



Management Letter

June 18, 2019

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

The American Institute of Certified Public Accountants 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 Polk County, Texas (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 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, 2018, 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency and other matters.

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 findings and additional comments are as follows:

CURRENT YEAR MATTERS:

Significant Deficiency:

2018-001. ACCOUNT RECONCILIATIONS

Criteria

The Tax Assessor-Collector, County Clerk, and District Clerk's office is responsible for accounting and distributing monies held in fiduciary trust funds.

Condition

As of year end, it appeared that the County Auditor's office had not been reconciling the account statements received from the Tax Assessor-Collector, County Clerk, and District Clerk's offices to the general ledger.

Cause

The Auditor's office did not reconcile and make adjustments to record the activity for Tax Assessor-Collector, County Clerk, and District Clerk's offices to the general ledger.

Recommendation

The County Auditor's office should reconcile all statements to the general ledger at the end of each month.

Management's Corrective Action Plan

The Auditor's office concurs with the recommendation and is in the process of implementing procedures to reconcile the various bank accounts to the general ledger at the end of each month.

Other Matters:

2018-002. UNIFORM GUIDANCE – PROCUREMENT STANDARDS

Background

When a nonfederal entity applies for federal grant monies and they are subsequently awarded, the nonfederal entity is subject to policies and procedures as set by the United States Office of Management and Budget (OMB). The OMB issued *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") that became effective in December 2014. Uniform Guidance was issued with the goal of reducing the administrative burden on award recipients as well as guarding against the risk of waste and misuse of federal funds. Because of the changes in guidance, the effective date for one section within the guidance, Subpart D, Procurement Standards,

sections §200.317-§200.326, has been delayed until fiscal years beginning on or after December 26, 2017. Accordingly, the County must be compliant with the procurement standard on October 1, 2018.

Condition

The County does not have a procurement policy in compliance with the Uniform Federal Procurement Standards.

Recommendation

The County should review its existing procurement policies over expenditures made with federal grant monies and update as necessary to ensure compliance with procurement standards contained in Uniform Guidance for fiscal years beginning on or after December 26, 2017. The procurement standards can be found at <https://www.ecfr.gov> under Title 2, Subtitle A, Chapter II, Part 200, Subpart D.

Management's Corrective Action Plan

The County concurs with the recommendation and will review its purchasing policies as they relate to federal/state grants and consider any necessary revisions based on the Uniform Guidance.

We would like to thank the members of Commissioners' Court, the County Judge, and the County's management for their cooperation during the course of our audit. Please feel free to contact us at your convenience to discuss this report or any other concerns that you may have.

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