

**Houston Forensic Science Center, Inc.**  
**(A Component Unit of the City of Houston)**

Financial Statements  
and Single Audit Reports  
for the year ended June 30, 2020

# Houston Forensic Science Center, Inc.

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## Independent Auditors' Report

To the Board of Directors of  
Houston Forensic Science Center, Inc.:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Houston Forensic Science Center, Inc. (a component unit of the City of Houston), as of and for the years ended June 30, 2020 and 2019 and the related notes to the financial statements, which collectively comprise Houston Forensic Science Center, Inc.'s basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of Houston Forensic Science Center, Inc. as of June 30, 2020 and 2019, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information included in the schedule of expenditures of federal awards for the year ended June 30, 2020 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* is presented for purposes of additional analysis and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020 on our consideration of Houston Forensic Science Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Houston Forensic Science Center, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Houston Forensic Science Center, Inc.'s internal control over financial reporting and compliance.



September 23, 2020

**Houston Forensic Science Center, Inc.**  
**Management's Discussion and Analysis**  
**For the years ended June 30, 2020 and 2019**  
**(unaudited)**

The following discussion and analysis of Houston Forensic Science Center, Inc.'s (HFSC) financial performance provides an overview of the financial activities for the years ended June 30, 2020 and 2019. This discussion should be read in conjunction with HFSC's financial statements, which follow this section.

**Financial Highlights**

Financial highlights for the fiscal year ending June 30, 2020 include:

- HFSC's total net position decreased by \$2,171,000 with revenue of \$27.2 million and expenses of \$29.4 million.
- \$23.2 million of HFSC's expenses were program expenses incurred in connection with forensic science services.
- HFSC recognized revenue of \$25.6 million in appropriations from the City of Houston (the City) in its statement of activities.
- HFSC entered a lease agreement to acquire the use of forensic equipment which created a lease asset and lease liability of \$692,000.
- HFSC added \$411,000 in capital assets during the year in addition to the lease asset referred to above.
- At the close of the current fiscal year, HFSC's general fund reported a fund balance of \$535,000, a decrease of \$223,000 in comparison with the prior year. This decrease is the result of expenditures associated with processing a greater number of DNA kits, salary and related benefit costs normalizing in fiscal year 2020 as opposed to the capitalization of such costs for employee time and effort related to upgrading the IT infrastructure in fiscal year 2019, and costs associated with testing and protecting employees in connection with the novel coronavirus (COVID-19) pandemic.

Financial highlights for the fiscal year ending June 30, 2019 include:

- HFSC entered a lease agreement for the use of a building, which created a lease asset of \$31.2 million and a lease liability of \$32 million as it early implemented Governmental Accounting Standards Board Statement No. 87, *Leases*.
- HFSC's total net position decreased by \$1,420,000 with revenue of \$26.5 million and expenses of \$27.9 million.
- \$22.7 million of HFSC's expenses were program expenses incurred in connection with forensic science services.
- HFSC recognized revenue of \$25.6 million in appropriations from the City in its statement of activities.
- HFSC added \$582,000 in capital assets during the year in addition to the lease asset referred to above.
- At the close of the current fiscal year, HFSC's general fund reported a fund balance of \$757,618, a decrease of \$207,730 in comparison with the prior year. This decrease is the result of expenditures associated with moving to a new location and upgrading and improving IT infrastructure.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to HFSC's basic financial statements. The basic financial statements present combined government-wide and governmental fund financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the basic financial statements.

**Government-wide financial statements** reflect an economic resources measurement focus and are prepared using the accrual basis of accounting. The government-wide financial statements are designed to provide readers with a broad overview of HFSC's finances, in a manner similar to a private-sector business. The statement of net position shows the financial position of HFSC at year end by presenting HFSC's assets and liabilities, with net position representing the difference between assets and liabilities. The statement of activities presents information showing changes in HFSC's net position during the year. Changes in net position are reported when an underlying event giving rise to a change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

**Governmental fund financial statements** reflect a current financial resources measurement focus and are prepared using the modified accrual basis of accounting. Unlike the government-wide financial statements, the governmental fund financial statements present information showing the near-term inflows and outflows of spendable resources and the balances of spendable resources at year end.

HFSC's governmental fund is comprised of its general fund. At June 30, 2020, HFSC's general fund reported a fund balance of \$534,828, a decrease of \$222,790 from the prior year. This decrease is the result of expenditures associated with processing a greater number of DNA kits, greater salary and related benefit costs and costs associated with testing and protecting employees in connection with the COVID-19 pandemic. Approximately 60% of the fund balance constitutes unassigned fund balance, which is available for spending at HFSC's discretion, with the remainder of the balance representing nonspendable prepaid expenses. At June 30, 2019, HFSC's general fund reported a fund balance of \$757,618, a decrease of \$207,730 from the prior year. The decrease is due to upgrading and improving IT infrastructure and migrating from the Houston Police Department (HPD) computer network. Approximately 76% of the fund balance constitutes unassigned fund balance, which is available for spending at HFSC's discretion with the remainder of the balance representing nonspendable prepaid expenses.

## Condensed Government-Wide Financial Information and Financial Analysis

	<u>AS OF JUNE 30</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Condensed Statements of Net Position:</i>			
Current and other assets	\$ 2,322,275	\$ 2,371,515	\$ 2,233,991
Capital assets	<u>34,329,393</u>	<u>35,318,844</u>	<u>4,582,288</u>
Total assets	<u>\$ 36,651,668</u>	<u>\$ 37,690,359</u>	<u>\$ 6,816,279</u>
Long-term liabilities	\$ 32,904,641	\$ 32,654,738	\$ 490,185
Other liabilities	<u>2,281,710</u>	<u>1,399,133</u>	<u>1,268,643</u>
Total liabilities	<u>\$ 35,186,351</u>	<u>\$ 34,053,871</u>	<u>\$ 1,758,828</u>
Net position:			
Unrestricted	\$ (611,914)	\$ 237,424	\$ 475,163
Net investments in capital assets	<u>2,077,231</u>	<u>3,399,064</u>	<u>4,582,288</u>
Total net position	<u>\$ 1,465,317</u>	<u>\$ 3,636,488</u>	<u>\$ 5,057,451</u>

## Fiscal Year 2020

The assets of HFSC primarily consist of cash, grants receivable from a federal government agency, prepaid expenses and capital assets, which includes leased assets. Liabilities primarily consist of operating expenses, including accrued salaries, compensated absences, and lease liabilities. The decrease in assets at June 30, 2020, as compared to June 30, 2019, primarily is the result of depreciation and amortization of \$1.8 million and lower government grant receivables of \$429,000 due to timing of payments received offset by asset additions of \$1.1 million, \$692,000 of which relates to leased forensic equipment, and an increase in cash of \$809,000. Liabilities increased primarily due to the related lease liability of \$692,000 from the aforementioned lease of forensic equipment, and an increase in compensated absences of \$152,000.

## Fiscal Year 2019

The assets of HFSC primarily consist of cash, grants receivable from a federal government agency, prepaid expenses and capital assets, which includes a lease asset. Liabilities primarily consist of operating expenses, including accrued salaries and compensated absences and a lease liability. The increase in assets at June 30, 2019, as compared to June 30, 2018, primarily is the result of the recognition of a \$31.2 million lease asset for the use of building space, receivables totaling \$474,000 related to the lease agreement, and \$420,000 related to IT infrastructure, offset by lower cash of \$535,000 and depreciation and amortization of \$891,000. Liabilities increased primarily due to the related lease liability of \$32 million from the aforementioned lease agreement, and an increase in compensated absences of \$504,000.

	FOR THE YEAR ENDED JUNE 30		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Condensed Statements of Activities:</i>			
Expenses:			
Program services	\$ 23,286,375	\$ 22,655,156	\$ 21,426,812
Management and general	5,011,285	4,999,106	4,526,783
Interest expense	<u>1,093,496</u>	<u>271,270</u>	
Total expenses	<u>29,391,156</u>	<u>27,925,532</u>	<u>25,953,595</u>
Revenue:			
City of Houston – appropriation	24,160,344	24,160,346	24,160,344
City of Houston – facility appropriation	1,133,208		
City of Houston – direct overhead appropriation	326,792	1,460,000	1,460,000
U. S. Department of Justice – government grant revenue	1,555,148	936,247	744,654
Other revenue	281,707	116,193	102,834
Other loss	<u>(237,214)</u>	<u>(168,217)</u>	<u>(30,305)</u>
Total revenue	<u>27,219,985</u>	<u>26,504,569</u>	<u>26,437,527</u>
CHANGES IN NET POSITION	(2,171,171)	(1,420,963)	483,932
Net position, beginning of year	<u>3,636,488</u>	<u>5,057,451</u>	<u>4,573,519</u>
Net position, end of year	<u>\$ 1,465,317</u>	<u>\$ 3,636,488</u>	<u>\$ 5,057,451</u>

## **Fiscal Year 2020**

The statement of activities reports the expenses and revenue of HFSC and the corresponding effect on net position. The majority of HFSC's revenue is provided from appropriations from the City's budget. The City provides appropriated funds from its general fund, appropriations for facility costs, as well as an overhead allocation for office space. HFSC also receives federal grant revenue funding from the U. S. Department of Justice, which is paid on a reimbursement basis.

Government grant revenue increased during the year due to incurred costs for prior year grants awards, as well as current year awards. Expenses increased by \$1.5 million primarily as a result of increased depreciation and amortization of \$915,000 related to the leased building and forensic equipment assets, greater salary and related benefit costs of \$595,000, increased forensic supplies of \$257,000 related to processing of backlogged DNA kits, and increased costs of \$426,000 related to testing and supplies from COVID-19 testing and safety procedures. The increases are offset by lower reimbursements to HPD.

## **Fiscal Year 2019**

The statement of activities reports the expenses and revenue of HFSC and the corresponding effect on net position. The majority of HFSC's revenue is provided from appropriations from the City's budget. The City provides appropriated funds from its general fund, as well as an overhead allocation for space occupied at 1200 Travis St., Houston, Texas. HFSC also receives federal grant revenue funding from the U. S. Department of Justice, which is paid on a reimbursement basis.

Government grant revenue remained consistent from the prior year. Expenses increased by \$2 million primarily due to greater salary and related benefit costs of \$2.8 million from adding more employees and an increase in compensated absences of \$504,000 and an increase in amortization expense of \$347,000 related to a lease asset recognized during the year. The increases are offset by lower reimbursements to HPD.

## **CAPITAL ASSETS AND LONG-TERM DEBT**

### *Capital Assets*

#### **Fiscal Year 2020**

HFSC's investment in capital assets as of June 30, 2020 totals \$34.3 million (net of accumulated depreciation and amortization). This investment in capital assets includes lease assets, scientific forensic equipment, furniture and equipment, leasehold improvements, and vehicles. The decrease in capital assets for the current fiscal year was primarily related to amortization of leased building space and forensic equipment of \$1.1 million and depreciation of capital assets of \$686,000, offset by the acquisition of leased forensic equipment of \$692,000. HFSC entered into a lease agreement during 2019 for the use of building space, which comprises approximately 81% of total assets.

#### **Fiscal Year 2019**

HFSC's investment in capital assets as of June 30, 2019 totals \$35.3 million (net of accumulated depreciation and amortization). This investment in capital assets includes a lease asset, scientific forensic equipment, furniture and equipment, leasehold improvements, and vehicles. The increase in capital assets for the current fiscal year was primarily related to HFSC entering a lease agreement during 2019 for the use of building space, which comprises approximately 83% of total assets.

## ***Long-Term Debt***

### **Fiscal Year 2020**

HFSC's lease liability increased by \$332,000 as a result of HFSC acquiring the use of leased forensic equipment of \$692,000 offset by principal payments made on the aforementioned lease agreement, as well as the lease agreement entered into for the use of building space during fiscal year 2019.

See additional information concerning the lease agreement in Note 5 to the financial statements.

### **Fiscal Year 2019**

As a result of the lease agreement entered into for the use of building space, HFSC incurred a lease liability of approximately \$32.0 million during fiscal year 2019.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

HFSC's Board of Directors approves an annual financial budget which serves as the foundation for HFSC's allocation of resources.

During the 2021 budget process, the City appropriated revenue for 2021, which is projected to be \$27.2 million; a 6% increase from the \$25.6 million appropriated for 2020.

In response to the pandemic caused by COVID-19, HFSC's Board has requested a reimbursement of costs from the City in the amount of \$111,000 representing costs incurred from March through June 2020. The requests were yet to be approved as of June 2020; and therefore, was not accrued as of the period ending June 30, 2020.

### **Contacting Houston Forensic Science Center, Inc.'s Financial Management**

The financial report is designed to discuss issues that may be material to the operation of HFSC. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer and Treasurer, Houston Forensic Science Center, Inc., 500 Jefferson St., 13<sup>th</sup> Floor, Houston, Texas, 77002.

## Houston Forensic Science Center, Inc.

### Governmental Fund Balance Sheet and Statement of Net Position as of June 30, 2020

	GENERAL FUND	ADJUSTMENTS (NOTE 8)	STATEMENT OF NET POSITION
<b>ASSETS</b>			
Current assets:			
Cash	\$ 1,932,708		\$ 1,932,708
Government grants receivable	136,623		136,623
Accounts receivable	37,978		37,978
Prepaid expenses	214,966		214,966
Noncurrent assets:			
Capital assets, net of depreciation and amortization (Notes 4 and 5)	_____	\$ 34,329,393	34,329,393
<b>TOTAL ASSETS</b>	<b><u>\$ 2,322,275</u></b>	<b><u>\$ 34,329,393</u></b>	<b><u>\$ 36,651,668</u></b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,787,447		\$ 1,787,447
Lease liability, current portion (Note 5)		\$ 494,263	494,263
Noncurrent liabilities:			
Compensated absences		1,146,742	1,146,742
Lease liability, long-term portion (Note 5)	_____	31,757,899	31,757,899
<b>TOTAL LIABILITIES</b>	<b><u>1,787,447</u></b>	<b><u>\$ 33,398,904</u></b>	<b><u>\$ 35,186,351</u></b>
<b>FUND BALANCE AND NET POSITION</b>			
Nonspendable prepaid expenses	214,966	\$ (214,966)	
Unassigned / unrestricted	319,862	(931,776)	\$ (611,914)
Invested in capital assets, net of related debt	_____	2,077,231	2,077,231
<b>TOTAL FUND BALANCE</b>	<b><u>534,828</u></b>		
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 2,322,275</u></b>		
<b>TOTAL NET POSITION</b>		<b><u>\$ 930,489</u></b>	<b><u>\$ 1,465,317</u></b>

*See accompanying notes to financial statements.*



## Houston Forensic Science Center, Inc.

### Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance and Statement of Activities for the year ended June 30, 2020

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	GENERAL FUND	ADJUSTMENTS (NOTE 8)	STATEMENT OF ACTIVITIES
EXPENDITURES / EXPENSES:			
Program services	\$ 21,615,151	\$ 1,671,224	\$ 23,286,375
Management and general	4,651,634	359,651	5,011,285
Capital expenditures	1,102,624	(1,102,624)	
Debt service principal – lease payments	383,211	(383,211)	
Interest expense	<u>1,093,496</u>		<u>1,093,496</u>
Total expenditures / expenses	<u>28,846,116</u>	<u>545,040</u>	<u>29,391,156</u>
REVENUE:			
Grant from City of Houston – appropriation	24,160,344		24,160,344
Grant from City of Houston – facility appropriation	1,133,208		1,133,208
Grant from City of Houston – direct overhead appropriation	326,792		326,792
U. S. Department of Justice – government grant revenue	1,555,148		1,555,148
Other revenue	281,707		281,707
Other loss		<u>(237,214)</u>	<u>(237,214)</u>
Total revenue	<u>27,457,199</u>	<u>(237,214)</u>	<u>27,219,985</u>
EXCESS OF REVENUE OVER EXPENDITURES / CHANGES IN NET POSITION	(1,388,917)	(782,254)	(2,171,171)
OTHER FINANCING SOURCES (USES):			
Other financing sources – inception of lease	691,918	(691,918)	
Other financing sources – other receivable	<u>474,209</u>	<u>(474,209)</u>	
Total other financing sources (uses)	<u>1,166,127</u>	<u>(1,166,127)</u>	
CHANGE IN FUND BALANCES / NET POSITION	(222,790)	(1,948,381)	(2,171,171)
Fund balance / net position, beginning of year	<u>757,618</u>	<u>2,878,870</u>	<u>3,636,488</u>
Fund balance / net position, end of year	<u>\$ 534,828</u>	<u>\$ 930,489</u>	<u>\$ 1,465,317</u>

*See accompanying notes to financial statements.*

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## Houston Forensic Science Center, Inc.

### Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance and Statement of Activities for the year ended June 30, 2019

	GENERAL FUND	ADJUSTMENTS (NOTE 8)	STATEMENT OF ACTIVITIES
EXPENDITURES / EXPENSES:			
Program services	\$ 21,511,422	\$ 1,143,734	\$ 22,655,156
Management and general	4,746,729	252,377	4,999,106
Capital expenditures	31,796,664	(31,796,664)	
Debt service principal – lease payments	79,082	(79,082)	
Interest expense	<u>271,270</u>		<u>271,270</u>
Total expenditures / expenses	<u>58,405,167</u>	<u>(30,479,635)</u>	<u>27,925,532</u>
REVENUE:			
Grant from City of Houston – appropriation	24,160,346		24,160,346
Grant from City of Houston – direct overhead appropriation	1,460,000		1,460,000
U. S. Department of Justice – government grant revenue	936,247		936,247
Other revenue	116,193		116,193
Other loss		<u>(168,217)</u>	<u>(168,217)</u>
Total revenue	<u>26,672,786</u>	<u>(168,217)</u>	<u>26,504,569</u>
EXCESS OF REVENUE OVER EXPENDITURES / CHANGES IN NET POSITION	(31,732,381)	30,311,418	(1,420,963)
OTHER FINANCING SOURCES (USES):			
Other financing sources – inception of lease	31,998,860	(31,998,860)	
Other financing sources – other receivable	<u>(474,209)</u>	<u>474,209</u>	
Total other financing sources (uses)	<u>31,524,651</u>	<u>(31,524,651)</u>	
CHANGE IN FUND BALANCES / NET POSITION	(207,730)	(1,213,233)	(1,420,963)
Fund balance / net position, beginning of year	<u>965,348</u>	<u>4,092,103</u>	<u>5,057,451</u>
Fund balance / net position, end of year	<u>\$ 757,618</u>	<u>\$ 2,878,870</u>	<u>\$ 3,636,488</u>

*See accompanying notes to financial statements.*

## Houston Forensic Science Center, Inc.

Notes to Financial Statements for the years ended June 30, 2020 and 2019

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### NOTE 1 – ORGANIZATION

Organization – Houston Forensic Science Center, Inc. (HFSC), a component unit of the City of Houston (the City), is a local government corporation created to provide independent forensic services to law enforcement agencies, primarily the Houston Police Department (HPD), and other judicial entities. The formation of HFSC was approved by City Council on June 26, 2012.

HFSC's Board of Directors are appointed by the Mayor of the City and approved by City Council. HFSC receives funding primarily from an interlocal agreement with the City in which funding is received subject to the City's approval of HFSC's annual budget. Funding received must be expended in accordance with the annual budget.

Federal income tax status – HFSC is a local government corporation created to accomplish a governmental purpose of the City and is not subject to federal income tax. Contributions to HFSC are deductible under §501(c)(3) of the Internal Revenue Code.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – These financial statements have been prepared in conformity with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB).

Measurement focus and basis of accounting – Measurement focus refers to *what* is being expressed in reporting financial position and performance, that is, *which* resources are being measured. The financial resources measurement focus measures only financial resources while the economic resources measurement focus measures both financial and capital resources. The measurement focus determines *whether* a fund balance sheet or statement of net position reports financial or economic resources. Basis of accounting refers to *when* those resources and commitments and uses of those resources should be recognized. It relates to the timing of the measurements made regardless of the measurement focus applied.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when it is measurable and available. *Measurable* means the amount of the transaction is known or reasonably estimable. *Available* refers to amounts collected in the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period, generally within 60 days after year end. Expenditures are recognized when the related liability is incurred.

Governmental funds in the government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when it is earned and becomes measurable and expenses are recognized in the period incurred.

Cash consists of demand deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, HFSC will be unable to recover deposits. At June 30, 2020, the carrying amount and the bank balance of HFSC's demand deposit account were \$1,932,709 and \$1,942,981, respectively. Amounts on deposit that are in excess of the Federal Deposit Insurance Corporation limit of \$250,000 are collateralized by a security agreement with the bank.

Fund balance is classified based upon the relative strength of spending constraints placed upon the purposes for which resources can be used, as follows:

- *Nonspendable fund balance* includes amounts that are either not in spendable form or are legally or contractually required to be maintained intact.
- *Restricted fund balance* includes amounts constrained to specific purposes by resource providers, through constitutional provisions, or by enabling legislation.
- *Unassigned fund balance* includes amounts that are available for HFSC's future use for any purpose.

Net position represents the difference between assets and liabilities. HFSC reports categories of net position, as follows:

- *Invested in capital assets* consists of net capital assets.
- *Restricted* is constrained to a particular purpose. Restrictions are imposed by external organizations such as City ordinances or grantors.
- *Unrestricted* is available for general use by HFSC.

Capital assets include lease assets, forensic science equipment, office equipment, vehicles, and leasehold improvements. HFSC capitalizes capital expenditures of \$5,000 or greater with an estimated useful life of more than one year. Purchased capital expenditures are carried at cost. Donated capital assets are recorded at fair value at the date of transfer. Depreciation expense is recognized using the straight-line method over estimated useful lives of 5 to 15 years.

Lease assets and lease liabilities – Lease assets include right-to-use assets from lease agreements that exceed one year. The right-to-use asset value equals the lease liability, which is the present value of future lease payments expected to be made during the lease term, plus any prepayments made for future periods and direct costs necessary to place the asset into service. Lease liabilities are reported based on the present value of future lease payments expected to be made during the lease term and includes fixed payments, variable payments based on rate or index, and other certain payments.

Grants – Under both the modified accrual and the accrual basis of accounting, receivables from grants are recognized, net of uncollectible amounts, when all applicable eligibility requirements are met provided the commitment is verifiable and the resources are measurable and probable of collection. Revenue recognized as receivable in advance of the time period during which eligibility requirements are met or resources are available, is deferred under the modified accrual basis of accounting, but is recognized as revenue under the accrual basis of accounting and reflected as restricted net position when eligibility requirements are met.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue, expenditures and expenses and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

### NOTE 3 – RELATED PARTIES

HFSC is a component unit of the City and receives appropriated funds from the City’s general fund, an overhead allocation appropriation representing shared costs for the use of City/HPD facilities, and beginning in 2020 a facility appropriation to fund costs associated with HFSC’s leased office space. HFSC’s forensic functions are performed primarily to support HPD.

The City charged HFSC \$689 thousand and \$1.3 million for services provided to HFSC for fiscal years 2020 and 2019, respectively. The City provided \$327 thousand and \$1.5 million in overhead appropriations representing HFSC’s use of the City’s property in fiscal years 2020 and 2019, respectively. In fiscal year 2020, the City provided \$1.1 million in facility appropriations representing HFSC’s building lease payments. In fiscal years 2020 and 2019, the City appropriated \$24 million for general operations.

### NOTE 4 – CAPITAL AND LEASE ASSETS

HFSC’s investment in capital assets consists of the following:

	BALANCE AT JULY 1, 2019	ADDITIONS	COMPLETIONS/ DISPOSITIONS	BALANCE AT JUNE 30, 2020
Lease assets – building	\$31,215,077		\$ (48,182)	\$31,166,895
Lease assets – forensic equipment		\$ 691,918		691,918
Scientific forensic equipment	3,636,922		(457,933)	3,178,989
Furniture and office equipment	693,644	180,000		873,644
Leasehold improvements	53,862	20,329	339,769	413,960
Vehicles	185,586	67,003	(676)	251,913
LIMS database	1,679,867		(7,570)	1,672,297
Work in progress	188,826	143,374	(332,200)	
Less accumulated depreciation and amortization	<u>(2,334,940)</u>	<u>(1,806,679)</u>	<u>221,396</u>	<u>(3,920,223)</u>
Capital assets, net of depreciation and amortization	<u>\$35,318,844</u>	<u>\$ (704,055)</u>	<u>\$ (285,396)</u>	<u>\$34,329,393</u>
	BALANCE AT JULY 1, 2018	ADDITIONS	COMPLETIONS/ DISPOSITIONS	BALANCE AT JUNE 30, 2019
Lease assets – building		\$31,215,077		\$31,215,077
Scientific forensic equipment	\$ 3,770,999	24,642	\$ (158,719)	3,636,922
Furniture and office equipment	736,216	51,402	(93,974)	693,644
Leasehold improvements	161,214		(107,352)	53,862
Vehicles	100,379	85,207		185,586
LIMS database			1,679,867	1,679,867
Work in progress		188,826		188,826
Work in progress – database	1,448,355	231,512	(1,679,867)	
Less accumulated depreciation and amortization	<u>(1,634,875)</u>	<u>(891,893)</u>	<u>191,828</u>	<u>(2,334,940)</u>
Capital assets, net of depreciation and amortization	<u>\$ 4,582,288</u>	<u>\$30,904,773</u>	<u>\$ (168,217)</u>	<u>\$35,318,844</u>

## NOTE 5 – LEASES

In December 2019, HFSC entered into a 5-year agreement to lease forensic equipment. The agreement includes HFSC's commitment to pay predetermined monthly amounts. HFSC used a discount rate of 3.5% to calculate the reported lease liability, which is its estimated borrowing rate.

In April 2019, HFSC entered a 30-year lease agreement for the use of building space. The agreement includes HFSC's commitment to pay predetermined monthly rent, as well as operating expenses, which include operating expenses that are within the reasonable control of the landlord and are capped at 7% per annum. Operating expenses include costs and expenses such as repairs, landscaping, and other costs to maintain, manage, and insure the building with HFSC's share set at 21.62% of the building's total operating expenses. The estimated useful life of the building is 50 years. HFSC used a discount rate of 3.4% to calculate the reported lease liability, which is its estimated borrowing rate.

The following schedule presents future minimum lease payments as of June 30, 2020.

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$ 494,263	\$ 1,089,454	\$ 1,583,717
2022	511,463	1,072,254	1,583,717
2023	529,262	1,054,455	1,583,717
2024	547,679	1,036,038	1,583,717
2025	481,218	1,017,722	1,498,940
2026-2030	2,749,419	4,848,526	7,597,945
2031-2035	4,492,576	4,214,846	8,707,422
2036-2040	5,948,850	3,370,454	9,319,304
2041-2045	8,921,734	2,080,244	11,001,978
2046-2050	<u>7,575,698</u>	<u>265,721</u>	<u>7,841,419</u>
Total	<u>\$ 32,252,162</u>	<u>\$ 20,049,714</u>	<u>\$ 52,301,876</u>

## NOTE 6 – GOVERNMENT GRANTS

HFSC is party to contracts with a federal governmental agency. Should these contracts not be renewed, a replacement for this source of support may not be forthcoming and related expenses may not be incurred. Funding sources of government grants include amounts from the U. S. Department of Justice totaling approximately \$1,555,000 and \$936,000 during fiscal years 2020 and 2019, respectively.

Government grants require fulfillment of certain conditions as set forth in the contracts and are subject to review and audit by the awarding agency. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, the funding source may, at its discretion, request reimbursement for expenses or return of funds as a result of noncompliance by HFSC with the terms of the contracts. Management believes such disallowances, if any, would not be material to HFSC's financial position or changes in net position.

**NOTE 7 – EMPLOYEE BENEFIT PLANS**

HFSC has both a deferred compensation plan and a defined contribution retirement plan covering substantially all full-time employees. Under the terms of the deferred compensation plan, HFSC matches an amount up to 5% of each participant’s annual salary. Under the terms of the defined contribution retirement plan, HFSC contributes an amount equal to 2% of each participant’s annual salary. HFSC’s contributions to these plans were approximately \$855,000 and \$878,000 in 2020 and 2019, respectively.

**NOTE 8 – ADJUSTMENTS BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

Total fund balance reported in the governmental fund balance sheet differs from net position reported in the government-wide statement of net position. Differences occur because of the current financial resources focus of the governmental fund statements and the long-term economic focus of the government-wide statement of net position and statement of activities. The provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, imposed this change in focus. The adjustments below show the difference between the statements that result from this difference in measurement focus.

Adjustments reported in the statements of net position from the governmental fund balance sheet consist of the following:

	<u>2020</u>	<u>2019</u>
Capital assets, including lease assets used in governmental activities are not current financial resources; therefore, are not reported in the governmental fund financial statements.	\$ 34,329,393	\$ 35,318,844
Certain assets included in the statement of net position, including other receivables not available within 60 days, are not reported as assets in the governmental fund financial statements.		474,209
Long-term liabilities, including lease payables, are not due and payable in the current period; therefore, are not reported in the fund financial statements.	(32,252,162)	(31,919,780)
Long-term liabilities, including compensated absences, are not due and payable in the current period; therefore, are not reported in the fund financial statements.	<u>(1,146,742)</u>	<u>(994,403)</u>
Net adjustment to fund balance to net position of governmental activities	<u>\$ 930,489</u>	<u>\$ 2,878,870</u>

Adjustments reported in the statements of activities from the governmental fund statements of revenue, expenditures, and changes in fund balance consist of the following:

	<u>2020</u>	<u>2019</u>
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. The statements of activities recognizes the cost of outlays allocated over estimated useful lives as depreciation expense.		
Capital outlay	\$ 1,102,624	\$ 31,796,664
Depreciation expense	(686,491)	(545,058)
Amortization expense	(1,120,188)	(346,835)
Governmental funds report resources from long-term debt as current financial resources, while the repayment of the principal of long-term debt consumes current financial resources. This amount is the net effect of this difference in the treatment of long-term debt.	(308,707)	(31,919,778)
Governmental funds do not report resources from receivables not available within 60 days.	(474,209)	474,209
Expenditures, including compensated absences that are not payable in the current fiscal year, do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds.	(224,196)	(504,218)
Governmental funds do not recognize losses on disposal of assets because such losses do not impact current financial resources.		
Loss on disposal	<u>(237,214)</u>	<u>(168,217)</u>
Net adjustment to (decrease) increase net changes in fund balance to change in net position of governmental activities	<u>\$ (1,948,381)</u>	<u>\$ (1,213,233)</u>

## NOTE 9 – SUBSEQUENT EVENTS

In March 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and a national emergency was declared in the United States. The stay-at-home orders issued by Harris County required temporary closure of non-essential services. As HFSC's activities are considered essential, HFSC continued services while limiting the number of employees in the office building and increasing cleaning and sanitation measures to ensure safety.

The extent of the impact of COVID-19 on HFSC's operational and financial performance will depend on developments such as the duration and spread of the outbreak, impact on the City, employees, and vendors, all of which are uncertain and cannot be predicted. HFSC requested reimbursement of costs from the City relating to COVID-19 in the amount of \$111,174. While HFSC expects this matter to negatively impact its operating results and financial position, the eventual financial impact cannot be reasonably estimated at this time.

**Houston Forensic Science Center, Inc.**

Schedule of Expenditures of Federal Awards for the year ended June 30, 2020

<u>FEDERAL GRANTOR</u>					<u>Allowable</u>	
<u>Pass-through Grantor</u>	<u>CFDA</u>		<u>Award</u>	<u>Federal</u>		
<u>Program Title &amp; Period</u>	<u>Number</u>	<u>Contract Number</u>	<u>Amount</u>	<u>Expenditures</u>	<u>Subrecipients</u>	
U. S. DEPARTMENT OF JUSTICE						
DNA Backlog Reduction Program						
#1	01/17 – 06/19	16.741	2016-DN-BX-0142	\$741,000	\$ 54,290	
#2	01/18 – 12/19	16.741	2017-DN-BX-0027	\$867,755	219,897	
#3	01/19 – 12/20	16.741	2018-DN-BX-0096	\$1,530,927	1,070,065	
#4	01/20 – 12/21	16.741	2019-DN-BX-0036	\$1,607,745	<u>47,530</u>	
Subtotal					<u>1,391,782</u>	
Research and Development Cluster:						
National Institute of Justice Research, Evaluation, and Development Project Grants						
#5	01/19 – 10/20	16.560	2018-DU-BX-0184	\$282,703	<u>157,991</u>	<u>\$ 60,735</u>
Total U. S. Department of Justice					<u>1,549,773</u>	<u>60,735</u>
TOTAL FEDERAL AWARDS					<u>\$ 1,549,773</u>	<u>\$ 60,735</u>

*See accompanying note to schedule of expenditures of federal awards.*

## **Houston Forensic Science Center, Inc.**

Note to Schedule of Expenditures of Federal Awards for the year ended June 30, 2020

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### **NOTE 1 – SIGNIFICANT ACCOUNTING POLICY**

Basis of presentation – The schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal expenses include allowable expenses funded by federal grants. Allowable costs are subject to the cost principles of the Uniform Guidance, and include both costs that are capitalized and costs that are recognized as expenses in HFSC's financial statements in conformity with generally accepted accounting principles.

HFSC uses the 10% de minimus rate for indirect costs.

Because the schedule presents only a selected portion of the operations of HFSC, it is not intended to, and does not present the net position or changes in net position of HFSC.

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**Independent Auditors' 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***

To the Board of Directors of  
Houston Forensic Science Center, Inc.:

We have audited, in accordance with the 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 governmental activities and the major fund of Houston Forensic Science Center, Inc. (HFSC), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise HFSC's basic financial statements, and have issued our report thereon dated September 23, 2020.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered HFSC's internal control over financial reporting (internal control) to determine the 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 HFSC's internal control. Accordingly, we do not express an opinion on the effectiveness of HFSC'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 may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether HFSC'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*.

***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.

*Blazek & Vetterling*

September 23, 2020

**Independent Auditors' Report on Compliance for Each  
Major Program and Report on Internal Control Over  
Compliance Required by the Uniform Guidance**

To the Board of Directors of  
Houston Forensic Science Center, Inc.:

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

We have audited Houston Forensic Science Center, Inc.'s (HFSC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of HFSC's major federal programs for the year ended June 30, 2020. HFSC's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for HFSC's major federal program 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; and the audit requirements of Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 HFSC'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 on compliance for each major federal program. However, our audit does not provide a legal determination of HFSC's compliance.

***Opinion on Each Major Federal Program***

In our opinion, HFSC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as finding #2020-001. Our opinion on the major federal program is not modified with respect to these matters.

HFSC's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. HFSC's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Management of HFSC 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 HFSC's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 HFSC'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 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 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as finding #2020-001 that we consider to be a significant deficiency.

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



September 23, 2020



### Section III – Federal Award Findings and Questioned Costs

#### **Finding #2020-001 – Significant Deficiency and Other Noncompliance**

***Applicable federal programs:***

Federal Programs:

Department of Justice

DNA Backlog Reduction Program

#1	01/17 – 06/19	16.741	2016-DN-BX-0142
#2	01/18 – 12/19	16.741	2017-DN-BX-0027
#3	01/19 – 12/20	16.741	2018-DN-BX-0096
#4	01/20 – 12/21	16.741	2019-DN-BX-0036

***Criteria:*** Procurement – Organizations are required to conduct procurement transactions in a manner providing full and open competition consistent with standards prescribed in Uniform Guidance, *Subtitle III Procurement Standards* and conform to federal laws and regulations and other contractual requirements. Such standards include following procurement methods as determined by purchasing dollar thresholds and the organization’s procurement policy.

***Condition and context:*** During our testing of 7 transactions requiring procurement, we noted the following exceptions:

- Uniform Guidance requires simple and informal procurement methods for purchases within the Simplified Acquisition Threshold of \$10,000 and \$150,000 according to HFSC’s procurement policy, which includes obtaining price or rate quotations from an adequate number of qualified sources. In our procurement sample of 7 items, we noted that purchases for professional services and equipment did not undergo informal procurement methods.

***Questioned costs:*** Unknown

***Cause:*** HFSC’s personnel failed to follow its procurement policies.

***Effect:*** Failure to follow established procurement policies may result in HFSC purchasing goods or services for more than would be necessary if required competitive procurement procedures had been followed.

***Recommendation:*** Re-emphasize to program personnel the procurement process and adherence to HFSC’s policies and procedures.

***Views of responsible officials and planned corrective actions:*** Management agrees with the finding. See Corrective Action Plan.



HOUSTON FORENSIC  
SCIENCE CENTER  
500 Jefferson Street, 13<sup>th</sup> Floor  
Houston, Texas 77002  
(713) 929-6760

**CORRECTIVE ACTION PLAN**

September 23, 2020

**DEPARTMENT OF JUSTICE**

Houston Forensic Science Center (HFSC) respectfully submits the following Corrective Action Plan for the year ended June 30, 2020. The audit was performed by: Blazek & Vetterling, 2900 Wesleyan, Suite 200, Houston, Texas, 77027.

The finding from the June 30, 2020 schedule of findings and questioned costs is discussed below.

**FINDINGS – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding #2020-001 – Significant Deficiency and Other Noncompliance**

***Applicable federal programs:***

Federal Programs:

Department of Justice

DNA Backlog Reduction Program

#1	01/17 – 06/19	16.741	2016-DN-BX-0142
#2	01/18 – 12/19	16.741	2017-DN-BX-0027
#3	01/19 – 12/20	16.741	2018-DN-BX-0096
#4	01/20 – 12/21	16.741	2019-DN-BX-0036

***Recommendation:*** Re-emphasize to program personnel the procurement process and adherence to HFSC’s policies and procedures.

***Action taken:*** Management agrees with the finding and we concur with the recommendation. HFSC will re-emphasize the procurement process and adherence to HFSC’s policies and procedures.

***Responsible officer:*** Dr. Amy Castillo, Chief Operating Officer, Vice President

***Estimated completion date:*** September 2020

If there are any questions regarding this plan, please call David Leach at (713) 929-6760.

Sincerely,

  
\_\_\_\_\_  
David Leach, Chief Financial Officer