

OFFICE OF THE CITY CONTROLLER



**REVIEW OF ASSETS AND LIABILITIES ASSIGNED
TO THE OFFICE OF THE CITY CONTROLLER
DECEMBER, 2003**

Judy Gray Johnson, City Controller

Steve Schoonover, City Auditor



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

JUDY GRAY JOHNSON, CPA

December 31, 2003

The Honorable Lee P. Brown, Mayor
City of Houston, Texas

SUBJECT: Office of the City Controller
Review of Assets and Liabilities Assigned to the Office of the City Controller
Report No. 04-07

Dear Mayor Brown:

In accordance with the City's contract with Mir Fox & Rodriguez, P.C. (MFR), MFR has completed an agreed-upon procedures engagement for a review of assets and liabilities assigned to the Office of the City Controller as of December 31, 2003. The auditors stated that the work was conducted in accordance with standards established by the American Institute of Certified Public Accountants. No significant findings or issues were noted in the report.

Respectfully submitted,

Judy Gray Johnson
City Controller

xc: City Council Members
Mary Ann Grant, Deputy City Controller
Jim Moncur, Deputy City Controller
Stephen Tinnermon, Chief of Staff, Mayor's Office
Sara Culbreth, Acting Chief Administrative Officer
Philip Scheps, Director, Finance and Administration Department

**CITY OF HOUSTON
OFFICE OF THE CITY CONTROLLER**

**Agreed-Upon Procedures
December 31, 2003**

(With Independent Accountants' Report Thereon)

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

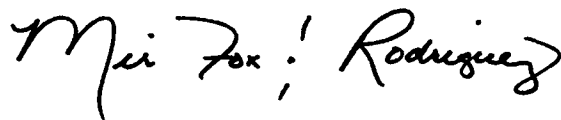
Honorable Lee P. Brown, Mayor
City Council Members
Honorable Judy Gray Johnson, City Controller

We have performed the procedures enumerated in Exhibit I for the City of Houston (the "City"), Office of the City Controller. These procedures, which were agreed to by the City Controller, were performed solely to assist you in the review of assets and liabilities assigned to the Office of the City Controller. The City Controller is responsible for maintaining the assets and liabilities related to the Office of the City Controller. This agreed-upon procedures engagement was conducted in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described in Exhibit I either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the related results are outlined in Exhibit I.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the assets and liabilities assigned to the City Controller as of December 31, 2003. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Mayor of the City of Houston, City Council Members, and for the City Controller, and should not be used by those who have not agreed to the procedures and have taken responsibility for the sufficiency of the procedures for their purposes.



December 31, 2003
Houston, Texas

PROCEDURES

1. Counted and reviewed the adequacy of the reconciliation of the Controller's Office petty cash.

We conducted interviews with several officials, including the Division Manager-Administration Division, and the Custodian of the Controller's Office petty cash in the amount of \$700 to gain an understanding of the procedures related to petty cash. We also reviewed the City's policies and procedures for petty cash. We reviewed the petty cash reconciliation which was last performed on October 1, 2003, and no reconciling items were noted. We also conducted a surprise count of petty cash on December 17, 2003, and no reconciling items were noted. We did not note any significant issues related to petty cash.

2. Reviewed and verified the controls over check signing/facsimile signature plates and assessed the Controller's Office procedures for a proper cut-off related to changes in authorized signers.

We conducted interviews with several officials, including the Deputy City Controller-Financial and Technical Services Division to gain an understanding of the facsimile signature plate processes. We reviewed the list of authorized users pertaining to the facsimile signature plates, and verified the related procedures that they use to safeguard the facsimile signature plates. We reviewed the plan currently underway for the transition to the new Controller's facsimile signature plate, and the cut-off procedures related to the changes in authorized signers. We did not note any significant issues related to either the safeguarding of the signature plates or the transition to the new Controller's facsimile signature plates.

3. Verified the controls over the supply of blank checks and determined whether all checks are properly and timely recorded.

To gain an understanding of the process, we conducted interviews with the Deputy Director-Administration Division, the Deputy City Controller-Financial and Technical Services Division, and the Custodian of the supply of blank checks. We noted there to be a supply of both payroll and vendor checks. We observed and verified the controls related to the safeguards used for the supply of blank checks. We noted that the Custodian of the supply of blank checks does not enter the transactions into the City's general ledger system. We reviewed the log of blank checks issued by the Custodian to ensure proper safeguards were in place. We did not note any significant issues related to the either the timely recording or safeguarding of the blank checks.

4. Observed the physical existence of office and computer equipment controlled through the general fixed asset system and determined whether additions and retirements since July 1, 2003 have been accounted for in compliance with City policies.

We conducted interviews with the Deputy City Controller-Financial and Technical Services Division and the administrator who directly oversees asset additions and disposals for the Controller's Office. We randomly selected a sample of 20 assets and observed their physical existence as well as agreed them to asset reports. We noted that there have been no additions and retirements since July 1, 2003. We did not note any significant issues related to either the existence or additions and retirements of the fixed assets within the Controller's Office.

- 5. Obtained a report of the investment portfolio as of November 30, 2003 and agreed the investment descriptions and valuations to investment account statements or other supporting documentation.**

We conducted interviews with several officials, including the Deputy City Controller-Treasury Division, and the Assistant Director-Treasury Division, and obtained the investment portfolio as of November 30, 2003. We reviewed the City's investment policies and procedures. We compared the November 30, 2003 investment balances to third party investment account statements. We reviewed minutes of the last investment committee meeting held in October 2003. We did not note any significant issues related to the November 30, 2003 investment portfolio that was maintained by the Controller's Office.

- 6. Reviewed investment transactions during December 2003 to determine whether there have been any significant changes in investments.**

We conducted interviews with several officials, including the Deputy City Controller-Treasury Division, and the Assistant Director-Treasury Division. We randomly selected investment transactions in December 2003 to search for any unusual transactions. We did not note any significant changes in the investment balances during December 2003.

- 7. Reviewed the accounting and cut-off procedures related to the Controller's Office accounts payable, contracts payable and accounts receivable to determine whether the November 30, 2003 budget status report accurately reflected payables and receivables.**

We reviewed the accounting and cut-off procedures by conducting interviews with several officials, including the Deputy City Controller-Financial and Technical Services Division, Division Manager-Administration Division, and the Administrative Supervisor-Administration Division. We gained an understanding of the City's policies and procedures. We compared the budget status report detailing the accounts payable, contracts payable, and accounts receivable balances to supporting documentation for completeness and accuracy. We did not note any significant issues related to the November 30, 2003 payables and receivables balances.

- 8. Reviewed the Controller's Office current budget status reported through the five months ended November 30, 2003.**

We conducted interviews with several officials, including the Division Manager-Administration Division to obtain an understanding of the related processes. We reviewed the current budget status reports through the five months ended November 30, 2003. We did not note any significant issues related to the budget status report through the five months ended November 30, 2003.

- 9. Reviewed December transactions and open purchase orders, payables and receivables through December 18, 2003 to determine whether there have been any significant changes in the budget status since the November 30, 2003 report.**

We conducted interviews with several officials, including the Deputy City Controller-Financial and Technical Services Division, Division Manager-Administration Division, and the Administrative Supervisor-Administration Division to determine if there had been any significant changes related to the budget status report for the period November 30, 2003 through December 18, 2003. We reviewed open purchase orders, payable and receivable schedules and reports pertaining to the period November 30, 2003 through December 18, 2003 for significant changes in the budget status. We did not note any significant changes in the budget status for the period November 30, 2003 through December 18, 2003.

10. **Performed inquiries and reviewed transactions from December 18, 2003 through December 31, 2003 to determine whether any significant or unusual Controller's Office transactions occurred during this period.**

We conducted interviews with several officials, including the Deputy Director-Administration Division, Deputy City Controller-Financial and Technical Services Division, Division Manager-Administration Division, the Administrative Supervisor-Administration Division, and the Assistant Director-Treasury Division to determine if there were any significant or unusual transactions related to the Controller's Office for the period December 18, 2003 through December 31, 2003. We also reviewed open purchase orders, payable, receivable, inventory and investment balances including related schedules and reports for the period December 18, 2003 through December 31, 2003. We did not note any unusual or significant Controller's Office transactions during this period.