



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Mayor
Members of the City Council and
City Manager
City of Henderson, Nevada

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Henderson, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 18, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Henderson's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Honorable Mayor
Members of the City Council and
City Manager
City of Henderson, Nevada

Internal Control Over Financial Reporting (continued)

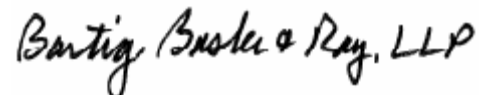
Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Henderson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, management 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.

BARTIG, BASLER & RAY, LLP
A Gallina LLP Company



Roseville, California
October 18, 2007



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Mayor
Members of the City Council and
City Manager
City of Henderson, Nevada

Compliance

We have audited the compliance of the City of Henderson, 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 June 30, 2007. The City of Henderson'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 the City of Henderson's management. Our responsibility is to express an opinion on the City of Henderson's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Henderson'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 of Henderson's compliance with those requirements.

In our opinion, the City of Henderson 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 June 30, 2007. However, the results of our auditing procedures disclosed 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 07-SA-1 through 07-SA-3.

The Honorable Mayor
Members of the City Council and
City Manager
City of Henderson, Nevada

Internal Control Over Compliance

The management of the City of Henderson is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Henderson's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Henderson's internal control over compliance.

A *control* deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant* deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-SA-1 through 07-SA-3 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City's response and, accordingly, we express no opinion on it.

The Honorable Mayor
Members of the City Council and
City Manager
City of Henderson, Nevada

This report is intended solely for the information and use of management, others within the entity, 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.

BARTIG, BASLER & RAY, LLP
A Gallina LLP Company

Bartig Basler & Ray, LLP

Roseville, California
October 18, 2007

CITY OF HENDERSON, NEVADA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Agriculture</u>			
<i>Food and Nutrition Service</i>			
Passed through State of Nevada Department of Education:			
<i>Child Nutrition Cluster:</i>			
Child and Adult Care Food Program			
Safekey Snack Program 05-06	10.558	--	\$ 3,609
Safekey Snack Program 06-07	10.558	--	<u>23,577</u>
Total U.S. Department of Agriculture			<u>\$ 27,186</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Community Planning and Development</i>			
Direct Programs:			
Community Development Block Grants/Entitlement Grants			
Entitlement Funds	14.218	--	541,180
Program Income	14.218	--	319
Amount Provided to Subrecipients	14.218	--	<u>585,784</u>
Total Community Development Block Grants/Entitlement Grants			<u>1,127,283</u>
HOME Investment Partnerships Program			
HOME Grant - Program Income/Projects	14.239	--	742,949
HOME Grant - Administration	14.239	--	<u>46,851</u>
Total HOME Investment Partnerships Program			<u>789,800</u>
Total Direct			<u>1,917,083</u>
Passed through State of Nevada, Department of Commerce:			
HOME Investment Partnerships Program			
Program Income/Projects	14.239	--	<u>395,100</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 2,312,183</u>
<u>U.S. Department of the Interior</u>			
<i>National Park Service</i>			
Passed through State of Nevada:			
Outdoor Recreation: Acquisition, Development and Planning			
Acacia Park Backyard Conservation Demonstration Gardens	15.916	--	<u>35,048</u>
<i>Bureau of Reclamation</i>			
Water Conservation Plan			
Bureau of Reclamation Turf Conversion	15.BCD	05FG300009	17,854
Bureau of Reclamation Turf Conversion	15.BCD	06FG300018	<u>60,000</u>
Total Water Conservation Plan			<u>77,854</u>

CITY OF HENDERSON, NEVADA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of the Interior Continued</u>			
<i>Bureau of Land Management</i>			
Southern Nevada Public Land Management Act			
St. Rose Parkway Trail Phase 1	15.227*	NAA010005 NAF04HN03	\$ 735,347
Boulder Highway Trail	15.227*	NAA010005 NAF04HN04	465,897
Union Pacific Railroad Trail	15.227*	NAA010005 NAF04HN06	1,268,987
Whitney Mesa Preserve	15.227*	NAA010005 NAF04HN07	143,454
Amargosa Trail	15.227*	NAA010005 NAF04HN08	42,301
Pittman Wash Trail	15.227*	NAA010005 NAF04HN10	839,912
Burkholder Trail	15.227*	NAA010005 NAF04HN09	158,737
Cactus Wren Trail	15.227*	NAA010005 NAF04HN11	5,440
St Rose Trail Phase 2	15.227*	NAA010005 NAF05HN15	90,260
Hidden Falls Park	15.227*	NAA010005 NAF05HN13	74,223
Amador Vista Park	15.227*	NAA010005 NAF05HN14	202,325
Heritage Recreation Area	15.227*	NAA010005 NAF05HN12	320,712
Anthem East Trails	15.227*	NAA010005 NAF05HN16	39,785
Cornerstone Lake Park	15.227*	NAA010005 NAF05HN18	63,064
River Mtn Trail 13-14	15.227*	NAA010005 NAF05HN15	115,004
Amargosa Trailheads	15.227*	NAA010005 NAF05HN17	88,024
Bird View Preserve Imp	15.227*	NAA010005 NAF05HN24	101,643
UPRR Right of Way	15.227*	NAA010005 NAF05HN22	33,819
UPRR Phase III	15.227*	NAA010005 NAF05HN23	168,061
UPRR Phase II	15.227*	NAA010005 NAF05HN20	43,680
Mission View Park	15.227*	NAA010005 NAF05HN21	45,871
McCullough Hills Trail	15.227*	NAA010005 NAF05HN25	46,465
Arroyo Grande Project Green	15.227*	NAA010005 FAA060150	105,709
Whitney Mesa Trailhead	15.227*	NAA010005 FAA060156	30,875
Wetlands Trail Phase II	15.227*	NAA010005 FAA060158	2,076
Heritage Park Phase II	15.227*	NAA010005 FAA060163	8,861
Reunion Trails Park	15.227*	NAA010005 FAA060176	45,549
Downs 5/Downtown Trail	15.227*	NAA010005 FAA060173	58,949
Lake Mead Parkway Trail	15.227*	NAA010005 FAA060175	4,390
PPP Upper Pittman Wash W Hend Drainage Corridor Feasibility	15.227*	NAA010005	649
PPP Lower Pittman Wash Corridor Feasibility Study	15.227*	NAA010005	78
PPP Black Mountain Nature Preserve	15.227*	NAA010005	656
PPP MacDonald Canyons Nature Park Study	15.227*	NAA010005	197
PPP RMLT to McCullough Hills Trail Connection & Equestrian	15.227*	NAA010005	27
PPP Nevada State College to Wetlands Corridor Feasibility Sty	15.227*	NAA010005	197
Total Southern Nevada Public Land Management Act			<u>5,351,224</u>
Total U.S. Department of the Interior			\$ <u>5,464,126</u>

CITY OF HENDERSON, NEVADA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Justice</u>			
<i>Office of Justice Programs-Bureau of Justice Assistance</i>			
Direct:			
Local Law Enforcement Block Grant	16.592	2004-LB-BX00299	\$ 35
Bulletproof Vest Partnership Program 2005	16.607	--	5,145
Bulletproof Vest Partnership Program 2006	16.607	--	6,305
			<u>11,450</u>
Edward Byrne Memorial Justice Assistance Grant	16.738	2005-DJ-BX-1353	6,010
Edward Byrne Memorial Justice Assistance Grant	16.738	2006-DJ-BX-0600	41,145
			<u>47,155</u>
Edward Byrne Memorial State and Local Law Enforcement , Assistance Discretionary Grants Program	16.580*	2005-DD-BX-1193	524,246
<i>Office of Community Oriented Policing Services</i>			
Public Safety Partnership and Community Policing Grants COPS Methamphetamine Grant 2004	16.710	2004-CK-WX-0029	24,149
<i>Office of Juvenile Justice and Delinquency Prevention</i>			
Every 15 Minutes	16.541	2006-JL-FX-0100	34,862
			<u>641,897</u>
<i>Office of Juvenile Justice and Delinquency Prevention</i>			
Passed through State of Nevada Juvenile Justice Commission:			
Juvenile Justice and Delinquency Prevention: Allocation to States Juvenile Justice and Delinquency Prevention Grant 2007	16.540	--	6,191
<i>Office on Violence Against Women</i>			
Passed through State of Nevada Office of Attorney General			
STOP Violence Against Women 2006	16.588	2006-STOP-02	23,336
			<u>\$ 671,424</u>
<u>U.S. Department of Transportation</u>			
<i>National Highway Traffic Safety Administration</i>			
Passed through State of Nevada, Department of Motor Vehicles and Public Safety - Office of Traffic Safety:			
State and Community Highway Safety			
Joining Forces 2006	20.600	--	6,526
Joining Forces 2007	20.600	--	36,009
Annual Conference Training -DRE	20.600	--	1,809
Total State and Community Highway Safety			<u>44,344</u>
			<u>\$ 44,344</u>

*Major Program

CITY OF HENDERSON, NEVADA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Environmental Protection Agency</u>			
Congressionally Mandated Projects	66.606*	XP98968801	\$ 373,463
Congressionally Mandated Projects	66.202*	XP96908901	2,086
Total U.S. Environmental Protection Agency			\$ 375,549
<u>U.S. Department of Energy</u>			
<i>Office of Energy Efficiency and Renewable Energy</i>			
Passed through State of Nevada Housing Division			
Weatherization Assistance for Low-Income Persons	81.042	--	53,443
Total U.S. Department of Energy			\$ 53,443
<u>U.S. Department of Education</u>			
<i>Office of Assistant Secretary for Special Education and Rehabilitative Services</i>			
Rehabilitation Services Demonstration and Training Programs	84.235	--	208,679
Total U.S. Department of Education			\$ 208,679
<u>U.S. Department of Health and Human Services</u>			
<i>Administration on Aging</i>			
Passed through State of Nevada, Division of Aging Services:			
<i>Aging Cluster:</i>			
Special Programs for the Aging: Title III, Part C: Nutrition Services			
Senior Nutrition Grant 2006	93.045	0331-07-06/0331-04-06	68,372
Senior Nutrition Grant 2007	93.045	0331-04-2X-07/0331-07-1X-07	133,770
Total Special Programs for the Aging: Title III, Part C: Nutrition Services			202,142
Nutrition Services Incentive			
Black Mountain Senior Nutrition 2005	93.053	0331-57-05	586
Black Mountain Senior Nutrition 2006	93.053	0331-57-06/0331-57-NX-07	59,227
			59,813
Total U.S. Department of Health and Human Services			\$ 261,955
<u>Department of Homeland Security</u>			
Passed through the State of Nevada, Department of Motor Vehicles and Public Safety, Division of Emergency Management:			
Emergency Management Performance Grants			
Fire Department	97.042	--	24,481
Fire Department 2006	97.042	--	16,610
Fire Department 2007	97.042	--	74,089
Total Emergency Management Performance Grants			115,180

CITY OF HENDERSON, NEVADA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>Department of Homeland Security (continued)</u>			
Passed through State of Nevada, Department of Public Safety, Division of Emergency Management: State Domestic Preparedness Equipment Support Program			
ODP/04 Law Enforcement Terrorism Prevention	97.004	--	\$ 118,644
Total State Domestic Preparedness Equipment Support Program			<u>118,644</u>
Passed through State of Nevada, Department of Public Safety, Safety, Division of Emergency Management: State Homeland Security Program (SHSP)			
SHSP Utilities	97.073	DHS 2004 SHSP	179,771
SHSP Law Enforcement Terrorism	97.073	DHS 2005 SHSP	16,479
SHSP Law Enforcement	97.073	DHS 2005 SHSP	385,715
SHSP Utilities	97.073	DHS 2005 SHSP	129,612
Total State Homeland Security Program (SHSP)			<u>711,577</u>
Buffer Zone Protection Program	97.078	--	<u>5,102</u>
Total Department of Homeland Security			<u>\$ 950,503</u>
Total Expenditures of Federal Awards			<u><u>\$ 10,369,392</u></u>

CITY OF HENDERSON, NEVADA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2007

Note 1: **Reporting Entity**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the City of Henderson, except for those activities of the City of Henderson Redevelopment Agency. The City of Henderson's reporting entity is defined in Note 1 to the City's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule. The City of Henderson Redevelopment Agency is a component unit of the City of Henderson and a separate report has been issued to present the activity of all federal award programs for the City of Henderson Redevelopment Agency.

Note 2: **Basis of Accounting**

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

Note 3: **Relationship to Financial Statements**

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the City's financial statements. Federal award revenues are reported principally in the City's financial statements as intergovernmental revenues in the Multipurpose Special Revenue fund.

Note 4: **Loans with Continuing Compliance Requirement**

The value of loans of federal monies outstanding at the end of the year was as follows:

Federal <u>CFDA</u>	<u>Program Title</u>	Amount <u>Outstanding</u>
14.239	HOME Investment Partnerships Program	\$ 1,289,770

Note 5: **Subrecipients**

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the City of Henderson provided federal awards to subrecipients as follows:

Federal <u>CFDA</u>	<u>Subrecipient</u>	<u>Amount</u>
14.218	Community Development Block Grant	\$ 329,011

CITY OF HENDERSON, NEVADA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section 1

<u>Financial Statements</u>	<u>Summary of Auditor's Results</u>
1. Type of auditor's report issued:	Unqualified
2. Internal controls over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	None Reported
3. Noncompliance material to financial statements noted?	No

Federal Awards

1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
2. Type of auditor's report issued on compliance for major programs:	Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)?	Yes

4. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
15.227	Southern Nevada Public Lands Management Act Grants
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grant Program
66.202	Congressionally Mandated Projects
66.606	Congressionally Mandated Projects

CITY OF HENDERSON, NEVADA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section 1 (continued)

Financial Statements

Summary of Auditor's Results

- | | |
|---|------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$ 311,082 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | Yes |

Section 2

Financial Statement Findings

None Reported

Section 3

Federal Award Findings and Questioned Costs

CFDA 16.580	Finding 07-SA-1
CFDA 16.580	Finding 07-SA-2
CFDA 16.580	Finding 07-SA-3

CITY OF HENDERSON, NEVADA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Finding/Program Findings/Noncompliance

Finding 07-SA-1

Edward Byrne
Memorial State
and Local Law
Enforcement
Assistance
Discretionary Grant
Program
CFDA 16.580

Award No.
2005-DD-BX-1193
Year: 2006-2007

Federal Grantor: U.S. Department of Justice
Pass-Through Entity: None
Compliance Requirement: Equipment and Real Property Management
Reporting Requirement: Significant Deficiency; Material Non-Compliance
in Relation to a Compliance Supplement Audit
Objective

Criteria

Equipment purchased with federal funds must be recorded and a physical inventory must be taken at least every two years to compare the actual equipment on hand with the equipment records (OMB Circular A-133 Compliance Supplement Part 3 Section F).

Condition

We inquired about controls over equipment and were informed that a list of equipment purchased by the Department had not been compiled.

Questioned Costs

No costs are questioned.

Perspective

We do not believe that any additional information will assist in providing proper perspective.

Effect of the Condition

The lack of an established procedure to account for the equipment purchased with program funds increases the risk that equipment could be misappropriated or misplaced without detection.

Recommendation

We recommend that the Department develop a complete list of all capital assets purchased with program funds, update the list as needed when equipment is purchased or disposed of, and perform physical inventories of the equipment at least biannually to comply with federal requirements.

CITY OF HENDERSON, NEVADA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Finding/Program

Findings/Noncompliance

Finding 07-SA-1
(continued)

Edward Byrne
Memorial State
and Local Law
Enforcement
Assistance
Discretionary Grant
Program
CFDA 16.580

Corrective Action Plan

A physical inventory will be completed of all items purchased under the grant agreements. The inventory will be reviewed, confirmed every two years. If equipment is replaced, the inventory will be updated at that time.

Michael Cyphers,
Emergency Management Coordinator
Fire Department
(702) 267-2212

Award No.
2005-DD-BX-1193
Year: 2006-2007

CITY OF HENDERSON, NEVADA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

<u>Finding/Program</u>	<u>Findings/Noncompliance</u>
Finding 07-SA-2	<i>Federal Grantor: U.S. Department of Justice</i>
	<i>Pass-Through Entity: None</i>
Edward Byrne	<i>Compliance Requirement: Procurement and Suspension and Debarment</i>
Memorial State	<i>Reporting Requirement: Significant Deficiency; Material Non-Compliance</i>
and Local Law	<i>in Relation to a Compliance Supplement Audit</i>
Enforcement	<i>Objective</i>
Assistance	
Discretionary Grant	<u>Criteria</u>
Program	
CFDA 16.580	We find that many local governments are not aware of new requirements regarding suspension and debarment, which became effective November 26, 2003.
Award No.	
2005-DD-BX-1193	Procurement, suspension and debarment is one of the 14 types of compliance requirements included in Part 3 of the OMB Circular A-133 Compliance Supplement. On November 26, 2003, new suspension and debarment rules were published in the Federal Register (68FR66583-66632). Prior to this revision, when a non-federal entity entered into a federally-funded transaction which equaled or exceeded \$100,000 or for any amount with a subrecipient, only a certificate of compliance signed by the other party to the transaction was required. Now, under the new rules, for any federally-funded transaction which equals or exceeds \$25,000 or for any amount with a subrecipient, the non-federal entity is obligated to check to make sure that the other party to the transaction is not suspended or debarred.
Year: 2006-2007	As well, the debarment rules now provide that this requirement be imposed on, and relevant information provided to, all subrecipients of federal funds.
	<u>Condition</u>
	We inquired about the Department's procedures regarding suspension and debarment and learned that the Department does not have a procedure in place to verify that large vendors are not suspended or debarred.
	<u>Questioned Costs</u>
	No costs are questioned.
	<u>Perspective</u>
	We do not believe that any additional information will assist in providing proper perspective.

CITY OF HENDERSON, NEVADA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Finding/Program

Findings/Noncompliance

Finding 07-SA-2
(continued)

Edward Byrne
Memorial State
and Local Law
Enforcement
Assistance
Discretionary Grant
Program
CFDA 16.580

Award No.
2005-DD-BX-1193
Year: 2006-2007

Effect of the Condition

The federal government can reject a claim for federal funds reimbursement when the underlying transaction was with a suspended or debarred individual or entity.

Recommendation

We recommend that the Department implement procedures which require that on any federally-funded transaction, which equals or exceeds \$25,000 or for any amount with a subrecipient, that the Department conduct a review to ensure that the other party to the transaction is not suspended or debarred. Lists of suspended and debarred parties are available online from the Excluded Parties List System at <<http://www.epls.gov>>.

Corrective Action Plan

Future grants awarded to the City of Henderson Fire Department or Emergency Management Division will have the Debarment rule and website written into the formal adoption we present to City Council before we accept the award. This document follows the grant to the actual purchasers and can serve as a reminder of the policy.

Michael Cyphers,
Emergency Management Coordinator
Fire Department
(702) 267-2212

CITY OF HENDERSON, NEVADA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Finding/Program	Findings/Noncompliance
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Finding 07-SA-3

Edward Byrne
Memorial State
and Local Law
Enforcement
Assistance
Discretionary Grant
Program
CFDA 16.580

Award No.
2005-DD-BX-1193
Year: 2006-2007

Federal Grantor: U.S. Department of Justice
Pass-Through Entity: None
Compliance Requirement: Earmarking
Reporting Requirement: Significant Deficiency; Material Non-Compliance in Relation to a Compliance Supplement Audit Objective

Criteria

As posted on the Department of Justice website for Office of Justice Programs, the Financial Guide 2006, Part III, Chapter 5 states recipients of grants from the Office of Justice Programs may request modification to an approved budget in order to reallocate dollar amounts among budget categories within the existing award amount. The original award amount may not be increased by this procedure. Movement of dollars between approved budget categories is allowable up to 10 percent of the total award amount (the 10 percent rule), provided there is no change in project scope. A formal request from the grantee is required when:

- 1) The proposed change exceeds 10 percent of the total award amount.
- 2) The budget modification also changes the scope of the project. Examples include altering the purpose of the project, authorizing use of subcontractor or other organization that was not identified in the original budget, or contracting for or transferring of grant-supported effort.
- 3) If a budget adjustment affects a Standard 424 cost category that was not included in the original budget, a grant adjustment is required. For example, if the direct cost category, "Travel" did not exist in the original budget, the adjustment to transfer funds from the Equipment to Travel requires a grant adjustment.

Condition

We inquired about the Department's procedures regarding earmarking and learned that the Department does not have a procedure in place to identify the need to submit a Budget Modification Letter/Document to the grantor when estimated expenditures in a specific category exceed the original budget by more than 10 percent of the total project cost. The original award amount for this project was \$542,654 and 10 percent of that is \$54,265.

CITY OF HENDERSON, NEVADA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Finding/Program

Findings/Noncompliance

Finding 07-SA-3
(continued)

Edward Byrne
Memorial State
and Local Law
Enforcement
Assistance
Discretionary Grant
Program
CFDA 16.580

Award No.
2005-DD-BX-1193
Year: 2006-2007

Construction costs exceeded the original budget for this category by \$158,119 thus exceeding the maximum amount allowable under the 10 percent rule where the Department could reallocate dollar amounts between categories without approval from the grantor.

Questioned Costs

No costs are questioned.

Perspective

We do not believe that any additional information will assist in providing proper perspective.

Effect of the Condition

The lack of an established procedure to identify when a formal request must be submitted to the grantor regarding the reallocation of dollar amounts among budget categories increases the risk that funds from a grant could be spent in a manner not consistent with the terms of the grant agreement and this could lead to disallowed costs under the grant.

Recommendation

We recommend that the Department establish procedures to identify when formal budget modification requests should be submitted. Periodic comparisons of expenditures to budgetary grant category totals will help to identify if a category is approaching the maximum allowable amount.

Corrective Action Plan

Future grants awarded to the City of Henderson Fire Department or Emergency Management Division will have the 10 percent rule written into the formal adoption we present to City Council before we accept the award. This document follows the grant to the actual purchasers and can serve as a reminder of the policy.

Michael Cyphers,
Emergency Management Coordinator
Fire Department
(702) 267-2212

CITY OF HENDERSON, NEVADA

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2007

Audit Reference Number	Status of Prior Year Audit Findings
N/A	None reported.

AUDITOR'S COMMENTS

STATUTE COMPLIANCE

The required disclosure on compliance with the Nevada Revised Statutes and Nevada Administrative Code is contained in Note 3 to the financial statements.

PROGRESS ON PRIOR YEAR STATUTE COMPLIANCE

The following action was taking during 2006-07 relating to the potential violations reported in the June 30, 2006 audit report:

- Actual expenditures and expenses were monitored during the year ended June 30, 2007. There were, however, overexpenditures during the current year as reported in Note 3 to the financial statements.

PRIOR YEAR RECOMMENDATIONS

There were no specific recommendations made in the audit report for the year ended June 30, 2006.

CURRENT YEAR RECOMMENDATIONS

We did not find any financial weaknesses of a magnitude to justify inclusion within our audit report.

NEVADA REVISED STATUTE 354.6115

The financial statements of the Financial Stabilization Special Revenue Fund are located in this report.

NEVADA REVISED STATUTE 354.598155

The Special Ad Valorem Transportation Capital Projects Fund expended the following amounts during the year ended June 30, 2007:

Public Works – Salaries and wages	\$ 1,020
– Employee benefits	404
– Services and supplies	171,185
– Capital outlay	241,969
Transfer to General Obligation Debt Service Fund	<u>2,861,755</u>
	<u>\$ 3,276,333</u>

The City of Henderson's continuing efforts toward superior financial reporting and presentation were again acknowledged by the Government Finance Officers Association when the City was awarded the Certificate of Achievement for Excellence in Financial Reporting for its June 30, 2006 Comprehensive Annual Financial Report. We congratulate the City on this achievement.

THE CITY OF HENDERSON, NEVADA
SCHEDULE OF FEES IMPOSED SUBJECT TO THE
PROVISIONS OF NRS 354.5989
LIMITATION OF FEES FOR BUSINESS LICENSES
FOR THE YEAR ENDED JUNE 30, 2007

Flat Fixed Fees:

Business license revenue for the year ended June 30, 2006 (Base Year)	\$ 1,969,880
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Adjustment to Base:

1. Percentage increase in population of the local government	3.69%	
2. Percentage increase in the Consumer Price Index for the year ending on December 31, next preceding the year for which the limit is being calculated	<u>3.20%</u>	
	6.89%	<u>135,725</u>
Adjusted Base at June 30, 2007		2,105,605
Actual Revenue		<u>2,280,487</u>
Amount Over Allowable Amount		<u>\$ 174,882</u>

Fees Calculated as a Percentage of Gross Revenue:

Business license revenue for the year ended June 30, 2006	\$ 9,132,321
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1. Percentage increase in the Consumer Price Index	3.20%	<u>292,234</u>
Adjusted Base at June 30, 2007		9,424,555
Actual Revenue		<u>10,944,740</u>
Amount Over Allowable Amount		<u>\$ 1,520,185</u>



**INDEPENDENT ACCOUNTANT'S REPORT ON
NEVADA REVISED STATUTE 354.6241**

To the Honorable Mayor
Members of the City Council and
City Manager
City of Henderson, Nevada

We have reviewed the assertion provided by management in accordance with Nevada Revised Statute 354.624 (5)(a):

- The identified funds are being used expressly for the purpose for which they were created,
- The funds are administered in accordance with accounting principles generally accepted in the United States of America,
- The reserved fund balances/net assets in the funds were reasonable and necessary to carry out the purposes of the funds at June 30, 2007 (based on the interpretation of reasonable and necessary provided by the Legislative Counsel Bureau),
- The sources of revenue, including transfers, available for the funds are as noted in the financial statements,
- The funds conform to significant statutory and regulatory constraints on its financial administration during the year ended June 30, 2007 (except as previously noted under statute compliance),
- The balance and net assets of the funds are as noted in the financial statements.

This assertion is the responsibility of the management of the City of Henderson, Nevada.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the assertion. Accordingly, we do not express such an opinion.

The Honorable Mayor
Members of the City Council and
City Manager
City of Henderson, Nevada

Based on our review, nothing came to our attention that caused us to believe that the assertion provided by management referred to above is not fairly stated in all material respects.

BARTIG, BASLER & RAY, LLP
A Gallina LLP Company

Bartig Basler & Ray, LLP

Roseville, California
October 18, 2007



James B. Gibson
Mayor

Jack K. Clark
Councilman

Gerri Schroder
Councilwoman

Andy A. Hafen
Councilman

Steven D. Kirk
Councilman

Philip D. Speight
City Manager

Steven Hanson
Finance Director
