

*SINGLE AUDIT REPORTS*

**POLK COUNTY, TEXAS**

For the Year Ended  
September 30, 2020

# **POLK COUNTY, TEXAS**

## ***SINGLE AUDIT REPORTS***

September 30, 2020

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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**

March 17, 2021

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

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Polk County, Texas (the "County") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 17, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing the 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 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be 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. We consider the deficiency 2020-001 described in the accompanying schedule of findings and questioned costs to be a material weakness.

AUDITING TEXAS GOVERNMENTS WITH EXCELLENCE

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County'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*.

## **Management's Response to Findings**

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE, AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

March 17, 2021

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

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

We have audited the Polk County, Texas' (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2020. The County's major federal programs are 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 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 each of the County's major federal 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; and 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). 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 the County'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 the County's compliance.

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

In our opinion, the County 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 programs for the year ended September 30, 2020.

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

Management of the County 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 County's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 the County'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 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, material weaknesses may exist that have not been identified.

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated March 17, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 is 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. Accordingly, this report is not suitable for any other purpose.

*B*ELT *H*ARRIS *P*ECHACEK, LLLP

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas

**POLK COUNTY, TEXAS**  
***SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS***  
**For the Year Ended September 30, 2020**

**A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

None

**POLK COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended September 30, 2020**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Polk County, Texas (the "County").
2. A material weakness in internal control was disclosed by the audit of the financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control over major federal award programs were disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for the County are reported.
7. The programs included as major programs are:

<u>CFDA</u>	<u>Program Name</u>
21.019	Coronavirus Relief Fund

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The County did not qualify as a low-risk auditee.

**B. FINDINGS – BASIC FINANCIAL STATEMENTS AUDIT**

*Material Weakness:*

**2020-001. BANK RECONCILIATIONS**

**Criteria**

The County Treasurer's office is responsible for balancing and reconciling bank statements and accurately accounting for the County's pooled cash account, payroll, and various other accounts.

**Condition**

The bank statements and reconciliations were requested from the County Treasurer's office for review in completing the County's annual audit. The County Treasurer has completed bank reconciliations for the pooled cash accounts but the balance on the reconciliations do not accurately reflect the balance of the accounts on the trial balance.

**Effect**

The County is at risk for loss of funds due to its inability to balance its accounting software bank reconciliations to the pooled cash balances on the trial balance.

**POLK COUNTY, TEXAS**  
***SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)***  
**For the Year Ended September 30, 2020**

**Cause**

The County Treasurer's office reconciled the pooled cash account bank statements on the software module but the balances on the reconciliations do not accurately reflect the balance of the accounts on the trial balance. There is an issue with the software and the bank reconciliation module.

**Recommendation**

The County Treasurer's office should continue to work with the software company to ensure that all pooled cash accounts are reflected correctly on the reconciliations and are in balance with the trial balance each month.

**Views of Responsible Officials and Planned Corrective Actions**

The County Treasurer is going to continue to work with the software company to correct the problem within the County's software.

**C. FINDINGS – FEDERAL AWARDS**

None



## **Polk County**

Livingston, Texas

### **Corrective Action Plan**

March 17, 2021

#### **Finding**

#### **2020-001. BANK RECONCILIATIONS**

#### **Response**

The County Treasurer is going to continue to work with the software company to correct the problem within the County's software.

#### **Anticipated Completion Date**

June 30, 2021

#### **Contact Person**

Terri Williams, County Treasurer

**POLK COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended September 30, 2020

Department/Pass-Through Agency/Program Name	Program/Grant/ Project Number	CFDA Number	Expenditures
<b>DEPARTMENT OF JUSTICE</b>			
<i>Pass-Through Texas Department of Public Safety</i>			
State Criminal Alien Assistance Program	2018-H0590-TX-AP	16.606	\$ 7,585
	<b>Total U.S. Department of Justice</b>		<b>7,585</b>
<b>DEPARTMENT OF TREASURY</b>			
<i>Pass-Through Texas Department of Emergency Management</i>			
Coronavirus Relief Fund		21.019	2,276,670
	<b>Total U.S. Department of Treasury</b>		<b>2,276,670</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Pass-Through Natural Resources Conservation Service</i>			
EWP Project #5103	NR197442XXXXC007	10.923	441,803
	<b>Total U.S. Department of Agriculture</b>		<b>441,803</b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Pass-Through Deep East Texas Council of Governments</i>			
Title III Part C1, Nutrition Services	014-16-1000824-7	93.045	39,480
Title III Part C2, Nutrition Services	014-16-1000824-7	93.045	69,654
	<b>Subtotal</b>		<b>109,134</b>
<i>Pass-Through Texas Department of Aging and Disability Services</i>			
Social Services Block Grant	1000824	93.667	199,906
	<b>Total U.S. Department of Health and Human Services</b>		<b>309,040</b>
<b>DEPARTMENT OF INTERIOR</b>			
<i>Pass-Through Bureau of Land Management</i>			
Payments in Lieu of Taxes - 2020	PL 110-343	15.226	55,239
	<b>Total U.S. Department of Interior</b>		<b>55,239</b>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Pass-through General Land Office</i>			
Community Development Block Grant	20-065-018-C064	14.228	44,940
	<b>Total U.S. Department of Housing and Urban Development</b>		<b>44,940</b>
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Pass-Through Texas Department of Public Safety's Division of Emergency Management</i>			
Disaster Grants - Public Assistance	FEMA-4332-DR-TX	97.036	248,293
Emergency Management Performance Grant	19TX-EMPG-0441	97.042	32,907
	<b>Subtotal</b>		<b>281,200</b>
<i>Pass-Through Office of the Governor</i>			
Tactical Training Equipment and Simulator	HS 3384502	97.067	32,684
Courthouse Security Equipment Upgrade	HS 3866501	97.067	58,465
	<b>Subtotal</b>		<b>91,149</b>
	<b>Total Department of Homeland Security</b>		<b>372,349</b>
	<b>Total Federal Expenditures</b>		<b>\$ 3,507,626</b>

**POLK COUNTY, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended September 30, 2020**

**1. REPORTING ENTITY**

The accompanying schedule of expenditures of federal awards (the “Schedule”) presents the activity of all federal financial assistance programs of the County.

**2. BASIS OF ACCOUNTING**

The Schedule is presented in accordance with the 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). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent, adjustments or credits made in the normal course to amounts reported as expenditures in prior years.

**4. INDIRECT COST RATE**

The County has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**5. DONATED PERSONAL PROTECTIVE EQUIPMENT**

During the emergency period of COVID-19, federal agencies and recipients of federal assistance funds donated personal protective equipment (PPE) to non-federal entities. In connection with that donation, the recipient must disclose the estimated value of the donated PPE, but such amounts are not included in the SEFA. The County did not receive PPE donations during the reporting year.