

 **Oscar R. Gonzalez**

Certified Public Accountant

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Independent Auditor's Report

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

Members of the City Council
City Of Pharr, Texas
201 West Park Avenue
Pharr, Texas 78577

Members of the Members of the City Council:

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City Of Pharr, Texas as of and for the year ended September 30, 2007, which collectively comprise the City Of Pharr, Texas's basic financial statements and have issued my report thereon dated January 15, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered City Of Pharr, Texas's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect City Of Pharr, Texas's ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 07-1, 07-2, 07-3, 07-4, 07-5, 07-6 and 07-7.

A material weakness is a reportable 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 misstatements caused by error or fraud 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the 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, I considered items 07-1, 07-2, 07-3, 07-4, 07-5, 07-6 and 07-7 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City Of Pharr, Texas's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs. I also noted certain immaterial instances of noncompliance

that I have reported to management of City Of Pharr, Texas in a separate letter dated January 15, 2008.

I also noted other matters that I reported to management of City Of Pharr, Texas in a separate letter dated January 15, 2008.

This report is intended solely for the information and use of management, others within the organization, the Members of the City Council, and 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.



Oscar R. Gonzalez CPA

January 15, 2008

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Independent Auditor's Report

Report on Compliance with Requirements Applicable To each Major Program and Internal Control over Compliance In Accordance With OMB Circular A-133

Members of the City Council
City Of Pharr, Texas
201 West Park Avenue
Pharr, Texas 78577

Members of the Members of the City Council:

Compliance

I have audited the compliance of City Of Pharr, Texas with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2007. City Of Pharr, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City Of Pharr, Texas's management. My responsibility is to express an opinion on City Of Pharr, Texas's compliance based on my audit.

I conducted my 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 I 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 City Of Pharr, Texas's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on City Of Pharr, Texas's compliance with those requirements.

In my opinion, City Of Pharr, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of City Of Pharr, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered City Of Pharr, Texas's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect City Of Pharr, Texas's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 07-1, 07-2, 07-3, 07-4, 07-5, and 07-6.

A material weakness is a reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the 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, I consider items 07-1, 07-2, 07-3, 07-4 and 07-5 to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, the Members of the City Council, and 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.

Oscar R. Gonzalez

Oscar R. Gonzalez CPA

January 15, 2008

CITY OF PHARR, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? X Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? X Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? X Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

**CITY OF PHARR, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Section II – Financial Statement/Federal Awards Finding and Questioned Costs	Description
<p>07-1 Accounting Policies and Procedures Manual – Primary Government</p>	<p>Criteria: Good internal controls require that the City have a written accounting policies and procedures manual for the proper handling and recording of financial transactions by the Finance Department.</p> <p>Statement of Condition: The City does not have a written policies and procedures manual.</p> <p>Cause of Condition: The City has not given priority to establishing such a document.</p> <p>Effect of Condition: There is no proper guidance for applicable City personnel to follow in accounting for financial transactions.</p> <p>Recommendation: The City should hire a consultant to help it establish a written policies and procedures manual for its Finance Department. Once the manual is approved by the Board, the City should adhere to such policies and procedures.</p> <p>Auditee's Response: We concur. The establishment of fiscal policies and procedures will begin in FY 07/08 and should be approved by the end of that fiscal year or soon thereafter. In addition staff uses the GFOA Blue Book as reference regarding accounting matters.</p> <p>Questioned Cost: \$-0-</p>
<p>07-2 Purchasing – Primary Government</p>	<p>A. Purchasing Manual</p> <p>Criteria: Good internal controls require that the City have a written purchasing manual to ensure compliance with state, federal, and legal requirements.</p> <p>Statement of Condition: The City currently has a manual that is outdated.</p> <p>Cause of Condition: The City has not given priority to updating or renewing its purchasing manual.</p> <p>Effect of Condition: The City does not have the proper guidance to ensure compliance with state, federal, and legal requirements in the procurement process.</p> <p>Recommendation: The City should hire a consultant to help it establish a current written purchasing manual. The manual should then be reviewed by legal counsel. Once it is approved by legal counsel, the Board should approve it. The City should adhere to the policies and procedures in its purchasing manual.</p> <p>Auditee's Response: We concur. The preparation of a purchasing manual will begin in FY 07/08 and should be approved by the end of that fiscal year or soon thereafter. In addition, staff follows state statutes regarding procurement.</p> <p>Questioned Cost: \$-0-</p>

CITY OF PHARR, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Section II – Financial Statement/Federal Awards Finding and Questioned Costs	Description
<p>07-2 Purchasing – Primary Government (Cont.)</p>	<p>B. Purchase Orders</p> <p>Criteria: Good internal controls require that the City properly prepare purchase orders for all applicable purchases of goods or services before the purchases are made.</p> <p>Statement of Condition: Currently, the City prepares purchase orders for certain purchases of goods. It does not prepare purchase orders for purchases of services, construction contracts, or commitments via inter-local agreements. In many instances, the purchase order (P.O.) is prepared after the fact (i.e., the P.O. is dated the same as or after the date of the invoice).</p> <p>Cause of Condition: The City does not have a current purchasing manual, which provides proper guidance to applicable personnel.</p> <p>Effect of Condition: The City made some purchases of goods and services that were not properly authorized. Also, the City does not readily know what all of its commitments are on any given day.</p> <p>Recommendation: The City should establish and approve a current written purchasing manual. The purchasing manual should require that the City properly prepare purchase orders for all applicable purchases of goods or services, including construction contract and applicable inter-local agreements, before the purchases are made. The City should adhere to the policies and procedures in its purchasing manual.</p> <p>Auditee's Response: We concur. The preparation of a purchasing manual will begin in FY 07/08 and should be approved by the end of that fiscal year or soon thereafter. In addition, staff follows state statutes regarding procurement.</p> <p>Questioned Cost: \$-0-</p>

**CITY OF PHARR, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Section II – Financial Statement/Federal Awards Findings and Questioned Costs	Description
<p>07-3 Fixed Assets – Primary Government</p>	<p>A. Capitalization Policies and Procedures</p> <p>Criteria: Good internal controls require that the City have written policies and procedures for the capitalization of fixed assets purchased, constructed, or received as donations and also for the depreciation of depreciable assets.</p> <p>Statement of Condition: The City does not have written policies and procedures for the proper capitalization of fixed assets purchased, constructed, or received as donations, and also for the depreciation of depreciable assets.</p> <p>Cause of Condition: The City's Finance Department has not given priority to the establishment of proper policies and procedures for the proper capitalization and depreciation of fixed assets.</p> <p>Effect of Condition: The City did not properly account for its fixed assets as of and for the year ended September 30, 2006.</p> <p>Recommendation: The City should establish and approve its policies and procedures for the proper capitalization and depreciation of fixed assets. The policies and procedures should also address the requirements of OMB Circular A-102.</p> <p>Auditee's Response: We concur. The establishment of policies and procedures will begin in FY 07/08 and should be approved by the end of that fiscal year or soon thereafter.</p> <p>Questioned Cost: \$-0-</p>

CITY OF PHARR, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Section II – Financial Statement/Federal Awards Finding and Questioned Costs	Description
<p>07-4 Golf Course – Primary Government</p>	<p><u>A. Inventories</u></p> <p><u>Criteria:</u> Good internal controls require that the City conduct periodic physical counts of inventories of goods for sale at its Golf Course Pro Shop. The City is also required to reconcile each inventory taken with the preceding inventory taking into consideration items purchased, items returned to vendors, and items sold.</p> <p><u>Statement of Condition:</u> The City only conducts annual counts of inventories at the Pro Shop. No reconciliation is performed between the most recent inventory and the preceding inventory.</p> <p><u>Cause of Condition:</u> The City has not given priority to performing periodic counts of inventories and reconciling such inventories to previous inventories.</p> <p><u>Effect of Condition:</u> The City has no way of knowing whether theft of inventory items has occurred.</p> <p><u>Recommendation:</u> The Pro Shop personnel should conduct physical counts of inventory, at least quarterly (if not monthly). Personnel should also reconcile each inventory to the preceding inventory. Any significant variance should be investigated and resolved in a timely manner.</p> <p><u>Auditee's Response:</u> We concur. Communication with the golf course will take place to ensure that inventories are taken. This should be completed by the 9/30/08 audit.</p> <p><u>Questioned Cost:</u> \$-0-</p> <p><u>B. Policies and Procedures Manual</u></p> <p><u>Criteria:</u> Good internal Controls require that the City have a written accounting policies and procedures manual for the proper handling and recording of financial transactions of its Golf Course Operations.</p> <p><u>Statement of Condition:</u> The City does not have written accounting policies and procedures manuals for its Golf Course Operations.</p> <p><u>Cause of Condition:</u> The City has not given priority to establishing such a document.</p> <p><u>Effect of Condition:</u> There was no proper guidance for applicable personnel to follow in accounting for financial transactions.</p> <p><u>Recommendation:</u> The City should include written policies and procedures related to the Golf Course in its City-wide written accounting policies and procedures manual.</p> <p><u>Auditee's Response:</u> We concur. The establishment of policies and procedures will begin in FY 07/08 and should be approved by the end of that fiscal year or soon thereafter.</p> <p><u>Questioned Cost:</u> \$-0-</p>

CITY OF PHARR, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Section II – Financial Statement/Federal Awards Findings and Questioned Costs	Description
<p>07-5 Municipal Court – Primary Government</p>	<p>A. Subsidiary Ledger <u>Criteria:</u> Good internal controls require that the City have a subsidiary ledger for citation tickets for which warrants have been issued.</p> <p><u>Statement of Condition:</u> Although the City currently maintains warrant reports for the above noted tickets, some of the information is maintained in the computer system and some is not. Also, nobody has verified that there is warrant for each citation ticket listed in the warrant report.</p> <p><u>Cause of Condition:</u> The City has not given priority to the installation of a good accounting system for the Municipal Court.</p> <p><u>Effect of Condition:</u> The balance of warrant receivable during the year and as of year end might not be correct.</p> <p><u>Recommendation:</u> The City should replace the current system with a new one that is compatible with City's accounting system. The City should establish a subsidiary ledger for such tickets after it reconciles the information on the warrant reports with the actual warrants on file.</p> <p><u>Auditee's Response:</u> We concur. The City has upgraded the old system with a new Incode computer system. We are in the process of figuring out a way to merge the networks at City Hall and at the municipal court building. A new court supervisor is in place to track tickets with the warrant report. This should be completed by the 9/30/08 audit.</p> <p><u>Questioned Cost:</u> \$-0-</p> <p>B. Policies and Procedures Manual <u>Criteria:</u> Good internal controls require that the City have an accounting policies and procedures manual for the proper handling and recording of financial transactions of its Municipal Court operations.</p> <p><u>Statement of Condition:</u> The City does not have written policies and procedures for the for its municipal operations.</p> <p><u>Cause of Condition:</u> The City was unaware of the need to have such a document.</p> <p><u>Effect of Condition:</u> There was no proper guidance for applicable personnel to follow in accounting for financial transactions.</p> <p><u>Recommendation:</u> The City should include policies and procedures related to the Municipal Court in its City-wide accounting policies and procedures manual.</p> <p><u>Auditee's Response:</u> We concur. The establishment of policies and procedures will begin in FY 07/08 and should be approved by the end of that fiscal year or soon thereafter.</p> <p><u>Questioned Cost:</u> \$-0-</p>

**CITY OF PHARR, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Section II – Financial Statement/Federal Awards Findings and Questioned Costs	Description
<p>07-6 Capital Projects – Primary Government</p>	<p>Criteria: Local governments must be financially viable to meet the going concern principle.</p> <p>Statement of Condition: The City has not given priority to budgeting capital projects.</p> <p>Cause of Condition: The City has not budgeted capital projects.</p> <p>Effect of Condition: In the General and Capital Projects funds, due to/from capital projects has increased to a material amount and resulted in unreserved fund balance becoming negative.</p> <p>Recommendation: Have an employee responsible for the management and proper funding/budgeting of capital projects. Develop an action plan to correct the deficit unreserved fund balance.</p> <p>Auditee's Response: We concur. Management and the City Commission have placed an importance on this issue and will develop a plan to correct the negative unreserved fund balance in the two funds identified above. This plan should be approved and put in place by the 9/30/08 audit.</p> <p>Questioned Cost: \$-0-</p>
<p>07-7 Grant Funds</p>	<p>A. Grant Funds</p> <p>Criteria: Good internal controls require that the City establish and maintain those funds that are required by law and sound administration to account for grants.</p> <p>Statement of Condition: Except for the CDBG and the Technical Assistance Agreements Grants, all other grants that the City administered in fiscal year 2007 were accounted for in the City's General Fund.</p> <p>Cause of Condition: Grant expenditures might be harder to account for if recorded within the general fund.</p> <p>Effect of Condition: The City did not properly record financial transactions related to those grants in the general ledger on a timely basis.</p> <p>Recommendation: Except for those grants that are required to be accounted in an enterprise fund(s), the City should account for all other grants in special revenue funds.</p> <p>Auditee's Response: The Auditee has made accounting of grants a priority and segregated grants in special revenue funds.</p> <p>Questioned Cost: \$-0-</p>

**CITY OF PHARR, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

<p>07-8 Accounting Policies and Procedures Manual – Pharr Economic Development Corporation, Inc. (PEDC)</p>	<p>Criteria: Good internal controls require that PEDC have written accounting policies and procedures manual for the proper handling and recording of financial transactions by the Finance Department.</p> <p>Statement of Condition: PEDC does not have a written policies and procedures manual.</p> <p>Cause of Condition: PEDC has not given priority to establishing such a document.</p> <p>Effect of Condition: there is no proper guidance for applicable PEDC personnel to follow in accounting for financial transactions.</p> <p>Recommendation: PEDC should hire a consultant to help it establish written policies and procedures manual for its Finance Department. Once the Board approves the manual, PEDC should adhere to such policies and procedures.</p> <p>Auditee's Response: We concur. The establishment of policies and procedures will begin in FY 07/08 and should be approved by the end of that fiscal year or soon thereafter. These policies and procedures will be provided to PEDC as a guide for accounting for their respective operations.</p> <p>Questioned Cost: \$-0-</p>
<p>Section III – Contact Persons Regarding Findings and Questioned Costs</p>	
<p>Primary Government City of Pharr, Texas</p>	<p>Fred Sandoval, City Manager 118 S. Cage Blvd. Pharr, Texas 78577 (956) 702-5300</p> <p>Juan G. Guerra, Finance Director 118 S. Cage Blvd. Pharr, Texas 78577 (956) 702-5300</p>
<p>Component Unit Pharr Economic Development Corporation, Inc.</p>	<p>Raul Garza, Executive Director 1215 S. Cage Blvd. P.O. Box 1360 Pharr, Texas 78577 (956) 781-7332</p>

CITY OF PHARR, TEXAS
 SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Internal Control / Compliance	Description
06-1 Accounting Policies and Procedures Manual – Primary Government	<p>The City did not have a written accounting policies and procedures manual for the proper handling and recording of financial transactions by the Finance Department.</p> <p>Corrective Action: See current year's finding #07-1.</p>
06-2 Purchasing – Primary Government	<p>A. Purchasing Manual The City did not have a written purchasing manual to ensure compliance with state, federal, and legal requirements.</p> <p>Corrective Action: See current year's finding #07-2A.</p> <p>B. Purchase Orders The City prepared purchase orders (P.O.) for certain purchases of goods, however P.O.'s were not prepared for services, construction contracts, or commitments via inter-local agreements. In many instances P.O.'s were prepared after the fact.</p> <p>Corrective Action: See current year's finding #07-2B.</p>
06-3 Finance Department – Primary Government	<p>A. Training, Supervision, and Review: Based on the results of our audit, certain staff under the Finance Director were not properly trained and supervised to perform their assigned functions. There was no documentation to support that the employee's work was reviewed.</p> <p>Corrective Action: The City hired a new Finance Director with the proper accounting knowledge and with the proper leadership skills to properly supervise and train the staff with their assigned functions. Employees' work is properly supervised and documented.</p> <p>B. Professional Development The City does not have a formal program in place for the professional development of its accounting staff.</p> <p>Corrective Action: The Finance Department conducts weekly training over the GFOA Blue Book and Accounting Principles.</p>
06-4 Fixed Assets–Primary Government	<p>A. Capitalization Policies and Procedures The City does not have written policies and procedures for the proper capitalization of fixed assets purchased, constructed, or received as donations, and also for the depreciation of depreciable assets.</p> <p>Corrective Action: See current year's finding #07-3A.</p> <p>B. Capitalization of Fixed Assets The City did not capitalize fixed assets purchased or constructed during the year on a timely basis</p> <p>Corrective Action: The Finance Department now has procedures to capitalize fixed assets on a timely basis. At the end of FY 07, Fixed Assets were properly accounted for and capitalized.</p> <p>C. Subsidiary Ledger</p>

CITY OF PHARR, TEXAS
 SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<p>The City's fixed assets subsidiary ledger is incomplete and has not been adjusted to reflect the fixed assets that the City owns and has on hand.</p>
<p>Internal Control / Compliance</p>	<p>Corrective Action: The Finance Department created a new subsidiary ledger and its been adjusted properly to reflect the fixed assets that the City owns.</p>
<p>06-5 Bank Reconciliations – Primary Government</p>	<p>Description</p> <p>A. Preparation of Bank Reconciliations</p> <p>Although the City prepared monthly bank reconciliations for all of its bank accounts, it did not prepare them on a timely basis. Also, it did not reconcile the book balances per bank reconciliations to book balances per general ledgers on a timely basis.</p> <p>Corrective Action: The new Finance Director made sure that all bank reconciliations were done for the complete fiscal year. At the end of the year, all bank reconciliations that were previously behind were accurately reconciled.</p>
	<p>B. Review of Bank Reconciliations</p> <p>There was no documentation to substantiate that supervisory reviews of bank reconciliations were performed.</p>
<p>06-6 Collateralization of Deposits and Investments – Primary Government</p>	<p>Corrective Action: The Finance Department now keeps copies of all bank reconciliations with signature of approval and supervision.</p> <p>There was no documentation to substantiate the internal reviews of collateralization were performed timely as the year progressed to ensure that the depository institutions had maintained adequate collateralization on the City's deposits and investments as of and for the year ended September 30, 2007. Documentation provided</p> <p>Corrective Action: The Finance Department now reviews on monthly basis the proper reviews of collateralization and the information is maintained to keep the information updated.</p>
<p>06-7 Golf Course Inventories – Primary Government</p>	<p>The City only conducts annual counts of inventories at the Pro Shop. No reconciliation is performed between the most recent inventory and the preceding inventory.</p> <p>Corrective Action: See current year's finding #07-4.</p>
<p>06-8 Golf Course Revenues - Primary Government</p>	<p>A. Accounting System</p> <p>The current Golf Course accounting system is ineffective and unreliable. The City should replace the current system with cash registers and software that will provide more accurate, properly controlled, and protected information. The accounting system should be networked and compatible with the City's Accounting system.</p> <p>Corrective Action: This year the Golf Course upgraded its accounting software and has a more reliable and controlled accounting system.</p>

CITY OF PHARR, TEXAS
 SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<p>B. Policies and Procedures Manual The City does not have written accounting policies and procedures manuals for its Golf Course Operations.</p> <p>Corrective Action: See current year's finding #07-4B</p>
<p>06-9 Process to correct prior audit Findings – Primary Government</p>	<p>The City does not have a process in place to address and correct prior year's audit findings.</p> <p>Corrective Action: The Finance Department corrected many of the findings from last year; ongoing review to correct all findings is taking place.</p>
<p>Internal Control / Compliance</p>	<p>Description</p>
<p>06-10 Municipal Court - Primary Government</p>	<p>A. Subsidiary Ledger Although the City currently maintains warrant reports for the above noted tickets, some of the information is maintained in the computer system and some is not. Also, nobody has verified that there is warrant for each citation ticket listed in the warrant report.</p> <p>Corrective Action: See current year's finding #07-5A</p> <p>B. Policies and Procedures Manual The City does not have a written accounting policies and procedures manual for its municipal operations.</p> <p>Corrective Action: See current year's finding #07-5B</p>
<p>06-11 Grants – Primary Government</p>	<p>A. Administration During fiscal year 2006, the City did not properly record financial transactions related to these grants in the general ledger on a timely basis.</p> <p>Corrective Action: The Finance Department now has an assigned accountant with the responsibility to account for the grants on a timely basis in the general ledger with the proper documentation and supervision.</p> <p>B. Grant Funds Except for the CDBG and the Technical Assistance Agreements Grants, all other grants that the City administered in fiscal year 2005 were accounted for in the City's General Fund.</p> <p>Corrective Action: See current year's finding #07-7A.</p>
<p>06-12 Public Investment Act - Primary Government - Noncompliance</p>	<p>A. Investment Policy The City has not updated its written investment policy that addresses the requirements of the Public Investments Act. (The Act.). Although the City reviewed and made a minor change to its investment policy in December 2005, it did not make the required changes to satisfy all requirements of the Act.</p> <p>Corrective Action: The City now has a current investment policy</p>

CITY OF PHARR, TEXAS
 SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	approved by the council this FY with all the required changes.
Internal Control / Compliance	
06-13 Accounting Policies and Procedures Manual – Pharr Economic Development Corporation, Inc. (PEDC)	PEDC does not have a written policies and procedures manual. <u>Corrective Action:</u> See current year's finding #07-8

CITY OF PHARR, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2007

CITY OF PHARR, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT D-1
Page 1 of 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF THE TREASURY</u>			
Passed Through Direct Programs:			
Operation Task Force	21.00	106SA1599	\$ 41,072
Total U.S. DEPARTMENT OF THE TREASURY			<u>41,072</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through Passed Through Direct Programs:			
Byrne Formula Grant Program	16.738	DB-04-A10-18777-01	14,932
Passed Through Direct Programs:			
Byrne Memorial JAG Program	16.738	2006-DJ-BX-0250	20,129
Byrne Memorial JAG Program	16.738	2005-DJ-BX-0360	25,594
Total Passed Through Direct Programs			<u>45,723</u>
Total U.S. DEPARTMENT OF JUSTICE			<u>60,655</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPEMNT</u>			
Passed Through Direct Programs:			
Community Development Block Grant *	14.218	B-05-MC-48-0507	87,684
Community Development Block Grant *	14.218	B-06-MC-48-0507	1,015,947
Total Passed Through Direct Programs			<u>1,103,631</u>
Total U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPEMNT			<u>1,103,631</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Passed Through Governor's Division of Emergency Management:			
State Homeland Security Grant Program	97.003	2005SHSP-57200	26,021
State Homeland Security Grant Program	97.073 & 074	2006HSGP-57200	30,994
Total Passed Through Passed Through Governor's Division of Emergency Management			<u>57,015</u>
Total U.S. DEPARTMENT OF HOMELAND SECURITY			<u>57,015</u>
<u>UNITED STATES ENVIRONMENTAL PROTECTION AGENCY</u>			
Passed Through Direct Programs:			
NADB Wastewater Collection and Weight Station Project	66.202	PDP 31-12/05	200,000
NADB Improvements to Wastewater Collection System	66.202	BEIF TX 3501	116,250
Drinking Water State Revolving Fund	66.468	61107	430,000
BECC - Technical Assistance	66.931	362-BECC	81,256
Total Passed Through Direct Programs			<u>827,506</u>
Total UNITED STATES ENVIRONMENTAL PROTECTION AGENCY			<u>827,506</u>
<u>NATIONAL TRAFFIC SAFETY ADMINISTRATION, DEPARTMENT OF TRANSPORTATION</u>			
Passed Through Passed Through State Department of Transportation:			
STEP - Comprehensive Grant *	20.600	587XXF6039	50,971
STEP - IDM *	20.601	587XXF6138	7,674
STEP - CI OT	20.609	587XXF8204	3,817
Total Passed Through Passed Through State Department of Transportation			<u>62,462</u>
Total NATIONAL TRAFFIC SAFETY ADMINISTRATION, DEPARTMENT OF TRANSPORTATION			<u>62,462</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through Passed Through Governor's Division of Emergency Management:			
FEMA Grant	97.036	FEMA 3277 EM T.	\$ 6,642

CITY OF PHARR, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Total FEDERAL EMERGENCY MANAGEMENT AGENCY TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,642</u> <u>2,158,983</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

CITY OF PHARR, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City Of Pharr, Texas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.