



Management Letter

March 12, 2012

To the Honorable County Judge and
Members of Commissioners' Court of
Polk County, Texas:

The American Institute of Certified Public (Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, "SAS 115") provides guidance to auditors on communicating internal control matters to management and the governing body, board of directors, or equivalent body.

It is important to note when reviewing findings reported within this letter that classification of the findings is based on the definitions required by SAS 115 as further discussed below. Please note that these classifications are based on the potential impact to the financial statements, not necessarily the likelihood of actual loss to the County. Accordingly, the County's assessment of the "significance" or ranking of severity will likely be substantially different based on a number of factors including, but not limited to, its assessment of risk and the cost benefit of making the change.

Our report is as follows:

In planning and performing our audit of the financial statements of Polk County, Texas (the "County") as of and for the year ended September 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurances that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

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 County'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 findings and additional comments are as follows:

Material Weakness:

2011-1 District Clerk Bank Accounts

Criteria

The District Clerk's office is responsible for accounting and distributing monies held in fiduciary trust funds.

Condition

The District Clerk's office has \$4.1 million in agency funds held in trust in various bank accounts. These accounts were not reconciled during the year and in addition, it appears the District Clerk's office lacks a process or system of consistently documenting distribution of funds.

Effect

There is an unreconciled difference of \$47,055 which either indicates missing funds or simply an accounting error.

Cause

The lack of a process and system for accounting and distributing monies, including reconciliation of bank accounts to the registry of court records.

Recommendation

The District Clerk's office should reconcile all statements held in trust in a timely manner at the end of each month and should develop a process or system of consistently documenting disbursements from the registry of the court accounts.

Corrective Action Plan

The District Clerk's office concurs with the recommendation and is in the process of instituting procedures that will establish this process. The office plans to have the accounts reconciled and the new process implemented by the end of the 2012 fiscal year.

This communication is intended solely for the information and use of management, Commissioners' Court, the County Judge, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

 BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 12, 2012