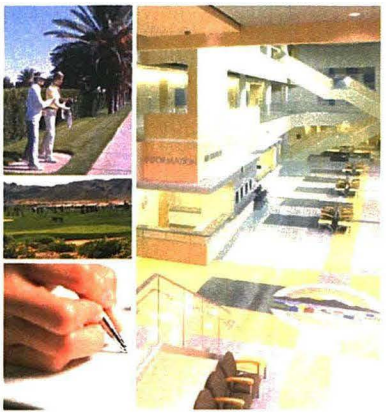
Compliance Section



KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's 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, Nevada as of and for the year ended June 30, 2004, which collectively comprise the City of Henderson's basic financial statements and have issued our report thereon dated October 21, 2004. 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, Nevada's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Henderson, Nevada in a separate letter dated October 21, 2004.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City of Henderson, Nevada'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 and use of management, 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.

Kafoury, Armstrong & Co.

Reno, Nevada
October 21, 2004

KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's 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, Nevada 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, 2004. The City of Henderson, Nevada'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, Nevada's management. Our responsibility is to express an opinion on the City of Henderson, Nevada'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, Nevada'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 opinion does not provide a legal determination on the City of Henderson, Nevada's compliance with those requirements.

In our opinion, the City of Henderson, Nevada 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, 2004. 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 item 04-1 through 04-6.

Internal Control over Compliance:

The management of the City of Henderson, Nevada 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 our audit, we considered the City of Henderson, Nevada's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely effect the City of Henderson, Nevada'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 04-1 through 04- 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 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. Our 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, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of 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.

Kafoury, Armstrong & Co.

Reno, Nevada
October 21, 2004

CITY OF HENDERSON, NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Name of Agency or Department	CFDA Number	Grant I. D. Number	Federal Disbursements/ Expenditures
U. S. Department of Housing and Urban Development			
Community Planning and Development			
Community Development Block Grants/Entitlement Grants	14.218		
Entitlement Funds			$ 336,015
Program Income			18,487
Amount Provided to Subrecipients			319,869
Total Community Development Block Grants/Entitlement Grants			674,371
Community Development Block Grants/Economic Development Initiative			
Project Grants	14.246		15,000
Total Community Development Block Grants/Economic Development Initiative			15,000
HOME Investment Partnerships Program	14.239		
Passed through State of Nevada, Department of Commerce			
HOME Grant - Projects			736,885
HOME Grant - Administration			47,429
Program Income			102,006
Total HOME Investment Partnerships Program			886,320
Total Community Planning and Development			1,575,691
Total U. S. Department of Housing and Urban Development			**1,575,691**
U. S. Federal Emergency Management Agency			
Office of National Preparedness			
Emergency Management Performance Grants	83.552		
Passed through State of Nevada, Department of Motor Vehicles and Public Safety, Division of Emergency Management			
Fire Department		8355203	67,776
Total Office of National Preparedness			67,776
United States Fire Administration			
Assistance to Firefighters Grant	97.044		
FEMA Assistance Grant		EMW-2002-FG-04026	9,397
Total United States Fire Administration			9,397
Emergency Preparedness and Response Directorate			
Assistance to Firefighters Grant	97.044		
Fire Operations and Firefighter Safety		EMW-2003-FG-05265	180,135
Total Emergency Preparedness and Response Directorate			180,135
Total U. S. Federal Emergency Management Agency			**257,308**
U. S. Department of Justice			
Office of Justice Programs-Bureau of Justice Assistance			
Local Law Enforcement Block Grants Program	16.592		
Local Law Enforcement Block Grant		2003-LB-BX-0661	57,979
Total Local Law Enforcement Block Grant			57,979
Total Office of Justice Programs - Bureau of Justice Assistance			57,979
Office of Justice Programs - Bureau of Justice Statistics			
National Incident Based Reporting System	16.733		
Passed through State of Nevada, Department of Public Safety, Office of Criminal Justice Assistance			
NIBRS Grant		01-NIBRS-002	118,800
Total Office of Justice Programs - Bureau of Justice Statistics			118,800
Office of Juvenile Justice and Delinquency Prevention			
Juvenile Justice and Delinquency Prevention: Allocation to States	16.540		
Passed through State of Nevada Juvenile Justice Commission			
Juvenile Justice and Delinquency Prevention Grant			24,398
Total Office of Juvenile Justice and Delinquency Prevention			24,398
Office of Community Oriented Policing Services			
Public Safety Partnership and Community Policing Grants	16.710		
COPS Universal Hiring Award		2001-UM-WX-0194	667,882
COPS Methamphetamine Grant		2002-CK-WX-0311	132,094
Total Office of Community Oriented Policing Services			799,976
Total U. S. Department of Justice			**1,001,153**

CITY OF HENDERSON, NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Name of Agency or Department	CFDA Number	Grant I. D. Number	Federal Disbursements/ Expenditures
U. S. Department of Transportation			
National Highway Traffic Safety Administration			
State and Community Highway Safety	20.600		
Passed through State of Nevada, Department of Motor Vehicles and Public Safety - Office of Traffic Safety			
Joining Forces			27,565
Every 15 Minutes			27,880
Total National Highway Traffic Safety Administration			55,445
Federal Highway Administration	20.205		
Highway Planning and Construction			
Passed through State of Nevada, Department of Transportation			
Enhancement Project		PR794-03-063	4,811
Total National Highway Traffic Safety Administration			4,811
Total U. S. Department of Transportation			**60,256**
U. S. Department of Health and Human Services			
Administration on Aging			
Special Programs for the Aging: Title III, Part C: Nutrition Services	93.045		
Passed through State of Nevada, Division for Aging Services			
Aging Cluster			
Senior Nutrition Grant			316,946
Total U. S. Department of Health and Human Services			**316,946**
U. S. Department of Agriculture			
Forest Service			
Cooperative Forestry	10.664		
Passed through State of Nevada, Department of Conservation and Natural Resources, Nevada Division of Forestry			
Morrell Park Tree Planting & Restoration		USDS/UF/FFY03/#01	4,950
Total Cooperative Forestry			4,950
Food and Nutrition Service			
Special Milk Program for Children	10.556		
Passed through State of Nevada Department of Education			
Safekey Milk Program			19,592
Total Special Milk Program for Children			19,592
Summer Food Service Program for Children	10.559		
Passed through State of Nevada Department of Education			
Summer Magic Program			8,973
Total Summer Food Service Program for Children			8,973
Nutrition Services Incentive	10.570		
Passed through State of Nevada, Division for Aging Services			
Black Mountain Senior Nutrition			40,290
Total Nutrition Services Incentive			40,290
Total U. S. Department of Agriculture			**73,805**
U. S. Department of the Interior			
National Park Service			
Historic Preservation Fund Grants-In-Aid	15.904		
Passed through State of Nevada -			
Historic Preservation Fund		32-02-17558(4)	29,160
Total Historic Preservation Fund Grants-In-Aid			29,160
Outdoor Recreation: Acquisition, Development and Planning	15.916		
Passed through State of Nevada - Division of State Parks, Department of Conservation and Natural Resources			
Acacia Park Backyard Conservation Demonstration Gardens		32-00-00249	23,614
Total Outdoor Recreation: Acquisition, Development and Planning			23,614

CITY OF HENDERSON, NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Name of Agency or Department	CFDA Number	Grant I. D. Number	Federal Disbursements/ Expenditures
Bureau of Land Management			
Southern Nevada Public Land Management Act	15.227		
River Mountain Loop Trail Project		NAA010005 NAH02HN01	56,063
Wetlands Trail Connection Project		NAA010005 NAH03HN02	3,321
Boulder Highway Trail		NAA010005 NAF04HN04	7,965
Total Southern Nevada Public Land Management Act			67,349
Total U. S. Department of the Interior			**120,123**
Department of Homeland Security			
Emergency Management Performance Grants	97.042		
Passed through Clark County, Nevada - Administrative Services Department, Office of Emergency Management			
Emergency Management Performance Grant - Supplemental 02			30,000
Total Emergency Management Performance Grants			30,000
Citizen Corps	97.053		
Passed through Clark County, Nevada - Administrative Services Department, Office of Emergency Management			
Citizen Corps Council Program			3,098
Total Citizen Corps			3,098
State Domestic Preparedness Equipment Support Program	97.004		
Passed through State of Nevada, Department of Public Safety, Division of Emergency Management			
ODP Phase 1 Program			40,412
Passed through Clark County, Nevada, Office of Emergency Management			
Homeland Security Grant - Phase II			54,063
Total State Domestic Preparedness Equipment Support Program			94,475
Total Department of Homeland Security			**127,573**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 3,532,855**

CITY OF HENDERSON, NEVADA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

1. REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the City of Henderson, Nevada (the "City"). The City's reporting entity is defined in Note I to the financial statements. All expenditures of awards from federal agencies as well as expenditures of awards passed through other government agencies by the City are included on the schedule. The schedule does not include the federal award program expenditures of the City of Henderson Redevelopment Agency, a blended component unit.

2. BASIS OF ACCOUNTING

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

3. AMOUNTS PROVIDED TO SUBRECIPIENTS

Included on the Schedule of Expenditures of Federal Awards for the Community Development Block Grant, are expenditures related to payments to subrecipients. These expenditures include payments made to departments within the City of Henderson. For purposes of the Schedule of Expenditures of Federal Awards, the City considers these departments to be subrecipients, though they do not meet the definition of a subrecipient as described in OMB Circular A-133.

CITY OF HENDERSON, NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

Summary of Auditor's Results:

- Kafoury, Armstrong & Co. issued an unqualified opinion on the financial statements of the City of Henderson, Nevada for the year ended June 30, 2004.
- The audit disclosed no instances of noncompliance that were material to the financial statements of the City of Henderson.
- No reportable conditions or material weaknesses were disclosed during the audit of the financial statements.
- Reportable conditions, not identified as material weaknesses, in the internal control over the major programs were disclosed.
- Kafoury, Armstrong & Co. issued an unqualified opinion on compliance for major programs of the City of Henderson.
- Audit findings relative to the major federal award programs for the City of Henderson, which are required to be reported under section .510(a) of OMB Circular A-133 are included on the following pages.
- The City of Henderson had four major programs for the year ended June 30, 2004, as follows:
    - Public Safety Partnership and Community Policing Grants – CFDA 16.710
    - HOME Investment Partnership Programs – CFDA 14.239
    - Community Development Block Grant – CFDA 14.218
    - Aging Cluster – CFDA 93.044, 93.045, and 93.053
- The dollar threshold used to distinguish between Type A and Type B programs for the year ended June 30, 2004, was $300,000.
- The City of Henderson qualified as a low risk auditee for the year ended June 30, 2004 under the criteria set forth in section .530 of OMB Circular A-133.

Findings Relating to the Financial Statements Reported in Accordance with GAGAS:

There were no such findings in relation to the financial statements of the City of Henderson for the year ended June 30, 2004.

CITY OF HENDERSON, NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

U.S. Department of Housing and Urban Development:

Finding 04-1

Community Development Block Grants/Entitlement Grants, CFDA 14.218

Grant Award Number: Potentially affects all grant awards included under CFDA 14.218 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: The OMB Circular A-133 Compliance Supplement requires that when CDBG funds are used for rehabilitation, the grantee must assure that the work is properly completed. Requirements include conducting pre-rehabilitation inspections to identify the deficiencies, incorporating the deficiencies into the rehabilitation contract, and inspection of the rehabilitation work upon completion to assure that it was carried out in accordance with contract specifications.

During our testing over special tests and provisions, we selected ten rehabilitation files to review. We noted that there was no documentation that pre-rehabilitation inspections had been performed for nine files, there was no written description of the deficiencies in any of the files, and there was no evidence of inspection upon completion of the work in three of the files.

Questioned Costs: Undeterminable.

Context: The condition noted above appears to be a systemic problem.

Effect: Inappropriate amounts may have been charged to the Federal program.

Cause: Adequate procedures were not in place to ensure the City was in compliance with program requirements with respect to rehabilitation.

Recommendation: We recommend that the City establish procedures to ensure all required inspections are performed, including preparation of written descriptions of the deficiencies in accordance with 24 CFR 570.506 (9).

Management's Response: See management's response on page 125.

CITY OF HENDERSON
Finance Department
240 Water Street, P.O. Box 95050
Henderson, NV 89009

October 28, 2004

To: U.S. Department of Housing and Urban Development

From: Jean Santry, Internal Auditor

Subject: City of Henderson, Nevada Fiscal Year 2003-2004
External Auditor's Recommendations
Finding 04-1

A recent external audit made the following recommendation regarding reporting of this Community Development Block Grants/Entitlement Grants, CFDA 14.218. We have been requested to provide you with our response to the recommendation.

Text of Recommendation

We recommend that the City establish procedures to ensure all required inspections are performed, including preparation of written descriptions of the deficiencies in accordance with 24 CFR 570.506(9).

Department Response

Policy and Procedures with regard to the Emergency/Repair Program funded by CDBG already exists. The portion of the finding regarding lack of documentation for pre-rehabilitation is the result of non-performance of a Neighborhood Services staff member. Corrective action has been taken and management will increase efforts to monitor and document per regulations and requirements.

If you have any questions, please contact me at (702) 267-1781.

Jean Santry

Jean Santry
Internal Auditor

Finance Department • 702-267-1700 • fax 702-267-1702

CITY OF HENDERSON, NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

U.S. Department of Housing and Urban Development:

Finding 04-2

Community Development Block Grants/Entitlement Grants, CFDA 14.218
HOME Investment Partnerships Program, CFDA 14.239

Grant Award Number: Potentially affects all grant awards included under CFDA 14.218 and CFDA 14.239 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: *OMB Circular A-87* requires that salaries and wages charged to federal programs be supported by certain records related to time distribution.

Charges to Federal awards for salaries and wages will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit. During our testing over allowable costs, we noted one employee whose time sheets reflected that all of her time was spent on HOME program, but her salary for one week was charged to CDBG.

Questioned Costs: Undeterminable.

Context: The problem is systemic as there were no procedures in place to ensure that payroll costs charged to the federal programs were supported by the records required under OMB A-87.

Effect: Payroll costs charged to the grants may not be allowable, and all allowable costs may not be charged to the grants.

Cause: There were no procedures in place to review salaries and wages charged to the program. As a result, salary costs were inappropriately charged to the CDBG program and not identified.

Recommendation: We recommend that the City implement review procedures to ensure actual time worked as recorded on the time cards is the basis of charges to the federal programs.

Management's Response: See management's response on page 127.

CITY OF HENDERSON
Finance Department
240 Water Street, P.O. Box 95050
Henderson, NV 89009

October 28, 2004

To: U.S. Department of Housing and Urban Development

From: Jean Santry, Internal Auditor

Subject: City of Henderson, Nevada Fiscal Year 2003-2004
External Auditor's Recommendations
Finding 04-2

A recent external audit made the following recommendation regarding reporting of this Community Development Bock Grants/Entitlement Grants, CFDA 14.218, and HOME Investment Partnerships Program, CFDA 14.239. We have been requested to provide you with our response to the recommendation.

Text of Recommendation

We recommend that the City implement review procedures to ensure actual time worked as recorded on the time cards is the basis of charges to the federal programs.

Department Response

Neighborhood Services implemented procedures beginning September 2003 to verify hours entered into the PeopleSoft system. However, this verification is performed before the hours are actually posted by the system. Effectively immediately, procedures will be implemented to review the actual hours paid through PeopleSoft system with the time sheets.

If you have any questions, please contact me at (702) 267-1781.

Jean Santry
Jean Santry
Internal Auditor

Finance Department • 702-267-1700 • fax 702-267-1702

CITY OF HENDERSON, NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

U.S. Department of Housing and Urban Development
U.S. Department of Health and Human Services:

Finding 04-3

Community Development Block Grants/Entitlement Grants, CFDA 14.218
Aging Cluster – CFDA 93.044, 93.045, and 93.053

Grant Award Number: Potentially affects all grant awards included under CFDA 14.218 and CFDA 93.044, 93.045, and 93.053 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: The OMB Circular A-133 Compliance Supplement requires that the entity have an internal control process in place designed to provide reasonable assurance that reports of Federal awards submitted to the Federal awarding agency are supported by underlying accounting records.

The CO4PR26, CDBG Financial Summary for Program Year 2003, and the CO4PR03, CDBG Activity Summary Report, could not be reconciled to the City's accounting records.

Program income reported on the quarterly financial reports submitted to the State Division for Aging Services by the Nutrition Program during the fiscal year could not be reconciled to the City's accounting records.

Questioned Costs: None.

Context: The condition noted above appears to be a systemic problem.

Effect: Financial reporting may be inaccurate.

Cause: Adequate procedures were not in place to ensure the CDBG Financial Summary was reconcilable to the City's accounting records.

Recommendation: We recommend that the City establish procedures to reconcile the CDBG Financial Summary Report and CDBG Activity Summary Report to the City's accounting records. These procedures should be performed prior to submitting reports to the Federal awarding agency to ensure amounts can be reconciled to the accounting records and are supported by the appropriate documentation.

Management's Response: See management's response on pages 129 through 130.

CITY OF HENDERSON
Finance Department
240 Water Street, P.O. Box 95050
Henderson, NV 89009

October 28, 2004

To: U.S. Department of Housing and Urban Development

From: Jean Santry, Internal Auditor

Subject: City of Henderson, Nevada Fiscal Year 2003-2004
External Auditor's Recommendations
Finding 04-3

A recent external audit made the following recommendation regarding reporting of this Community Development Block Grants/Entitlement Grants, CFDA 14.218. We have been requested to provide you with our response to the recommendation.

Text of Recommendation

We recommend that the City establish procedures to reconcile the CDBG Financial and Activity Summary Reports and the Aging Cluster Quarterly Financial Reports to the City's accounting records. These procedures should be performed prior to submitting reports to the Federal awarding agency to ensure amounts can be reconciled to the accounting records and are supported by the appropriate documentation.

Department Response

In addition to procedures that exist to reconcile Neighborhood Services' records to HUD IDIS reports, additional procedures will be added to reconcile the PR26 and PR03 reports to City records. We will rely upon the Finance Department to provide timely reporting of accruing and adjusting entries that affect the Financial Summary Report.

If you have any questions, please contact me at (702) 267-1781.

Jean Santry

Jean Santry
Internal Auditor

Finance Department • 702-267-1700 • fax 702-267-1702

CITY OF HENDERSON
Finance Department
240 Water Street, P.O. Box 95050
Henderson, NV 89009

October 28, 2004

To: U.S. Department of Health and Human Services

From: Jean Santry, Internal Auditor

Subject: City of Henderson, Nevada Fiscal Year 2003-2004
External Auditor's Recommendations
Finding 04-3

A recent external audit made the following recommendation regarding reporting of this Aging Cluster Grants, CFDA 93.044, 93.045 and 93.053. We have been requested to provide you with our response to the recommendation.

Text of Recommendation

We recommend that the City establish procedures to reconcile the CDBG Financial and Activity Summary Reports and the Aging Cluster Quarterly Financial Reports to the City's accounting records. These procedures should be performed prior to submitting reports to the Federal awarding agency to ensure amounts can be reconciled to the accounting records and are supported by the appropriate documentation.

Department Response

There has been a change in management for the Aging Cluster Grants. Procedures are being implemented to review quarterly financial reports to ensure that amounts for program income are reconciled to the City's accounting records before the reports are submitted.

If you have any questions, please contact me at (702) 267-1781.

Jean Santry

Jean Santry
Internal Auditor

Finance Department • 702-267-1700 • fax 702-267-1702

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U.S. Department of Housing and Urban Development
U.S. Department of Health and Human Services:

Finding 04-4

HOME Investment Partnerships Program, CFDA 14.239
Aging Cluster – CFDA 93.044, 93.045, and 93.053

Grant Award Number: Potentially affects all grant awards included under CFDA 14.239 and CFDA 93.044, 93.045, and 93.053 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: In accordance with the A-102 Common Rule, program income, rebates, refunds, and other income and receipts should be disbursed before requesting additional cash payments from the grantor agency.

The City drew down additional federal funds throughout the year although its records indicate program income and recaptured funds were available for disbursement. At June 30, 2004, the balance of program income and recaptured funds available in the HOME program was $220,630. At June 30, 2004, the balance of program income available in the Aging Cluster was $70,457.

Questioned Costs: None.

Context: The condition noted above appears to be a systemic problem.

Effect: The City had excess federal cash on hand during the year and at year-end.

Cause: Although the City accurately identified and recorded program income and receipt of recaptured funds, it did not have adequate procedures in place to ensure that program income and recaptured funds were disbursed before requesting additional cash payments.

Recommendation: We recommend that the City establish procedures to ensure that all available program income and recaptured funds be disbursed before requesting additional cash payments.

Management's Response: See management's response on pages 132 through 133.

CITY OF HENDERSON
Finance Department
240 Water Street, P.O. Box 95050
Henderson, NV 89009

October 28, 2004

To: U.S. Department of Housing and Urban Development

From: Jean Santry, Internal Auditor

Subject: City of Henderson, Nevada Fiscal Year 2003-2004
External Auditor's Recommendations
Finding 04-4

A recent external audit made the following recommendation regarding reporting of this HOME Investment Partnerships Program, CFDA 14.239. We have been requested to provide you with our response to the recommendation.

Text of Recommendation

We recommend that the City establish procedures to ensure that all available program income and recaptured funds be disbursed before requesting additional cash payments.

Department Response

Neighborhood Services is required to draw program income in accordance with 24 CFR 85.25. Additional procedures will be implemented to delay a draw, in the event of a system malfunction or fault with the IDIS system, until the malfunction or fault is corrected to ensure that program income is drawn before federal funds are drawn.

If you have any questions, please contact me at (702) 267-1781.

Jean Santry
Jean Santry
Internal Auditor

Finance Department • 702-267-1700 • fax 702-267-1702

CITY OF HENDERSON
Finance Department
240 Water Street, P.O. Box 95050
Henderson, NV 89009

October 28, 2004

To: U.S. Department of Health and Human Services

From: Jean Santry, Internal Auditor

Subject: City of Henderson, Nevada Fiscal Year 2003-2004
External Auditor's Recommendations
Finding 04-4

A recent external audit made the following recommendation regarding reporting of this Aging Cluster Grants, CFDA 93.044, 93.045, and 93.053. We have been requested to provide you with our response to the recommendation.

Text of Recommendation

We recommend that the City establish procedures to ensure that all available program income and recaptured funds be disbursed before requesting additional cash payments.

Department Response

There has been a change in management for the Aging Cluster Grants. Procedures are being implemented to review program income on a monthly basis before federal funds are drawn.

If you have any questions, please contact me at (702) 267-1781.

Jean Santry
Jean Santry
Internal Auditor

Finance Department • 702-267-1700 • fax 702-267-1702

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U.S. Department of Housing and Urban Development:

Finding 04-5

HOME Investment Partnerships Program, CFDA 14.239

Grant Award Number: Potentially affects all grant awards included under CFDA 14.239 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: As noted in the OMB Circular A-133 Compliance Supplement, each participating jurisdiction must invest HOME funds made available during a fiscal year so that, with respect to tenant-based rental assistance and rental units not less than 90 percent of (1) the families receiving assistance are families whose annual income do not exceed 60 percent of the median family income for the area, as determined and made available by HUD, with adjustments for smaller and larger families at the time of occupancy or at the times the funds are invested, whichever is later, or (2) the dwelling units assisted with such funds are occupied by families having such incomes (24 CFR 92.216).

There was no evidence that the families occupying the dwelling units assisted with HOME funds met the earmarking requirement for one of the four project files reviewed.

Questioned Costs: Undeterminable.

Context: The condition noted above appears to be a systemic problem.

Effect: The City may not be in compliance with this earmarking requirement.

Cause: Although the City requires low-income housing property managers to submit "HOME Program Housing Beneficiary Reports," which identify household size and income of tenants, semiannually, it does not appear that controls were in place to ensure the required reports were received.

Recommendation: We recommend that the City establish a tracking system to ensure receipt of the required reports from the property managers.

Management's Response: See management's response on page 135.

CITY OF HENDERSON
Finance Department
240 Water Street, P.O. Box 95050
Henderson, NV 89009

October 28, 2004

To: U.S. Department of Housing and Urban Development

From: Jean Santry, Internal Auditor

Subject: City of Henderson, Nevada Fiscal Year 2003-2004
External Auditor's Recommendations
Finding 04-5

A recent external audit made the following recommendation regarding reporting of this HOME Investment Partnerships Program, CFDA 14.239. We have been requested to provide you with our response to the recommendation.

Text of Recommendation

We recommend that the City establish a tracking system to ensure receipt of the required reports from the property managers.

Department Response

Neighborhood Services is in the process of developing a "table" based tracking system that will accompany each file to ensure that "Beneficiary Reports" are submitted per procedures.

If you have any questions, please contact me at (702) 267-1781.

Jean Santry
Jean Santry
Internal Auditor

Finance Department • 702-267-1700 • fax 702-267-1702

CITY OF HENDERSON, NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

U.S. Department of Housing and Urban Development:

Finding 04-6

HOME Investment Partnerships Program, CFDA 14.239

Grant Award Number: Potentially affects all grant awards included under CFDA 14.239 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: As noted in the OMB Circular A-133 Compliance Supplement, during the period of affordability for HOME assisted rental housing, the participating jurisdiction must perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than: (a) every three years for projects containing 1 to 4 units, (b) every 2 years for projects containing 5 to 25 units, and (c) every year for projects containing 26 or more units.

There was no documentation that the required housing quality standard inspections were performed for three of the four project files reviewed.

Questioned Costs: None.

Context: The condition noted above appears to be a systemic problem.

Effect: The City was not in compliance with this requirement.

Cause: The City did not have adequate procedures in place to ensure the required housing quality standard inspections were performed.

Recommendation: We recommend that the City establish a tracking system to identify when housing quality inspections are due.

Management's Response: See management's response on page 137.

CITY OF HENDERSON
Finance Department
240 Water Street, P.O. Box 95050
Henderson, NV 89009

October 28, 2004

To: U.S. Department of Housing and Urban Development

From: Jean Santry, Internal Auditor

Subject: City of Henderson, Nevada Fiscal Year 2003-2004
External Auditor's Recommendations
Finding 04-6

A recent external audit made the following recommendation regarding reporting of this HOME Investment Partnerships Program, CFDA 14.239. We have been requested to provide you with our response to the recommendation.

Text of Recommendation

We recommend that the City establish a tracking system to identify when housing quality inspections are due.

Department Response

Neighborhood Services is in the process of developing a "table" based tracking system that will accompany each file to ensure that "HQS" inspections are completed per procedures.

If you have any questions, please contact me at (702) 267-1781.

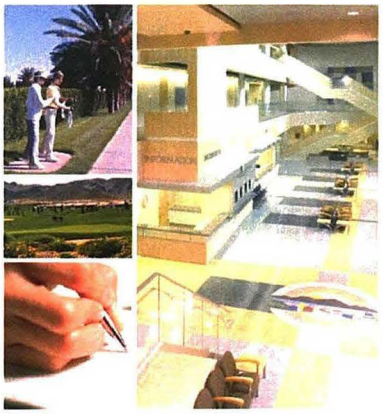
Jean Santry
Jean Santry
Internal Auditor

Finance Department • 702-267-1700 • fax 702-267-1702

THE CITY OF HENDERSON, NEVADA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

There were no findings reported for the year ended June 30, 2003.

Auditor's Comments



AUDITOR'S COMMENTS

STATUTE COMPLIANCE

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

PROGRESS ON PRIOR YEAR STATUTE COMPLIANCE

The following action was taken during 2003-04 relating to potential statute violations as reported in the June 30, 2003, audit report:

- During the current year, efforts were made to monitor all expenditures and expenses. However, the City was unable to avoid all potential violations.

PRIOR YEAR RECOMMENDATIONS

There were no specific recommendations made in the audit report for the year ended June 30, 2003.

CURRENT YEAR RECOMMENDATIONS

We did not find any financial weaknesses of a magnitude to justify inclusion within our audit report. However, our audit activity did identify recommendations to improve procedures and accountability that have been included in our current management letter.

354.6115

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

- As noted above, compliance with Nevada Revised Statutes is contained in Note III to the financial statements.

354.598155

- The Special Ad Valorem Transportation Capital Projects Fund expended the following amounts during the year ended June 30, 2004:

Public Works – Service and supplies	$168,703

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, 2004

Flat Fixed Fees:		
Business license revenue for the year ended June 30, 2003 (Base Year)		$1,601,408
Adjustment to Base:		
1. Percentage increase in population of the local government	5.48%	
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	1.90%	
	7.38%	118,184
Adjusted Base at June 30, 2004		1,719,592
Actual Revenue		1,744,112
Amount over Allowable Amount		$ 24,520
Fees Calculated as a Percentage of Gross Revenue:		
Business license revenue for the year ended June 30, 2003		$8,520,565
1. Percentage increase in the Consumer Price Index	1.90%	161,891
Adjusted Base at June 30, 2004		8,682,456
Actual Revenue		9,335,910
Actual Amount over Allowable Amount		$ 653,454

KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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 purposes 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, 2004 (based on the interpretation of reasonable and necessary provided by the Legislative Counsel Bureau),
- The sources of revenues, 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, 2004 (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.

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.

Kafoury, Armstrong & Co.

Reno, Nevada
October 21, 2004

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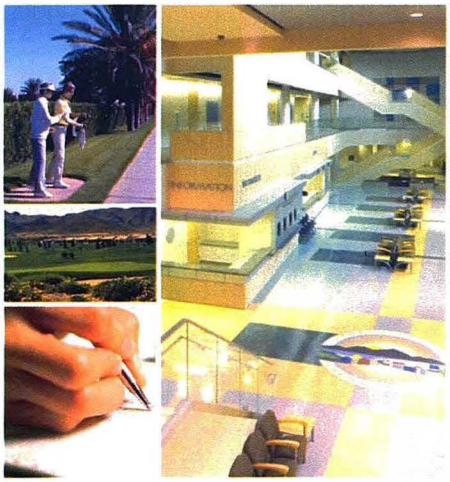

THE CITY OF HENDERSON®

A Place To Call Home

James B. Gibson
Mayor

Jack K. Clark
Councilman

Amanda M. Cyphers
Councilman

Andy A. Hafen
Councilman

Steven D. Kirk
Councilman

Philip D. Speight
City Manager

Steven Hanson
Finance Director