



**CITY OF EL PASO, TEXAS**

Schedule of Expenditures of Federal and State Awards

August 31, 2003

(With Independent Auditors' Reports Thereon)

**CITY OF EL PASO, TEXAS**

Schedule of Expenditures of Federal and State Awards

August 31, 2003

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**Independent Auditors' Report on Compliance and  
on Internal Control over Financial Reporting 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 basic financial statements of the City of El Paso, Texas (the City) as of and for the year ended August 31, 2003, and have issued our report thereon dated January 9, 2004, which included a reference to a change in accounting principles due to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment to GASB Statement 14*, effective September 1, 2002, and a reference to the report 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 were not audited in accordance with *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards*. The financial statements of the Public Service Board – City of El Paso (El Paso Water Utilities) were audited by other auditors whose report has been furnished to us, and our report on compliance and on internal control over financial reporting, insofar as it relates to the El Paso Water Utilities, is based solely on the report of the other auditors.

***Compliance***

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 grants, 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 that are required to be reported under *Government Auditing Standards* or 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 opinion on the basic financial statements and not to provide assurance on 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 condition in which the design or operation of



one or more of internal control components does not reduce to a relatively low level the risk that misstatements 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.

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 9, 2004

**CITY OF EL PASO, TEXAS**  
 Schedule of Expenditures of Federal and State Awards  
 Year ended August 31, 2003

Grant title	CFDA number	Federal grant number	Subrecipient expenditures	Total expenditures
<b>FEDERAL AWARDS</b>				
U.S. Department of Agriculture				
Pass through Texas Department of Health:				
W.I.C.	10.557	7460007499-01-11	—	712,818
W.I.C.	10.557	7460007499-00-12	—	20
W.I.C.	10.557	7460007499-02-12	—	4,249,909
<b>Total U.S. Department of Agriculture</b>			—	<b>4,962,747 *</b>
U.S. Department of Housing and Urban Development				
Supportive Housing Program				
	14.235	TX01B902001	—	32,523
Community Development Block Grant	14.218	B95-MC-48-0015	—	1,795
Community Development Block Grant	14.218	B96-MC-48-0015	—	545
Community Development Block Grant	14.218	B97-MC-48-0015	—	52,942
Community Development Block Grant	14.218	B98-MC-48-0015	—	172,581
Community Development Block Grant	14.218	B99-MC-48-0015	—	538,686
Community Development Block Grant	14.218	B00-MC-48-0015	—	5,481,970
Community Development Block Grant	14.218	B01-MC-48-0015	1,472,267	3,323,082
Community Development Block Grant	14.218	B02-MC-48-0015	—	676
CDBG Revolving Loan Fund	14.218	B01-MC-48-0015	—	1,866,105
<b>Total CFDA Number 14.218</b>			<b>1,472,267</b>	<b>11,438,382 *</b>
Home Investment Partnership				
Home Investment Partnership	14.239	M-00-MC-48-0214	—	323,824
Home Investment Partnership	14.239	M-01-MC-48-0214	—	1,565,810
Home Investment Partnership	14.239	M-02-MC-48-0214	—	2,909,451
<b>Total CFDA Number 14.239</b>			—	<b>4,799,085</b>
Empowerment Zone Planning and Implementation Grant				
	14.244	EZ-99-TX-0013	—	2,320,266
<b>Total U.S. Department of Housing and Urban Development</b>			<b>1,472,267</b>	<b>18,590,256</b>
U.S. Department of the Interior				
Urban Park Recovery				
	15.919	48-CTY-2190-01-01	—	274,743
<b>Total U.S. Department of the Interior</b>			—	<b>274,743</b>

(Continued)

**CITY OF EL PASO, TEXAS**  
 Schedule of Expenditures of Federal and State Awards  
 Year ended August 31, 2003

Grant title	CFDA number	Federal grant number	Subrecipient expenditures	Total expenditures
<b>U.S. Department of Justice</b>				
Pass through Governor's Office of Criminal Justice:				
Juvenile Justice Block Grant - SHOCCAP	16.523	JB-00-J20-13359-03	—	(78,724)
Juvenile Justice Block Grant - SHOCCAP	16.523	JB-01-J20-13359-04	—	292,289
Juvenile Justice Block Grant - Underage Drinking Initiative	16.523	JB-00-J20-15026-02	—	85,100
Juvenile Justice Block Grant - Underage Drinking Initiative	16.523	JB-02-J20-15026-04	—	130,448
Total CFDA Number 16.523			—	429,113
Domestic Violence Training Grant	16.526	SF-02-A10-15829-1	—	18,329
Domestic Violence Training Grant	16.526	SF-02-A10-15829-1	—	4,692
Total CFDA Number 16.526			—	23,021
Victims of Crime Act	16.575	VA-02-V30-13590-04	—	44,911
Victims of Crime Act	16.575	VA-02-V30-13590-05	—	9,418
Total CFDA Number 16.575			—	54,329
Victims Assistance Grant	16.576	02G00604	—	32,819
Victims Assistance Discretionary Grant	16.582	02G02871	—	92,430
Violence Against Women Formula Grant	16.588	WF-98-V24-13413	—	43,806
Violence Against Women Formula Grant	16.588	WF-01-V30-13413-04	—	47,808
Violence Against Women Formula Grant	16.588	WF-00-V30-13413-03	—	(46,885)
Total CFDA Number 16.588			—	44,729
Local Law Enforcement Block Grant	16.592	2002-LB-BX-2274	—	153,491
Local Law Enforcement Block Grant	16.592	2000-LB-BX-1725	—	283,631
Local Law Enforcement Block Grant Equipment and Technology Grant	16.592	2001-LB-BX-3286	—	452,821 *
Total CFDA Number 16.592			—	889,943
Metropolitan Medical Response System	16.007	282-99-0022	—	46,211
Bulletproof Vest Program	16.607	010-07-274	—	14,280

(Continued)

**CITY OF EL PASO, TEXAS**  
 Schedule of Expenditures of Federal and State Awards  
 Year ended August 31, 2003

Grant title	CFDA number	Federal grant number	Subrecipient expenditures	Total expenditures
C.O.P.S. Culture of Integrity	16.710	95CCWX0207	—	41,847
C.O.P.S. Universal – Federal Crime Bill	16.710	95CCWX0207	—	2,832,537
C.O.P.S. Hiring Award	16.710	95CCWX0207	—	1,412,036
C.O.P.S. More – Civilian Award	16.710	99CLWX0259	—	353,312
C.O.P.S. More – Civilian Award	16.710	2000CLWX0038	—	85,855
C.O.P.S. In Schools	16.710	2001SHWX0634	—	144,819
C.O.P.S. More – Civilian Award	16.710	1999CLWX0259	—	101,772
Total CFDA Number 16.710			—	4,972,178 *
<b>Total U.S. Department of Justice</b>			—	6,599,053
<u>U.S. Department of Labor</u>			—	—
Youth Offenders Program	17.261	FY99	—	52,613
<b>Total U.S. Department of Labor</b>			—	52,613
<u>U.S. Department of Transportation</u>			—	—
Pass through State Department of Highways and Public Transportation:			—	—
TXDOT DWI Detection	20.600	582XXF6004	—	22,495
TXDOT DWI Detection	20.600	583XXF6021	—	153,066
TXDOT Impaired Driving Step	20.600	584XXF6024	—	24,886
TXDOT Speed Step	20.600	581XXF6006	—	42,530
TXDOT Safe Communities	20.600	580XXF6020	—	39,426
TXDOT Step Wave	20.600	583XXF6063	—	7,728
TXDOT Speed Step	20.600	582XXF6020	—	4,830
TXDOT Click It or Ticket	20.600	582XXF6077	—	68,376
TXDOT Click It or Ticket	20.600	583XXF6122	—	75,975
Total CFDA Number 20.600			—	439,312
<b>Total U.S. Department of Transportation</b>			—	439,312
<u>State Department of Highways</u>			—	—
FHWA/TZDOT/MPO	20.000	—	—	143,364
FHWA/TZDOT/MPO	20.000	—	—	6,710
FHWA/TSDOT/MPO	20.000	—	—	125,855
FHWA/TSDOT/MPO	20.000	—	—	64

(Continued)

**CITY OF EL PASO, TEXAS**  
 Schedule of Expenditures of Federal and State Awards  
 Year ended August 31, 2003

Grant title	CFDA number	Federal grant number	Subrecipient expenditures	Total expenditures
FHWA/TSDOT/MPO	20.000	-	-	828,633
FHWA/NM/MPO	20.000	-	-	2,727
<b>Total State Department of Highways</b>				
<u>Environmental Protection Agency</u>				
Air Pollution Control	66.001	A-006154-97-2	-	331,358
Air Pollution	66.001	A-006154-02	-	45,743
Total CFDA Number 66.001				
El Paso Rio Bosque Wetlands Project	66.461	CD986224-01	-	1,120
EMPACT - EPA Environmental Grant	66.500	82796401	-	68,053
Brownsfield Site Assessment	66.811	BP-9868-6001-0	-	28,929
<b>Total Environmental Protection Agency</b>				
<u>Action</u>				
Pass through Texas Department of Aging:				
Foster Grandparent Program	94.011	01SFWTX003	-	36,551
Foster Grandparent Program	94.011	01SFWTX003	-	480,436
Total CFDA Number 94.011				
Retired Seniors Volunteer Program	94.002	02SRWTX016	-	69,881
Retired Seniors Volunteer Program	94.002	02SRWTX016	-	78,248
Total CFDA Number 94.002				
<b>Total Action</b>				
<u>Federal Emergency Management Administration</u>				
Pass through Texas Department of Public Safety:				
Emergency Management FY2002	83.534	FY2002	-	9,458
Emergency Management FY2000	83.534	FY2003	-	206,852
Total CFDA Number 83.534				
<b>Total Federal Emergency Management Administration</b>				
			-	216,310
			-	216,310



**CITY OF EL PASO, TEXAS**  
 Schedule of Expenditures of Federal and State Awards  
 Year ended August 31, 2003

Grant title	CFDA number	Federal grant number	Subrecipient expenditures	Total expenditures
<u>U.S. Department of Education</u>				
Pass through Texas State Library:				
Library Services - TTPLS	84.034	476-01005	—	\$ 411,387
Library Services - TTPLS	84.034	470-02005	—	(2,535)
Total CFDA Number 84.034			—	408,852
Technical Assistance Negotiated Grant	45.310	476-01015	—	71,971
Technical Assistance Negotiated Grant	45.310	476-02015	—	(5)
Telecommunications Infrastructure Fund	45.310	QE-1999-TAIS-1917	—	142,607
Telecommunications Infrastructure Fund	45.310	QE-2000-LTA4S-4206	—	(85)
Total CFDA Number 45.310			—	214,488
Loan Star Libraries Grant	84.000	442-03150	—	43,939
Total U.S. Department of Education			—	667,279
<u>U.S. Department of Health and Human Services</u>				
HHSC - Enterprise Community	14.244	G-9502-TX-ECUP	—	27,872
HHSC - Substance Abuse Grant	93.243	1H79SM54759-01	—	93,514
Total U.S. Department of Health and Human Services			—	121,386
<u>Center for Disease Control</u>				
CDC TB Outreach	93.116	7460007499-00-02	—	179,462
CDC TB Outreach	93.116	7460007499-02-01	—	19
CDC TB Outreach	93.116	7460007499-02-03	—	112,021
Pass through Texas Department of Health:				
CDC Nonmonetary Assistance - Immunizations	93.116	—	—	2,764,915 *
Total Center for Disease Control			—	3,056,417
<u>Executive Office of the President</u>				
HIDTA - Airport Task Force	7.000	17PSWP566	—	95,017
HIDTA - Intelligence Initiative FY2003	7.000	18PSWP557	—	32,667
HIDTA - Source City Narcotics	7.000	18PSWP558	—	15,368
HIDTA - GRAB	7.000	11PSWP557	—	168,529
HIDTA - GRAB	7.000	13PSWP574	—	3,737

(Continued)

**CITY OF EL PASO, TEXAS**  
 Schedule of Expenditures of Federal and State Awards  
 Year ended August 31, 2003

Grant title	CFDA number	Federal grant number	Subrecipient expenditures	Total expenditures
HIDTA - Multiagency FY99	7.000	I9PSWP558	-	2,196
HIDTA - Multiagency FY2000	7.000	I0PSWP558	-	1,940
HIDTA - Hijack FY2000	7.000	I1PSWP557	-	(81)
HIDTA - Hotel/Motel FY2000	7.000	I0PSWP566	-	27,073
HIDTA - Stash House Initiative FY2000	7.000	I0PSWP574	-	5,083
HIDTA - Intelligence Initiative FY2000	7.000	I0PSWP572	-	(2,184)
HIDTA - Hijack FY2001	7.000	I1PSWP557	-	(5,313)
HIDTA - Multiagency FY2001	7.000	I1PSWP558	-	(614)
HIDTA - Hotel/Motel FY2001	7.000	I1PSWP566	-	83,964
HIDTA - Intelligence Initiative FY2001	7.000	I1PSWP572	-	4,112
HIDTA - Stash House Initiative FY2001	7.000	I1PSWP574	-	39,344
HIDTA - Hijack FY2002	7.000	I2PSWP552	-	702,729
HIDTA - Multiagency FY2002	7.000	I2PSWP558	-	194,136
HIDTA - Multiagency FY2003	7.000	I3PSWP574	-	8,956
HIDTA - Hotel/Motel FY2002	7.000	I2PSWP566	-	133,692
HIDTA - Intelligence Initiative FY2002	7.000	I2PSWP572	-	86,799
HIDTA - Stash House Initiative FY2002	7.000	I2PSWP574	-	343,322
HIDTA - Stash House Initiative FY2003	7.000	I3PSWP574	-	28,798
<b>Total Executive Office of the President</b>			-	<u>1,969,270 *</u>
<u>National Endowment for the Humanities</u> Consultation Grant	6.000	HP-20110-01	-	<u>2,043</u>
<b>Total National Endowments for the Humanities</b>			-	<u>2,043</u>
<u>Federal Transit Program</u>	20.507	various grants	-	<u>9,102,325 *</u>
<u>Airport Improvement Grant</u>	20.106	AIP3-48-0077-2002	-	<u>3,939,230 *</u>
<b>Total Federal Awards</b>			<u>1,472,267</u>	<u>\$ 52,240,656</u>

**CITY OF EL PASO, TEXAS**  
 Schedule of Expenditures of Federal and State Awards  
 Year ended August 31, 2003

Grant title	State grant number	Subrecipient expenditures	Total expenditures
<b>STATE AWARDS</b>			
<b>Texas Historical Commission</b>			
Historic Research Survey	48-01-16444.007	—	(1,098)
Archeology Awareness	—	—	750
<b>Total Texas Historical Commission</b>			<b>(348)</b>
<b>Texas Arts Council</b>			
TCA Exhibit Support – Munoz	04-25074	—	3,907
TCA Exhibit Support – Munoz	04-25076	—	5,794
TCA Exhibit Support – Reveles	04-25076	—	5,555
TCA Exhibit Support – FY2003	04-25076	—	1,500
TCA Adv/Apprent Init – Minor Intershelf	04-25076	—	3,977
TCA Adv/Apprent Init – Minor Intershelf	04-25076	—	551
TCA Advance/Services FY2003	04-25076	—	15,562
TCA Arts in Education	04-25076	—	7,531
TCA Subgranting and Admin FY2003	04-25075	—	77,824
<b>Total Texas Arts Council</b>			<b>122,201</b>
<b>Texas Department of Aging</b>			
Foster Grandparent Program	02SFWTX012	—	3,211
Retired Seniors Volunteer Program	01NRWIX016	—	1,838
Retired Seniors Volunteer Program	02SFWIX016	—	28,189
<b>Total Texas Department of Aging</b>			<b>33,238</b>
<b>Texas Department of Health</b>			
TDH – Tuberculosis	7460007499-02-04	—	17,986
TDH – Tuberculosis	7460007499-03-04	—	519,240
<b>Total TDH – Tuberculosis</b>			<b>537,226 *</b>
<b>HIV Surveillance</b>			
HIV Surveillance	7460007499-99-01	—	17,241
HIV Surveillance	7460007499-97-17	—	24,141
HIV Surveillance	7460007499-03-02	—	11,378
<b>Total HIV Surveillance</b>			<b>52,760</b>

(Continued)

**CITY OF EL PASO, TEXAS**  
 Schedule of Expenditures of Federal and State Awards  
 Year ended August 31, 2003

Grant title	State grant number	\$	Subrecipient expenditures	Total expenditures
STD Admin	7460007499-02-06		—	2,495
STD Admin	7460007499-03-06		—	52,806
Total STD Admin				55,301
TDH Office Regional Planning	93.991		—	160,455
TDH Office Regional Planning	93.991		—	5,285
Total TDH Office Regional Planning				165,740
TDH – Immunization	7460007499-03-09		—	1,363,103
TDH – Immunization	7460007499-02-09		—	52,430
Total TDH – Immunization				1,415,533 *
TDH Bureau of Clinical and Nutritional Services – Core	7460007499-02-13		—	4,110
TDH Bureau of Clinical and Nutritional Services – Core	7460007499-03-08		—	113,086
Total TDH Bureau of Clinical and Nutritional Services – Core				117,196
TDH Bureau of Clinical and Nutritional Services – Title V	—		—	10,547
TDH Bureau of Clinical and Nutritional Services – Title V	—		—	188,920
Total TDH Bureau of Clinical and Nutritional Services – Title V				199,467
Medicaid Administrative Claiming	—		—	1,361
Medicaid Administrative Claiming	—		—	35,057
Total Medicaid Administrative Claiming				36,418
TDH Asbestos	66.001		—	3,836
TDH Asbestos	66.001		—	65,076
Total TDH Asbestos				68,912

**CITY OF EL PASO, TEXAS**  
 Schedule of Expenditures of Federal and State Awards  
 Year ended August 31, 2003

Grant title	State grant number	\$	Subrecipient expenditures	Total expenditures
Childhood Lead Poisoning Prevention Program	7460007499-02-10A		—	(5,561)
Childhood Lead Poisoning Prevention Program	7460007499-03-13		—	63,220
Total Childhood Lead Poisoning Prevention Program				57,659
Lab Bio Terrorism Preparedness	7460007499-03-14		—	202,243
Sexually Transmitted Diseases	7460007499-03-09		—	37,130
Sexually Transmitted Diseases	7460007499-02-05		—	18,571
Total Sexually Transmitted Diseases				55,701
TDH Vector Initiative	7460007499-03-01		—	8,038
TDH Vector Initiative	—		—	75,177
Total TDH Vector Initiative				83,215
Public Health Prep	7460007499-03-10		—	752,359 *
<b>Total Texas Department of Health</b>				<b>3,799,730</b>
Texas Commission on Environmental Quality				
Air Quality	582-3-51314		—	412,003
Air Quality	582-2-47338		—	11,523
Total Air Quality				423,526 *
Air Quality Pass Through	582-2-89438		—	145,728
Air Quality Pass Through	582-2-89438		—	3,245
Total Air Quality Pass Through				148,973
Curb Side Recycling	04-08-G05		—	12,400
Household Hazardous Waste	04-08-G07		—	73,221
PM Sampling	582-3-55808		—	79,595
PM Sampling	582-1-87081		—	1,782
Total PM Sampling				81,377

**CITY OF EL PASO, TEXAS**  
 Schedule of Expenditures of Federal and State Awards  
 Year ended August 31, 2003

Grant title	State grant number	Subrecipient expenditures	Total expenditures
Border Air Monitoring Grant	582-3-55815	—	26,939
Border Air Monitoring Grant	582-1-89385	—	6,690
Total Border Air Monitoring Grant			33,629
Total Texas Commission on Environmental Quality			773,126
<u>Governor's Office of Criminal Justice</u>			
ATPA	SA-T01-10050-02	—	27,077
ATPA	SA-T01-10050-03	—	1,119,616
Total ATPA			1,146,693
Project Spotlight	SA-01-T01-09353	—	96,366
Project Spotlight	JB-00-J20-16402-01	—	49,306
Project Spotlight	JB-01-J20-16401-01	—	50,644
Project Spotlight	SF-02-A10-14932-05	—	2,278
Total Project Spotlight			198,594
Juvenile Compliance Project	JA-00-J20-15409-02	—	100
Juvenile Compliance Project	SF-03-J20-15409-03	—	50,072
Total Juvenile Compliance Project			50,172
<u>Total Governor's Office of Criminal Justice</u>			
<u>El Paso Community Foundation and Other Grants</u>			
Challenge America	—	—	2,226
Tobacco Law Enforcement	—	—	9,449
Texas Forest Service Arborist	—	—	839
School Service Private Awards	—	—	17,203
Baker Taylor Book Settlement	—	—	39,913
Graffiti Clean Up Project	—	—	421,527
E & B Marcus Foundation	—	—	16,889
Paso Del Norte Ageless Health Initiative	—	—	38,590
Paso Del Norte Clean Air	—	—	30,379

(Continued)

**CITY OF EL PASO, TEXAS**  
 Schedule of Expenditures of Federal and State Awards  
 Year ended August 31, 2003

Grant title	State grant number	Subrecipient expenditures	Total expenditures
Paso Del Norte Health Foundation	-	-	\$ 45,049
Alliance for Senior Involvement	-	-	167
Heartland Arts Fund	FY04-0410	-	3,600
Heartland Arts Fund	FY04-0410	-	4,500
<b>Total Heartland Arts Fund</b>			<b>8,100</b>
YISD Donations for the Arts	-	-	5,000
EPISD Donations for the Arts	-	-	3,015
SISD Donations for the Arts	-	-	3,000
Begin at Birth Literacy Grant	-	-	10,800
PSB Funded Capital Projects	-	-	429,821
<b>Total El Paso Community Foundation and Other Grants</b>			<b>\$ 1,081,967</b>
<b>Total State Awards</b>			<b>\$ 6,123,406</b>

\* 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, 2003

**(1) General**

*Overview of the City of El Paso, Texas' Fiscal 2003 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, 2003. 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, 2003, 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	\$ 4,137,870
Department of Housing and Urban Development:		
Community Development Block Grant (CDBG) and Urban Development Assistance Grant	14.218	13,026,446
CDBG Historic Preservation	14.218	2,006
CDBG Economic Development	14.218	93,960
Lomalinda	14.218	79,576
Home Investment Partnerships	14.239	19,272,646
Total revolving loans		<u>\$ 36,612,504</u>



## CITY OF EL PASO, TEXAS

### Notes to the Schedule of Expenditures of Federal and State Awards

August 31, 2003

**(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 \$2,764,915 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, 2003 is \$1,850,000.

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, 2003. 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, which received \$6,694,770 in federal awards in its fiscal year ended February 28, 2003, which are not included in the schedule of expenditures of federal and state awards for the year ended August 31, 2003. 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 the accompanying schedule of findings and questioned costs, as described in item 03-1, the City did not comply with the requirements regarding equipment and real property management that are applicable to its Local Law Enforcement Block Grant major federal program. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended August 31, 2003. The results of our auditing procedures also disclosed other 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 03-2, 03-3, and 03-4, and in accordance with the State of Texas *Uniform Grant Management Standards* and which are described in the accompanying schedule of findings and questioned costs as items 03-5 and 03-6.

#### ***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*.

We noted certain matters involving internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal or state program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-1, 03-2, 03-3, 03-4, 03-5, and 03-6.

A material weakness is a 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 the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal or state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 03-1 to be material weakness.

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

We have audited the basic financial statements of the City as of and for the year ended August 31, 2003 and have issued our report thereon dated January 9, 2004, which included a reference to a change in accounting principle and the report of other auditors. Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City, taken as a whole. The accompanying schedule of expenditures of federal and state awards for the year ended August 31, 2003 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 9, 2004

**CITY OF EL PASO, TEXAS**  
 Schedule of Findings and Questioned Costs  
 August 31, 2003

**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?	<u>X</u> yes	___ no
• Reportable condition(s) identified that are not considered to be material weakness(es)?	<u>X</u> yes	___ none reported
Type of auditors' report issued on compliance for major programs:	Qualified	
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)?	<u>X</u> yes	___ none reported
Type of auditors' report issued on compliance for major programs:	Qualified	
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, 2003

Identification of major programs:

<u>CFDA</u> <u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
07.000	High Intensity Drug Trafficking Area
10.557	Nutrition Program for Women, Infants, and Children
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
	 <u>Name of State Program or Cluster</u>
	TDH – Immunization
	TDH – Tuberculosis
	Air Quality
	Public Health Preparedness

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

Federal	\$ 1,567,220
State	\$ 300,000

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

<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
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**CITY OF EL PASO, TEXAS**  
Schedule of Findings and Questioned Costs  
August 31, 2003

**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, 2003.

**CITY OF EL PASO, TEXAS**  
Schedule of Findings and Questioned Costs  
August 31, 2003

**SECTION IV – FINDINGS AND QUESTIONED COSTS**

***FEDERAL AWARDS***

**Finding 03-1: Equipment and Real Property Management**

<b>Program/Grant:</b>	Local Law Enforcement Block Grant
<b>CFDA No.:</b>	16.592
<b>Federal Agency:</b>	U.S. Department of Justice
<b>Grant Number:</b>	G210223, G210312
<b>Pass-through Entity:</b>	None
<b>Type of Finding:</b>	Material Weakness and Material Noncompliance
<b>Questioned Cost:</b>	\$452,821
<b>Condition:</b>	Per A-102 Common Rule specific grant requirements, 1) accurate records maintained on all acquisitions and dispositions of property acquired with federal awards; 2) property tags are placed on equipment; 3) a physical inventory of equipment is periodically taken and compared to property records; and 4) property records contain descriptions (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of federal participation in the cost, location, condition, and disposition of data.
<b>Effect:</b>	Per inquiry of Bob Adkinson, Police Coordinator II, Debbie Tombosky, Accountant III, and Frank Keton, Accountant IV, we noted that a physical inventory of the El Paso Police Department was not completed on a timely basis. As a result, no listing of inventory purchased with LLEBG funds was available. As a periodic physical inventory of equipment was not taken, a comparison to property records was not performed. The property records did not include descriptions, source, title owner, acquisition date and cost, etc.
<b>Cause:</b>	We noted that the failure to comply with the equipment requirements is due to inadequate internal controls in place over equipment.
<b>Recommendation:</b>	We recommend that the LLEBG administrator implement a process that includes a periodic physical inventory of equipment at the City of El Paso Police Department. We also recommend that the LLEBG administrator maintain a physical inventory detail listing equipment that is purchased with LLEBG funds separately from the overall inventory listing of the City.



**CITY OF EL PASO, TEXAS**  
Schedule of Findings and Questioned Costs  
August 31, 2003

**Management's Response and Corrective Action Plan**

The City of El Paso Police Department has recently reorganized and now has a fully staffed grant section that is aware of and responsible for the Federal requirements regarding capital asset acquisition and reporting imposed under OMB Circular A-102. The City is currently implementing a new fixed asset module to our financial system. This module will keep track of all fixed assets and has the ability to identify the funding source on all assets purchased. This will enable the City to report on assets in a variety of ways, to include assets purchased with Federal funds. The City of El Paso expects that this module will be fully operational and usable for financial reporting for the fiscal year ending August 31, 2005. This module will be interfaced directly from our payables system; therefore, no monitoring will be required. The City of El Paso Police Department will conduct a periodic inventory in fiscal year 2004. The responsible party for corrective action is Chief Richard Wiles, El Paso Police Department.

**CITY OF EL PASO, TEXAS**  
Schedule of Findings and Questioned Costs  
August 31, 2003

**Finding 03-2: Reporting**

**Program/Grant:** HIDTA

**CFDA No.:** 07.000

**Federal Agency:** Executive Office of the President

**Grant Number:** I1PSWP557, I7PSWP566, I8PSWP557, I8PSWP558

**Pass-through Entity:** None

**Type of Finding:** Reportable Condition and Noncompliance

**Questioned Cost:** None

**Condition:** Per OMB Circular A-133 and specific grant requirements, forms SF270, *Request for Reimbursement*, and SF269, *Financial Status Report*, are due within 30 days of the end of each month and quarter, respectively, throughout the grant period. The final SF269 is due within 90 days of the end of the grant period, including extensions.

**Effect:** We sampled 30 expenditures, noting that 23 of the forms SF270 corresponding to those expenditures were not filed in a timely manner and that 9 of the 23 SF270s had not been filed at all as of the date of testwork (September 4, 2003). We also noted that 11 of the corresponding forms SF269 were not filed in a timely manner, 5 of which were past due, but had not been filed at all as of the date of testwork (September 4, 2003). We noted an additional 7 SF269s, due at the end of September 2003, which had not been filed and were unlikely to be filed by the established September 30, 2003 deadline, as of the date of testwork (September 4, 2003).

**Cause:** We noted that all program administrators, including external HIDTA administrators, were aware of the untimely filings and had been in communication with one another regarding the untimely filings. The finding occurred as a result of lack of action on the part of the City. Per Robert Adkinson, this lack of action resulted from a lack of sufficient administrative personnel assigned to the HIDTA grants, which was caused by high administrative turnover within the program.

**Recommendation:** Assign a full-time, permanent employee to process HIDTA transactions on a day-to-day basis, prepare forms SF270 and SF269, etc.

**CITY OF EL PASO, TEXAS**  
Schedule of Findings and Questioned Costs  
August 31, 2003

**Management's Response and Corrective Action Plan**

The City of El Paso Police Department has recently reorganized and now has a fully staffed grant section that is aware of and responsible for the federal requirements regarding reporting. An individual was recently hired and funded by the granting agency to ensure that reporting is done efficiently and timely. The City is working diligently with the granting agency to bring all active grants up to date and develop a "work plan" so as to not become tardy in the future. The responsible party for corrective action is Chief Richard Wiles, El Paso Police Department.

**CITY OF EL PASO, TEXAS**  
Schedule of Findings and Questioned Costs  
August 31, 2003

**Finding 03-3: Procurement, Suspension, and Debarment**

<b>Program/Grant:</b>	EMPACT – EPA Environmental Grant
<b>CFDA No.:</b>	66.500
<b>Federal Agency:</b>	Environmental Protection Agency
<b>Grant Number:</b>	82796401
<b>Pass-through Entity:</b>	None
<b>Type of Finding:</b>	Reportable Condition and Noncompliance
<b>Questioned Cost:</b>	\$7,777
<b>Condition:</b>	An entity may charge only those costs specifically authorized under the grant contract.
<b>Effect:</b>	Twenty-four disbursement checks were inappropriately issued to an employee of the City without proper authorization. The issuance of these checks was noted as a result of City management's routine review of the related grant activities.
<b>Cause:</b>	We noted that the individual was able to circumvent controls that were in place through the unauthorized use of a supervisor's system access information.
<b>Recommendation:</b>	We recommend that management periodically communicate appropriate methods of safeguarding individual system access information to prevent such occurrences in the future.

**Management's Response and Corrective Action Plan**

After a discussion with staff at the Metropolitan Planning Office where the issuance of improperly authorized disbursement checks to an employee of the City were noted, the following was determined:

- Employment of employee involved was terminated.
- Questioned costs were refunded to EPA in February 2004 through voucher 04051156.

We concur with the recommendation that management periodically communicate appropriate methods of safeguarding individual system access information to prevent such occurrences in the future. The Comptroller's Office will work with the IT department to ensure that such safeguards are communicated to all supervisory staff.

**CITY OF EL PASO, TEXAS**  
Schedule of Findings and Questioned Costs  
August 31, 2003

**Finding 03-4: Reporting**

**Program/Grant:** CDC Nonmonetary Assistance – Immunizations

**CFDA No.:** 93.116

**Federal Agency:** Center for Disease Control

**Grant Number:** N/A

**Pass-through Entity:** None

**Questioned Cost:** None

**Type of Finding:** Reportable Condition and Noncompliance

**Condition:** Per review of the grant agreement, various weekly, monthly, and quarterly reports must be submitted to the Texas Department of Health. Specifically, activity within the program must be reported to TDH via “weekly data transfers of all vaccines administered in a format that is compatible for inclusion in the statewide immunization registry (ImmTrac).”

**Effect:** We selected a sample of 30 vaccine administration records (30 “superbill” administration records were selected across 5 clinics within the program; such selections were made based on daily activity sheets provided by Lili Robles for haphazardly selected dates) and verified that each vaccine administration was properly entered into the patient’s immunization card, the TWICES system (via a review of a print screen from the database), and subsequently transferred onto the ImmTrac system (via review of an immunization report from the database). In two instances, we noted that the vaccine administration records at one of the clinics (Ysleta) were not entered into the TDH TWICES database within one week, as required by the grant, but were correctly entered. In one instance at the same clinic, we noted that the information entered into the TWICES database was incorrect due to a data entry error.

**Cause:** Lack of oversight at the agency level over the reporting requirements of the program. The program’s internal control system is designed so as to allow each clinic to perform all oversight of program requirements, which, as in the case above, resulted in the controls having varying degrees of effectiveness across the various clinics (Ysleta was the only clinic where an error was detected).

**CITY OF EL PASO, TEXAS**  
Schedule of Findings and Questioned Costs  
August 31, 2003

**Recommendation:** We recommend that the City of El Paso implement a control to monitor the entry of daily vaccine administration records into TWICES no later than the end of the week for the week in which the vaccine is administered (i.e., vaccines administered on Monday should be entered into TWICES no later than the following Saturday). Furthermore, we recommend that a reconciliation of vaccine administration records to TWICES be performed and reviewed by an independent party.

**Management's Response and Corrective Action Plan**

Lack of staff created the backlog of data entry into the IMMTRAC registry for immunizations. Staff has been reassigned to accommodate the need for corrective action. Daily monitoring procedures are now in place, and an internal audit team is reviewing records and has created a checklist to be used on all county clinics. The responsible party for corrective action is Mark Everett, El Paso City County Health Department.

**CITY OF EL PASO, TEXAS**  
Schedule of Findings and Questioned Costs  
August 31, 2003

***STATE OF TEXAS AWARDS***

**Finding 03-5: Special Tests and Provisions – Authorization Forms**

<b>Program/Grant:</b>	Tuberculosis (TB)
<b>State Grant No.:</b>	7460007499-02
<b>State Agency:</b>	Texas Department of Health
<b>Pass-through Entity:</b>	Tuberculosis Elimination Division
<b>Questioned Cost:</b>	None
<b>Type of Finding:</b>	Reportable Condition and Noncompliance
<b>Criteria:</b>	This is a requirement in an agreement between the City and the Tuberculosis Elimination Division of the Texas Department of Health which states that the City shall ensure that all TB personnel receive 40 hours of TB program training relevant to their position within 60 days of hire. Additionally, the City shall ensure all existing TB employees receive 16 hours of continuing TB education or training relevant to their position each year.
<b>Condition:</b>	Out of a total population of 14 individuals, we selected all 14 (100%) individuals paid with TB funds. One employee was not compliant with the continuing education requirement. This employee had 15 hours of qualifying CPE during the year.
<b>Effect:</b>	Failure to comply with the training requirements could result in the loss of future funding to the City or this program.
<b>Cause:</b>	No formal monitoring process was in place to ensure program compliance.
<b>Recommendation:</b>	We recommend that the City develop a formal process to monitor compliance with the continuing education requirements of this program. Such a monitoring process could be implemented in conjunction with the City/County Health District. Additionally, compliance with training requirements could be integrated into annual employee performance reviews.

**Management's Response and Corrective Action Plan**

On April 28, 2003, the City-County Health District hired a Grants Coordinator. One of the responsibilities of this new position will be to identify grant requirements and monitor for compliance. An operational compliance group has been structured at the Health Department and is reviewing all staffing and individual clinic issues for compliance and corrective action as needed. The responsible party for corrective action is Mark Everett, El Paso City County Health Department.

**CITY OF EL PASO, TEXAS**  
Schedule of Findings and Questioned Costs  
August 31, 2003

**Finding 03-6: Reporting**

**Program/Grant:** Air Quality

**State Award No.:** 582-2-47338

**State Agency:** Texas Commission on Environmental Quality (TCEQ)

**Grant Number:** 582-2-47338

**Pass-through Entity:** El Paso City-County Health and Environmental District

**Questioned Cost:** None

**Type of Finding:** Reportable Condition and Noncompliance

**Criteria:** The Air Quality program is required to submit various reports to the grantor agency on a quarterly basis. These include quarterly reimbursement requests, Historically Underutilized Business (HUB) Progress Assessment Reports, Minority-Owned Business Enterprise, and Women-Owned Business Enterprise reports. Each of these reports is required to be submitted within 30 days after the end of each quarter. Additionally, TCEQ Accomplishment Reports are required to be submitted on a monthly basis.

**Condition:** The Air Quality program administration failed to submit quarterly reimbursement requests, including the HUB Progress Assessment Reports, the Minority-Owned Business Enterprise, and Women-Owned Business Enterprise reports, for fiscal year 2003. The reports were submitted three to seven months after the due date. The monthly TCEQ Accomplishment Reports were not submitted for the months of April 2002 through August 2002.

**Effect:** Failure to comply with the reporting requirements could result in the loss of funding to the City or this program.

**Cause:** The City does not have adequate internal controls in place over reporting to ensure that the Air Quality program's reporting requirements are met.

**Recommendation:** We recommend that the City develop a procedure to monitor compliance with the reporting requirements of this program.



**CITY OF EL PASO, TEXAS**  
Schedule of Findings and Questioned Costs  
August 31, 2003

**Management's Response and Corrective Action Plan**

On April 28, 2003, the City-County Health District hired a Grants Coordinator. One of the responsibilities of this new position will be to identify grant requirements and monitor for compliance. The City-County Health District has also developed a reporting schedule to prompt the submission of programmatic reports along with the submission of the required financial reports. These reports will now be submitted as a package to the granting agency, therefore avoiding the delay in programmatic reporting. The responsible party for corrective action is Mark Everett, El Paso City County Health Department.