

**Port of Houston Authority of Harris County, Texas**

Schedule of Expenditures of Federal Awards, Schedule of  
Expenditures of State Awards and Independent Auditor's Report

December 31, 2021



# Port of Houston Authority of Harris County, Texas

December 31, 2021

## Contents

Schedule of Expenditures of Federal Awards ..... 1

Schedule of Expenditures of State Awards ..... 2

Notes to Schedule of Expenditures of Federal Awards and  
Schedule of Expenditures of State Awards ..... 3

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* –  
Independent Auditor’s Report ..... 4

Report on Compliance for Each Major Federal and State Program; Report  
on Internal Control Over Compliance; Report on Schedule of Expenditures  
of Federal Awards Required by the Uniform Guidance; and Report of  
Schedule of Expenditures of State Awards Required by the Uniform Grants  
Management Standards – Independent Auditor’s Report ..... 6

Schedule of Findings and Questioned Costs ..... 10

**Port of Houston Authority of Harris County, Texas**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2021**

<b>Federal Grantor/Pass-through Grantor/Program Title/Pass-through Grantor's Award Number</b>	<b>Federal ALN</b>	<b>Pass-through to Subrecipient</b>	<b>Expenditures</b>
<b>U.S. Department of Transportation</b>			
Direct Program			
American Marine Highway Program	20.816	\$ -	\$ 88,023
Port Infrastructure Development Program	20.823	-	3,043,930
Total U.S. Department of Transportation		<u>0</u>	<u>3,131,953</u>
<b>U.S. Environmental Protection Agency</b>			
Direct Program			
EPA/DERA National Clean Diesel Program	66.039	-	29,895
Total U.S. Environmental Protection Agency		<u>0</u>	<u>29,895</u>
<b>U. S. Department of Homeland Security</b>			
Pass Through: Texas Department of Public Safety			
Public Assistance Grant Program	97.036	-	1,788,917
Direct Program			
Port Security Grant Program	97.056	-	480,736
Total U. S. Department of Homeland Security		<u>0</u>	<u>2,269,653</u>
<b>Total Federal Expenditures</b>		<u>\$ 0</u>	<u>\$ 5,431,501</u>

**Port of Houston Authority of Harris County, Texas**  
**Schedule of Expenditures of State Awards**  
**Year Ended December 31, 2021**

<b>State Grantor/Pass-through Grantor/Program Title/Pass-through Grantor's Award Number</b>	<b>State Identifying Number</b>	<b>Expenditures</b>
<b>Texas Department of Transportation</b>		
Direct Program		
Port Road Rider 45 Program	CSJ-0912-72-179	\$ 7,077,882
Total Texas Department of Transportation		<u>7,077,882</u>
<b>Total State Expenditures</b>		<u>\$ 7,077,882</u>

**Port of Houston Authority of Harris County, Texas**  
**Notes to Schedule of Expenditures of Federal Awards and**  
**Schedule of Expenditures of State Awards**  
**December 31, 2021**

**Note 1: Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards are presented on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Texas Comptroller of Public Accounts, State of Texas Uniform Grant Management Standards*, which includes the State of Texas Single Audit Circular (UGMS). The information in this schedule is presented in accordance with the requirements of *the* Uniform Guidance and UGMS. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**Note 2: Indirect Cost Rate**

The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3: Public Assistance Grant Program**

Public Assistance Grant Program expenditures of \$1,788,917 included on the schedule of expenditures of federal awards were incurred in prior years.

**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***

**Independent Auditor's Report**

Port Commission  
Port of Houston Authority of Harris County, Texas  
Houston, Texas

We have audited, 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, the financial statements of the business-type activities and fiduciary activities of the Port of Houston Authority of Harris County, Texas (the Authority), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated April 22, 2022.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*A deficiency in internal control* 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 financial statements. 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*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BKD, LLP*

Houston, Texas  
April 22, 2022

**Report on Compliance for Each Major Federal and State Program; Report on Internal Control over Compliance; Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and Report on Schedule of Expenditures of State Awards Required by the Uniform Grants Management Standards**

**Independent Auditor's Report**

Port Commission  
Port of Houston Authority of Harris County, Texas  
Houston, Texas

**Report on Compliance for Each Major Federal and State Program**

***Opinion on Each Major Federal and State Program***

We have audited the Port of Houston Authority of Harris County, Texas' (the Authority) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and State of Texas Single Audit Circular that could have a direct and material effect on each of the Authority's major federal and state programs for the year ended December 31, 2021. The Authority's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2021.

***Basis for Opinion on Each Major Federal and State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Texas Comptroller of Public Accounts, *State of Texas Uniform Grant Management Standards*, which includes the State of Texas Single Audit Circular (UGMS). Our responsibilities under those standards, the Uniform Guidance and the UGMS are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.



We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal and state programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the UGMS will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the UGMS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and UGMS, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and Schedule of Expenditures of State Awards Required by the UGMS**

We have audited the financial statements of the business-type activities and fiduciary activities of the Port of Houston Authority of Harris County, Texas (the Authority), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We have issued our report thereon dated April 22, 2022, which contained unmodified opinions on those financial statements. Our audits were performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards and schedule of expenditures of state awards are presented for purposes of additional analysis as required by the Uniform Guidance and the UGMS and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the schedule of expenditures of state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the UGMS. Accordingly, this report is not suitable for any other purpose.

*BKD, LLP*

Houston, Texas  
April 22, 2022

**Port of Houston Authority of Harris County, Texas**  
**Federal and State Awards**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2021**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified       Qualified       Adverse       Disclaimer

2. Internal control over financial reporting:

Material weakness identified?       Yes       No

Significant deficiency identified?       Yes       None Reported

Noncompliance material to the financial statements noted?  
 Yes       No

**Federal and State of Texas Awards**

3. Internal control over major awards programs:

Material weakness identified?       Yes       No

Significant deficiency identified?       Yes       None Reported

4. Type of auditor’s report issued on compliance for major award programs:

Unmodified       Qualified       Adverse       Disclaimer

5. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) and State of Texas Uniform Grant Management Standards?

Yes       No

6. Identification of major federal and state programs:

<b>Federal Program - Assistance Listing Number</b>	<b>Name of Federal Program</b>
20.823	Port Infrastructure Development Program
<b>State Program – Identifying Number</b>	<b>Name of State Program</b>
CSJ-0912-72-179	Port Road Rider 45 Program

**Port of Houston Authority of Harris County, Texas**  
**Federal and State Awards**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2021**

7. Dollar threshold used to distinguish between Type A and Type B programs:

Federal	\$750,000
State of Texas	\$300,000

8. Auditee qualified as a low-risk auditee?

Federal	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
State of Texas	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Section II – Financial Statement Findings**

No matters are reportable.

**Section III – Federal and State Award Findings and Questioned Costs**

No matters are reportable.