093	Title I Grants to Local Education Agencies	84.010 A	10,525
13610104101912019	Title I Grants to Local Education Agencies	84.010 A	23,329
13610104101912009	Title I Grants to Local Education Agencies	84.010 A	17,079
13610104101912002	Title I Grants to Local Education Agencies	84.010 A	11,838
13610104101912006	Title I Grants to Local Education Agencies	84.010 A	38,681
13610104101912007	Title I Grants to Local Education Agencies	84.010 A	18,716
13610104101912010	Title I Grants to Local Education Agencies	84.010 A	40,496
13610104101912014	Title I Grants to Local Education Agencies	84.010 A	6,380
13610104101912015	Title I Grants to Local Education Agencies	84.010 A	14,554
13610104101912017	Title I Grants to Local Education Agencies	84.010 A	143,880
13610104101912018	Title I Grants to Local Education Agencies	84.010 A	128,564
13610104101912020	Title I Grants to Local Education Agencies	84.010 A	56,611
13610104101912023	Title I Grants to Local Education Agencies	84.010 A	14,113
13610104101912036	Title I Grants to Local Education Agencies	84.010 A	13,332
13610104101912041	Title I Grants to Local Education Agencies	84.010 A	15,115
13610104101912042	Title I Grants to Local Education Agencies	84.010 A	10,943
13610104101912050	Title I Grants to Local Education Agencies	84.010 A	13,549
13610104101912051	Title I Grants to Local Education Agencies	84.010 A	21,160
13610104101912052	Title I Grants to Local Education Agencies	84.010 A	37,904
13610104101912053	Title I Grants to Local Education Agencies	84.010 A	14,058
13610104101912054	Title I Grants to Local Education Agencies	84.010 A	9,807
13610104101912059	Title I Grants to Local Education Agencies	84.010 A	7,970
13610104101912060	Title I Grants to Local Education Agencies	84.010 A	14,146
13610104101912061	Title I Grants to Local Education Agencies	84.010 A	9,691
13610104101912066	Title I Grants to Local Education Agencies	84.010 A	3,242
13610104101912072	Title I Grants to Local Education Agencies	84.010 A	23,968
13610104101912075	Title I Grants to Local Education Agencies	84.010 A	14,110
13610104101912077	Title I Grants to Local Education Agencies	84.010 A	15,564
13610104101912078	Title I Grants to Local Education Agencies	84.010 A	9,866
13610104101912082	Title I Grants to Local Education Agencies	84.010 A	26,611
13610104101912110	Title I Grants to Local Education Agencies	84.010 A	12,368
13610104101912113	Title I Grants to Local Education Agencies	84.010 A	14,747
13610104101912121	Title I Grants to Local Education Agencies	84.010 A	11,428
13610104101912127	Title I Grants to Local Education Agencies	84.010 A	14,948
13610104101912163	Title I Grants to Local Education Agencies	84.010 A	7,608
13610104101912180	Title I Grants to Local Education Agencies	84.010 A	9,976
13610104101912194	Title I Grants to Local Education Agencies	84.010 A	8,612
13610104101912227	Title I Grants to Local Education Agencies	84.010 A	12,082
13610104101912242	Title I Grants to Local Education Agencies	84.010 A	13,891
13610104101912259	Title I Grants to Local Education Agencies	84.010 A	7,056
13610104101912262	Title I Grants to Local Education Agencies	84.010 A	14,383
13610104101912271	Title I Grants to Local Education Agencies	84.010 A	12,015
13610104101912283	Title I Grants to Local Education Agencies	84.010 A	14,380
13610104101912289	Title I Grants to Local Education Agencies	84.010 A	14,101
13610104101912295	Title I Grants to Local Education Agencies	84.010 A	12,961
13610104101912297	Title I Grants to Local Education Agencies	84.010 A	15,000
13610104101912298	Title I Grants to Local Education Agencies	84.010 A	15,000
13610104101912332	Title I Grants to Local Education Agencies	84.010 A	3,665
13610104101912340	Title I Grants to Local Education Agencies	84.010 A	8,371

(Continued)

# HOUSTON INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Pass-Through Grantor's Number	Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Total Expenditures
13610104101912369	Title I Grants to Local Education Agencies	84.010A	\$ 7,465
12610110101912006	Title I Grants to Local Education Agencies	84.010A	20,865
12610110101912007	Title I Grants to Local Education Agencies	84.010A	27,875
12610110101912009	Title I Grants to Local Education Agencies	84.010A	2,265
12610110101912010	Title I Grants to Local Education Agencies	84.010A	32,000
12610110101912017	Title I Grants to Local Education Agencies	84.010A	14,567
12610110101912018	Title I Grants to Local Education Agencies	84.010A	18,254
12610110101912019	Title I Grants to Local Education Agencies	84.010A	7,607
12610110101912020	Title I Grants to Local Education Agencies	84.010A	23,161
12610110101912029	Title I Grants to Local Education Agencies	84.010A	11,914
12610110101912041	Title I Grants to Local Education Agencies	84.010A	1,881
12610110101912051	Title I Grants to Local Education Agencies	84.010A	48,064
12610110101912066	Title I Grants to Local Education Agencies	84.010A	42,063
12610110101912072	Title I Grants to Local Education Agencies	84.010A	28,119
12610110101912077	Title I Grants to Local Education Agencies	84.010A	33,047
12610110101912082	Title I Grants to Local Education Agencies	84.010A	62,153
12610110101912295	Title I Grants to Local Education Agencies	84.010A	(904)
12610110101912327	Title I Grants to Local Education Agencies	84.010A	5,531
13610110101912009	Title I Grants to Local Education Agencies	84.010A	66,965
13610110101912019	Title I Grants to Local Education Agencies	84.010A	31,413
13610110101912006	Title I Grants to Local Education Agencies	84.010A	138,932
13610110101912007	Title I Grants to Local Education Agencies	84.010A	74,262
13610110101912010	Title I Grants to Local Education Agencies	84.010A	141,590
13610110101912017	Title I Grants to Local Education Agencies	84.010A	139,072
13610110101912018	Title I Grants to Local Education Agencies	84.010A	99,199
13610110101912020	Title I Grants to Local Education Agencies	84.010A	158,378
13610110101912041	Title I Grants to Local Education Agencies	84.010A	99,420
13610110101912051	Title I Grants to Local Education Agencies	84.010A	155,283
13610110101912052	Title I Grants to Local Education Agencies	84.010A	111,313
13610110101912066	Title I Grants to Local Education Agencies	84.010A	166,666
13610110101912072	Title I Grants to Local Education Agencies	84.010A	123,883
13610110101912077	Title I Grants to Local Education Agencies	84.010A	109,282
13610110101912082	Title I Grants to Local Education Agencies	84.010A	88,639
13610110101912295	Title I Grants to Local Education Agencies	84.010A	94,288
13610110101912332	Title I Grants to Local Education Agencies	84.010A	124,943
12610101101912	Title I Grants to Local Education Agencies	84.010A	24,794,648
13610101101912	Title I Grants to Local Educational Agencies	84.010A	75,148,525
12615001101912	Migrant Education-State Grant Program	84.011A	170,148
13615001101912	Migrant Education-State Grant Program	84.011A	436,602
126600011019126600	Special Education-Grants to States	84.027A	6,082,252
136600011019126600	Special Education-Grants to State	84.027A	31,183,745
12420006101912	Career and Technical Education-Basic Grants to States	84.048A	2,355
13420006101912	Career and Technical Education Basic Grants to State	84.048A	2,488,018
126610011019126610	Special Education-Preschool Grants	84.173A	83,442
136610011019126610	Special Education-Preschool Grants	84.173A	189,584
116120017110415	Even Start-State Educational Agencies	84.213C	11,052
116120017110416	Even Start-State Educational Agencies	84.213C	15,273
116120017110420	Even Start-State Educational Agencies	84.213C	12,281
126950177110034	Twenty-First Century Community Learning Centers	84.287C	101,820
126950147110034	Twenty-First Century Community Learning Centers	84.287C	1,266,793
116950127110017	Twenty-First Century Community Learning Centers	84.287C	73,834
126950127110017	Twenty-First Century Community Learning Centers	84.287C	1,386,983
116950167110010	Twenty-First Century Community Learning Centers	84.287C	503,032
136950167110021	Twenty-First Century Community Learning Centers	84.287C	2,395,877

(Continued)

# HOUSTON INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Pass-Through Grantor's Number	Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Total Expenditures
02501001	Advanced Placement Incentive Program	84.330B	\$ 5,658
12671001101912	English Language Acquisition Grants	84.365A	613,836
13671001101912	English Language Acquisition Grants	84.365A	4,790,876
12694501101912	Improving Teacher Quality State Grants	84.367A	1,476,180
13694501101912	Improving Teacher Quality State Grants	84.367A	11,641,152
69551202	Grants for State Assessments and Related Activities	84.369A	56,668
69551302	Grants for State Assessments and Related Activities	84.369A	104,203
116107047110018	School Improvement Grants	84.377A	10,654
105520017110033	School Improvement Grants, Recovery Act	84.388A	565
105520017110037	School Improvement Grants, Recovery Act	84.388A	60,819
105520017110034	School Improvement Grants, Recovery Act	84.388A	2,819,740
105520017110035	School Improvement Grants, Recovery Act	84.388A	2,200,665
105520017110036	School Improvement Grants, Recovery Act	84.388A	2,867,049
105520017110038	School Improvement Grants, Recovery Act	84.388A	1,756,224
Total Pass-Through Texas Education Agency			<u>178,417,786</u>
Pass-Through Education Service Centers:			
R10-00-023	Education for Homeless Children and Youth	84.196A	89,440
R10-13-022	Education for Homeless Children and Youth	84.196A	183,197
3153-875/136600021019506674	Special Education-Grants to State	84.027A	98,662
3153-878/136600021019506673	Special Education-Grants to State	84.027A	111,999
3403-877/133911011019503911	Special Education-Grants for Infants and Families	84.181A	2,428
N/A	Title V - Hurricane Katrina Relief Reimbursement	84.000	9,000
Total Pass-Through Education Service Centers			<u>494,726</u>
Pass-Through Harris County Department of Education:			
126950177110032	Twenty-First Century Community Learning Centers	84.287C	41,529
126950147110032	Twenty-First Century Community Learning Centers	84.287C	232,211
116950127110014	Twenty-First Century Community Learning Centers	84.287C	10,568
126950127110014	Twenty-First Century Community Learning Centers	84.287C	184,666
Total Pass-Through Harris County Department of Education			<u>468,974</u>
Pass-Through the Ohio State University:			
60031733/U350C110001	Transition to Teaching Program	84.350C	14,139
Total Pass-Through the Ohio State University			<u>14,139</u>
Total U.S. Department of Education			<u>191,459,088</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Program:			
5U79SM060290	Substance Abuse and Mental Health Services	93.243	93,441
N/A	Medical Assistance Program	93.778	358,473
5U87DP001179	Cooperative Agreements to Support Comprehensive School Health Programs	93.938	278,057
Total Direct Program			<u>729,971</u>

(Continued)

# HOUSTON INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Pass-Through Grantor's Number	Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Total Expenditures
0008092N/5TPIAH000072-02	Pass-Through The University of Texas Health Science Center at Houston: Affordable Care Act (ACA) Abstinence Education Program	93.235	\$ 346,704
	Total Pass-Through The University of Texas Health Science Center at Houston		<u>346,704</u>
529-11-0029-00009R1	Pass-Through Texas Health and Human Services Commission: Refugee and Entrant Assistance - Discretionary Grants	93.576	22,563
529-13-0049-00004	Refugee and Entrant Assistance - Discretionary Grants	93.576	108,138
	Total Pass-Through Texas Health and Human Services Commission		<u>130,701</u>
HHS-2011-ACF-ACYF-CO-0183	Pass-Through Texas Department of Education: Adoption Opportunities	93.652	37,048
	Total Pass-Through Texas Department of Education		<u>37,048</u>
2013-042071	Pass-Through Texas Department of State Health Services: Maternal and Child Health Services Block Grant to the States	93.994	65,384
	Total Pass-Through Texas Department of State Health Services		<u>65,384</u>
	Total U.S. Department of Health and Human Services		<u>1,309,808</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>			
GF4102-3/06AFHTX0010063	Pass-Through University of North Texas: AmeriCorps	94.006	6,138
GF4156-2/06AFHTX0010063	AmeriCorps	94.006	14,989
	Total Pass-Through University of North Texas		<u>21,127</u>
	Total Corporation for National and Community Service		<u>21,127</u>
	TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 299,061,594</u>

See accompanying independent auditors' report and notes to the schedule of expenditures of federal awards.

(Concluded)

# HOUSTON INDEPENDENT SCHOOL DISTRICT

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2013

---

1. The Houston Independent School District (the "District") utilizes the funds specified in the Texas Education Agency Financial Accountability System Resource Guide.

The Special Revenue Fund is used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

National School Lunch Program, School Breakfast Program, Summer Food Program, and Child and Adult Care Food Program revenues are accounted for in the Food Services Enterprise Fund.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current-financial-resources measurement focus. All federal grant funds are accounted for in the Special Revenue Fund, a component of the governmental funds. With this measurement focus, only current assets and current liabilities, generally, are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified-accrual basis of accounting is used for the governmental funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (measurable and available) and expenditures in the accounting period in which the fund liability is incurred, except that principal and interest on general long-term debt are recognized when due.

Federal grant funds are considered to be earned when all eligibility requirements have been met. Any excess of revenues or expenditures is recorded as deferred revenues or accounts receivable, respectively.

3. The period of availability for federal grant funds for the purpose of liquidating outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, *Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement*.
4. The disbursement of funds received under federal grant programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund. In the opinion of management, such disallowed claims, if any, will not have a material effect on any of the financial statements of the individual fund types or on the overall financial position of the District at June 30, 2013.

Federal financial expenditures are reported in the financial statements as follows:

Total federal sources per financial statements for Governmental Funds	\$ 196,324,492
Total grants from federal agencies per financial statements for Enterprise Funds	<u>102,737,102</u>
Total federal expenditures on Schedule of Expenditures of Federal Awards	<u>\$ 299,061,594</u>

# HOUSTON INDEPENDENT SCHOOL DISTRICT

## STATUS OF PRIOR YEAR AUDIT FINDINGS JUNE 30, 2012

---

### Section II – Findings Related to the Financial Statements

Program	Finding/Noncompliance	Questioned Cost
N/A	Significant deficiency in internal control over valuation of receivables — finding 2012-1	N/A

**Criteria:** Management is responsible for establishing internal controls to ensure that financial statements are free of material misstatement. These controls include policies and procedures that require the periodic evaluation of underlying assumption for collectability of accounts receivable.

**Condition and Cause:** The District evaluates receivables as of year-end for probability of collection and to establish appropriate allowances for doubtful accounts. In two instances, we noted that the District did not take into consideration the impact of current experiences and/or market trends on the collectability of its accounts receivable and did not adjust the allowance accordingly.

**Effect:** While these instances did not have an impact on the fund balance of the General Fund, adjusting entries were required in the Medicaid fund and the government-wide governmental activities to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

**Recommendation:** Implement procedures that require the reevaluation of each of the assumptions underlying the calculation for allowances for doubtful accounts to ensure that appropriate adjusting entries are recorded at year-end.

**Corrective Action Plan:** Management will execute procedures that require evaluation of each of the assumptions underlying the calculation for allowances for doubtful accounts and record appropriate adjusting entries, as applicable, each year-end.

For year-end 2012, our estimate is based on the last seven years collection rate. In subsequent years, the district's calculation will include additional years of collection rate data.

**Estimated Completion Date:** June 1, 2013

**Management Contact:** Controller

**Status:** Resolved

**Section III – Federal Award Findings and Questioned Costs**

<b>Program</b>	<b>Finding/Noncompliance</b>	<b>Questioned Cost</b>
10.553, 10.555, 10.559 Child Nutrition Cluster 84.010A, 84.389A Title I, Part A Cluster 84.377A, 84.388A School Improvement Grants 84.318X, 84.386A Education Technology State Grants 84.287C Twenty-First Century Communities Learning Centers	Significant deficiency in internal control over procurement/suspension/debarment — finding 2012-2	N/A

**Criteria:** OMB Circular A-102 and OMB Circular A-110 restricts sub-awards and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs or activities.

**Condition and Cause:** Through a review of bid packages for procurement expenditures paid by federal funds, it was noted that there was no evidence that vendors awarded contracts through the District, and funded with grant money, were reviewed against the Excluded Party Listing to confirm they were not suspended or debarred prior to award. We did not note any instances in which the District awarded federal fund payments to a suspended or debarred party.

**Effect:** Grant funded contracts could be awarded to vendors that are suspended/debarred which would be in violation of federal regulations.

**Questioned Costs:** None.

**Recommendation:** Prior to procuring expenditures funded by federal awards, the District should review the Excluded Party Listing at <https://www.epls.gov/> to confirm the vendor is not suspended or debarred. Further, tangible proof should be maintained in the bid packages to corroborate that the review was performed.

**Corrective Action Plan:** Management has established procedures requiring all vendor Agreements to contain evidence that the Excluded Parties List System (EPLS) has been checked for debarment or suspension. In addition, the internal Agreement Checklist maintained by the department is updated to reflect this requirement. The checklist is signed by Procurement Services management prior to completing and filing the Agreements.

**Estimated Completion Date:** November 1, 2012

**Management Contact:** Procurement General Manager

**Status:** Resolved