City of Lyford, Texas SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED September 30, 2000

Section II - Financial Statement Findings

PROGRAM	DESCRIPTION
Schedule Reference Number: (00-1)	Collateralization of Deposits
General	
Criteria:	Governmental entities are required to maintain a depository contract with a financial institution to ensure that sufficient collateral is provided to secure the City's deposits.
Condition Found:	The City was not adequately collateralized throughout the 1999-2000 fiscal year. During the fiscal year, the City changed depository institutions. During the first few months after the transfer of deposits to this institution, no collateral was being pledged against the deposits; Federal Deposit Insurance Corporation (FDIC) coverage alone was inadequate to cover the total deposits. In addition, undercollateralization occurred in one month of the fiscal year while the funds were on deposit with the former financial institution.
Questioned Costs/Basis	None
Instances/Universe:	Former financial institution - November 1999 (1 month); current financial institution - January 2000 through April 2000 (4 months)
Effect:	The City is not in full compliance in relation to collateralization of deposits, thus placing public funds at risk.
Recommendation:	We recommend that the City obtain and review monthly collateralization reports to ensure that the City's deposits are adequately collateralized at all times.

City of Lyford, Texas SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED September 30, 2000

Section II - Financial Statement Findings - Continued

PROGRAM		<u>DESCRIPTION</u>
Schedule Reference Number: (00-2)		Public Funds Investment Act
General		·
Criteria:		The Public Funds Investment Act mandates that City management prepare reports which include a listing of all investments held and details of these investments (i.e., beginning and ending book and market values, maturity dates, a statement as to whether the investments comply with the written strategy of the fund, and the signature of each investment officer). These reports must be submitted to the City Commission at least quarterly and then annually.
Condition Found:		We noted that only two quarterly and the annual report were submitted; thus, the City was noncompliant in relation to two quarters of the fiscal year. In addition, we noted that the reports submitted had not been certified by the investment officer.
Questioned Costs/Basis:		Not applicable
Instances/Universe:		Quarterly reports for the first two quarters of the fiscal year (December 1999 and March 2000) were not prepared/approved. The annual reports and the quarterly reports for the last two quarters of the fiscal year (June 2000 and September 2000) were not certified by the investment officer.
· Effect:		The City is not in full compliance with the Public Funds Investment Act.
Recommendation:	₹~ - •	We recommend that the City continue to prepare and submit the required quarterly and annual reports. These reports should include a statement as to the compliance with the written strategy of

the fund and

officer.

City of Lyford, Texas SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED September 30, 2000

Section III - Federal Award Findings

PROGRAM

DESCRIPTION

Schedule Reference Number: (00-3)

Retention of Police Officers

COPS Universal Hiring Program CFDA 16.710

Criteria:

The COPS (Community Oriented Policing Services) grant conditions include the retention of the COPS - fund positions for at least one budget cycle beyond the conclusion of the Federal funding.

Condition Found:

We noted that the police department of the City was substantially disbanded in April 2000 (both full-time and part-time officers); the Chief of Police continued employment through September 2000. Grant funds for the full-time officer positions had been drawn down by December 1999 and approximately 15% of grant funds for part-time officers had been drawn by April 2000. However, since the police department was disbanded in April 2000, the City did not meet the requirement that the positions be maintained for at least one budget cycle.

Questioned Costs/Basis:

Instances/Universe:

Effect:

Not determinable

Not applicable

Recommendation:

The City is not in full compliance with the conditions of this grant.

We recommend that the City consult with COPS grant personnel as soon as possible to determine if any of the Federal funding received will be required to be refunded.

Total All Questioned Costs

\$ -0-



City of Lyford, Texas SCHEDULE OF STATUS OF PRIOR FINDINGS

Year Ended September 30, 2000

PROGRAM

TCDP #715192 - Willacy Apparel (Indiana Knitware) Grant (Finding 97-1)

Public Funds Investment Act (Finding 99-1)

STATUS OF PRIOR YEAR FINDINGS/NONCOMPLIANCE

The City believes that it was the third-party grantman's responsibility to contact the individuals due a refund under provisions of the Davis-Bacon Act. As a result, the City has reserved \$843 in cash and recorded a liability for the repayment of the remainder of these funds, but has taken no further action. The City believes that the proper course of action for these funds is escheatment to the State of Texas. This finding remains unresolved.

The City performed an annual review and approval of its investment policy in July 2000. In addition, the quarterly reports were filed for the last two quarters of fiscal year 1999-2000, but were lacking the required compliance statement and signature of the investment officer. This and the absence of the reports for the first two quarters of the fiscal year is reported as a current year finding.



WATER QUALITY APPLICATIONS TEAM



City of Lyford, Texas CORRECTIVE ACTION PLAN

Year Ended September 30, 2000

PROGRAM

Schedule Reference Number: (00-1)

General

Corrective Action Plan:

Schedule Reference Number: (00-2)

General

Corrective Action Plan:

Schedule Reference Number: (00-3)

COPS Universal Hiring Program CFDA 16.710

Corrective Action Plan:

CORRECTIVE ACTION PLAN

Collateralization of Deposits

The City will obtain and review monthly collateralization reports to ensure that the City's deposits are adequately collateralized at all times.

Public Funds Investment Act

The City will prepare and submit the required quarterly and annual reports which will include a statement as to the compliance with the written strategy of the fund and the signature of the investment officer.

Retention of Police Officers

The City will make every effort to consult with COPS grant personnel to determine if any of the Federal funding received will be required to be refunded.