

OFFICE OF THE CITY CONTROLLER:

REVIEW OF ASSETS AND LIABILITIES ASSIGNED TO THE OFFICE OF THE CITY CONTROLLER

ANNISE D. PARKER, CITY CONTROLLER

STEVEN SCHOONOVER, CITY AUDITOR

DECEMBER 31, 2009

REPORT NO. 2010-13



MFR, P.C.

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OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

ANNISE D. PARKER

December 31, 2009

The Honorable Bill White, 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. 2010-13

Dear Mayor White:

In accordance with the City's contract with MFR, 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, 2009. 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,

Annise D. Parker
City Controller


xc: City Council Members
Michael Moore, Chief of Staff, Mayor's Office
Anthony Hall, Chief Administrative Officer
Alfred Moran, Director, Administration and Regulatory Affairs Department
Michelle Mitchell, Director, Finance Department
Lloyd Waguespack, Chief Deputy City Controller, Office of the City Controller
Rudy Garcia, Deputy City Controller, Office of the City Controller
Jim Moncur, Deputy City Controller, Office of the City Controller
Madeleine Appel, Deputy Director, Office of the City Controller



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

**Agreed-Upon Procedures
December 31, 2009**

(With Independent Accountants' Report Thereon)





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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Honorable Bill White, Mayor
City Council Members
Honorable Annise D. Parker, 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, 2009. 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.

A handwritten signature in black ink that reads "MFR P.C." in a cursive, stylized font.

December 31, 2009
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 to gain an understanding of the procedures related to petty cash. We determined the authorized petty cash amount was \$700. We also reviewed the City's policies and procedures for petty cash. We reviewed the petty cash reconciliation which was last performed on October 5, 2009, and no reconciling items were noted. We also conducted a surprise count of petty cash on December 31, 2009, and no reconciling items were noted. No exceptions were found as a result of applying the procedure.

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

We conducted interviews with several officials, including the Chief Deputy City Controller – Operations and Technical Services Division to gain an understanding of the facsimile electronic signature processes, and we determined that facsimile signature plates were no longer used. We reviewed the related list of authorized users pertaining to the facsimile electronic signatures that were in the system. We reviewed the safeguarding of the facsimile electronic signatures used for check writing that were imbedded within SAP. We reviewed the plans for the transition to the new City Controller's facsimile electronic signatures, and the cut-off procedures related to the changes in authorized signers. No exceptions were found as a result of applying the procedure.

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

We observed and verified the controls to gain an understanding of the process. We conducted interviews with the Deputy Director – Administration Division, the Chief Deputy City Controller – Operations 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 did not enter the transactions related to the use of blank checks into the City's general ledger system. We reviewed the log of blank checks issued by the Custodian to ensure adequate safeguards were in place. No exceptions were found as a result of applying the procedure.

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, 2009 have been accounted for in compliance with City policies.

We conducted interviews with the Chief Deputy City Controller – Operations and Technical Services Division and the administrator who directly oversees asset additions and disposals for the Controller's Office. We determined the most recent City policy related to fixed asset accounting was Revision 1 dated January 22, 2002. We randomly selected a sample of 12 assets and observed their physical existence as well as agreed them to the related asset reports. We noted that there have been two additions and no retirements since July 1, 2009. No exceptions were found as a result of applying the procedure.

- 5. Obtained a report of the investment portfolio as of November 30, 2009 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 Manager-Treasury Division, and obtained the investment portfolio as of November 30, 2009. We reviewed the City's investment policies and procedures. We compared the November 30, 2009 investment balances to third party investment account statements. We reviewed minutes of the last investment committee meeting held in October 2009 to determine the investment activity. No exceptions were found as a result of applying the procedure.

- 6. Reviewed investment transactions during December 2009 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 Manager – Treasury Division. We randomly selected investment transactions in December 2009 to search for any unusual transactions. No exceptions were found as a result of applying the procedure.

- 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, 2009 budget status report accurately reflected payables and receivables.**

We reviewed the accounting and cut-off procedures by conducting interviews with several officials from the Administration Division, including the Deputy Director and Division Manager. We gained an understanding of the City's policies and procedures. We compared the budget status report detailing the Controller's Office accounts payable, contracts payable, and accounts receivable balances to supporting documentation for completeness and accuracy. No exceptions were found as a result of applying the procedure.

- 8. Reviewed the Controller's Office current budget status reported through the five months ended November 30, 2009.**

We conducted interviews with several officials, including the Division Manager – Administration Division to obtain an understanding of the related budget processes. We reviewed the current budget status reports through the five months ended November 30, 2009. No exceptions were found as a result of applying the procedure.

- 9. Reviewed December transactions and open purchase orders, payables and receivables through December 15, 2009 to determine whether there have been any significant changes in the budget status since the November 30, 2009 report.**

We conducted interviews with several officials, including the Chief Deputy City Controller – Operations and Technical Services Division, and the Division Manager – Administration Division to determine if there had been any significant changes related to the budget status report for the period November 30, 2009 through December 15, 2009. For purposes of this procedure, we defined significant changes to be those in excess of 0.50%. We reviewed open purchase orders, payable and receivable schedules and reports pertaining to the period November 30, 2009 through December 15, 2009 for significant changes in the budget status. No exceptions were found as a result of applying the procedure.

10. **Performed inquiries and reviewed transactions from December 15, 2009 through December 31, 2009 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, Division Manager, and the Administrative Assistant of the Administration Division, and the Chief Deputy City Controller of the Operations and Technical Services Division to determine if there were any significant or unusual transactions related to the Controller's Office for the period December 15, 2009 through December 31, 2009. For purposes of this procedure, we defined significant changes to be those in excess of 0.50%. We noted there was no open accounts receivable during this period. We also reviewed open purchase orders, payable, inventory and investment balances including related schedules and reports for the period December 15, 2009 through December 31, 2009. No exceptions were found as a result of applying the procedure.