

Schedule of Expenditures of Federal
Awards, Schedule of Expenditures of
State Awards and Report of
Independent Certified Public
Accountants

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

Year ended December 31, 2019

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Part I - Financial

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
THE UNIFORM GUIDANCE AND SCHEDULE OF EXPENDITURES OF
STATE AWARDS REQUIRED BY THE STATE OF TEXAS SINGLE AUDIT
CIRCULAR**

Port Commission
Port of Houston Authority of Harris County, 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 Port of Houston Authority of Harris County, Texas (the "Authority") as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and our report thereon dated April 21, 2020 expressed an unmodified opinion on these financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements.

The accompanying schedule of expenditures of federal awards and schedule of expenditures of state awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State of Texas Single Audit Circular, respectively, and is not a required part of the basic financial statements. Such supplementary 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 basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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.

Grant Thornton LLP

Houston, Texas
April 21, 2020

Port of Houston Authority of Harris County, Texas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title/ Pass-Through Grantor's Award Number</u>	<u>Federal CFDA number</u>	<u>Pass-Through to Subrecipient</u>	<u>Expenditures</u>
Expenditures of Federal Awards:			
U.S. Department of Homeland Security			
Direct program			
Port Security Grant Program	97.056	\$ -	\$ 542,428
Pass Through: Texas Department of Public Safety			
Public Assistance Grant Program			
000-UMGRI-00	97.036	-	325,476
Total U.S. Department of Homeland Security			867,904
Total Federal Expenditures		\$ -	\$ 867,904

The accompanying notes are an integral part of this schedule.

Port of Houston Authority of Harris County, Texas
SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year ended December 31, 2019

<u>State Grantor/Pass-Through Grantor/Program Title/ Pass-Through Grantor's Award Number</u>	<u>State Identifying number</u>	<u>Expenditures</u>
Expenditures of State Awards:		
Texas Commission on Environmental Quality Direct program Port Authority Studies and Pilot Program	582-18-84743	<u>\$ 439,705</u>
Pass Through: Harris County Local Initiatives Project	582-14-40130	<u>547,386</u>
Total Texas Commission on Environmental Quality		<u>987,091</u>
Total State Expenditures		<u><u>\$ 987,091</u></u>

The accompanying notes are an integral part of this schedule.

Port of Houston Authority of Harris County, Texas

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND SCHEDULE OF EXPENDITURES OF STATE AWARDS**

Year ended December 31, 2019

NOTE A - 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. The information in this schedule is presented in accordance with the requirements of *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 State of Texas Uniform Grant Management Standards. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE B - INDIRECT COST RATE

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

Part II - Internal Controls and Compliance Reports

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Port Commission
Port of Houston Authority of Harris County, 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 Port of Houston Authority of Harris County, Texas (the "Authority") as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 21, 2020.

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") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 Authority'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 the Authority's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 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*.

Intended purpose

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 Authority'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 Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Houston, Texas
April 21, 2020

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE FOR THE MAJOR FEDERAL AND STATE PROGRAMS
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE AND THE STATE OF TEXAS UNIFORM GRANT
MANAGEMENT STANDARDS**

Port Commission
Port of Houston Authority of Harris County, Texas

**Report on compliance for each major federal and state
program**

We have audited the compliance of the Port of Houston Authority of Harris County, Texas (the "Authority") with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Compliance Supplement* and *Texas Comptroller of Public Accounts, State of Texas Uniform Grant Management Standards*, which includes the State of Texas Single Audit Circular ("UGMS") that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2019. 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.

Management's responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to the Authority's federal and state programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal and state programs based on our audit of the types of compliance requirements referred to above. 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; 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 UGMS. Those standards, the Uniform Guidance, and the UGMS 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 and state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Opinion on each major federal and state program

In our opinion, the Authority complied, in all material respects, with the types of 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, 2019.

Report on internal control over compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal and state program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Authority's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 UGMS. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Houston, Texas
April 21, 2020

Part III - Schedule of Findings and
Questioned Costs - Federal and State Grants

Port of Houston Authority of Harris County, Texas

FEDERAL AND STATE GRANTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? No

Federal and State of Texas Awards

Internal control over major programs:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance and State of Texas Uniform Grant Management Standards No

Identification of major programs:

Federal Programs - CFDA Number

97.056

Name of Federal Program

Port Security Grant Program

State Programs - Identifying Number

582-18-84743

582-14-40130

Name of State Program

Port Authority Studies and Pilot Program

Local Initiatives Project

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

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

Auditee qualified as low-risk auditee?

Federal Yes
State of Texas Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

The audit disclosed no findings required to be reported.

SECTION III - FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

The audit disclosed no findings required to be reported.