

*SINGLE AUDIT REPORTS*

**POLK COUNTY, TEXAS**

**For the Year Ended  
September 30, 2012**

# **POLK COUNTY, TEXAS**

## ***SINGLE AUDIT REPORTS***

September 30, 2012

### **TABLE OF CONTENTS**

	<u>Page</u>
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	1
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	3
<b>SCHEDULES</b>	
<i>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS</i>	6
<i>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</i>	7
<i>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</i>	10
<i>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</i>	11



**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 15, 2013

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

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 Polk County, Texas (the "County") as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 15, 2013. We conducted our audit 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.

**Internal Control Over Financial Reporting**

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

**Partners**

Robert Belt, CPA  
Stephanie E. Harris, CPA  
Nathan Krupke, CPA

**Houston**

3210 Bingle Rd., Ste. 300  
Houston, TX 77055  
713.263.1123

**Bellville**

6100 Windy Hill Lane  
Bellville, TX 77418  
979.865.3169

**Austin**

100 Congress Ave., Ste. 2000  
Austin, TX 78701  
512.381.0222

**All Offices**

www.texasauditors.com  
info@txauditors.com  
713.263.1550 fax



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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, items 2012-1 and 2012-2, to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs, item 2012-3, to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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*.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities 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



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133, AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

March 15, 2013

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

**Compliance**

We have audited the compliance of Polk County, Texas (the "County") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *OMB Circular A-133 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, 2012. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the 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, 2012.

**Partners**

Robert Belt, CPA  
Stephanie E. Harris, CPA  
Nathan Krupke, CPA

**Houston**

3210 Bingle Rd., Ste. 300  
Houston, TX 77055  
713.263.1123

**Bellville**

6100 Windy Hill Lane  
Bellville, TX 77418  
979.865.3169

**Austin**

100 Congress Ave., Ste. 2000  
Austin, TX 78701  
512.381.0222

**All Offices**

www.texasauditors.com  
info@txauditors.com  
713.263.1550 fax



### **Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### **Schedule of Expenditures of Federal Awards**

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, 2012, and have issued our report thereon dated March 15, 2013, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the County's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the County's compliance but not to provide an opinion on the effectiveness of the County's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

*BELT HARRIS PECHACEK, LLLP*

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

**POLK COUNTY, TEXAS**  
***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***  
For the Year Ended September 30, 2012

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

None.

**POLK COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended September 30, 2012

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Polk County, Texas.
2. Material weaknesses in internal control were 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 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 unqualified opinion.
6. No audit findings relative to the major federal award programs for the County are reported.
7. The programs included as a major program are:

CFDA	Program Name
14.228	CDBG
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The County did qualify as a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

*Material Weaknesses*

**2012-1. TAX ASSESSOR-COLLECTOR BANK ACCOUNTS**

**Criteria**

The Tax Assessor Collector's office is responsible for accounting and distributing monies collected by its office.

**Condition**

The Tax Assessor Collector's office maintains eight bank accounts. These accounts were not reconciled in a timely manner during the year.

**Effect**

As a result of the Tax Assessor collector's office not reconciling these accounts in a timely manner for the year, it is difficult to determine the accuracy of the balances at year-end.

**POLK COUNTY, TEXAS**  
***SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)***  
**For the Year Ended September 30, 2012**

**Cause**

The Tax Assessor Collector's office has not been reconciling the bank statements in a timely manner.

**Recommendation**

The Tax Assessor Collector's office should reconcile all statements held in its office in a timely manner at the end of each month and copies should be filed with the County Auditor's office after reconciliations are completed.

**Corrective Action Plan**

The Tax Assessor Collector'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 2013 fiscal year.

**2012-2. 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 \$3.4 million in agency funds held in trust in various bank accounts. Of these accounts, \$1.5 million were not reconciled during the year. This finding was noted in the prior year.

**Effect**

There was an unknown unreconciled difference in the current year since accounting records were not adequate to determine its amount.

**Cause**

The District Clerk's office lacks 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. As of the date of this letter, the District Clerk's office has reconciled these accounts and is establishing a process for timely reconciliations to be implemented by the end of the 2013 fiscal year.

**POLK COUNTY, TEXAS**  
***SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)***  
**For the Year Ended September 30, 2012**

***Significant Deficiency***

**2012-3. SIGNIFICANT OUTSTANDING CHECK**

**Criteria**

The District Clerk's office is responsible for accounting and making timely deposits of money received from different sources.

**Condition**

The County distributed check number 236595 to the District clerk's office on August 8, 2012 for \$35,262.93. The check had not cleared the bank as of February 2013 as it was being held by the District clerk's office.

**Effect**

The County has a significant outstanding check on their bank reconciliation at year-end.

**Cause**

The District clerk's office is holding the check and not depositing it in a timely manner.

**Recommendation**

The District clerk's office should make timely deposits of any checks received.

**Corrective Action Plan**

The District Clerk's office agrees with this recommendation and is in the process of instituting procedures that will establish this process. The office plans to have the new process implemented by the end of the 2013 fiscal year.

**C. FINDINGS – FEDERAL AWARDS**

**None.**

**POLK COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended September 30, 2012

Department/Pass-Through Agency/Program Name	Program/Grant/ Project Number	CFDA Number	Expenditures
<b>DEPARTMENT OF JUSTICE</b>			
<i>Pass-through Bureau of Justice Assistance</i>			
Bulletproof Vest Partnership Program	BA-3A00S-BR01	16.607	\$ 10,800
<i>Pass-through Texas Department of Public Safety</i>			
State Criminal Alien Assistance Program	2011-APBX-0581	16.606	3,126
<b>Total Department of Justice</b>			<u>13,926</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Pass-Through Deep East Texas Council of Governments</i>			
Title III Part B, Grants for Supportive Services and Senior Centers	6358	93.044	5,000
Title III Part C1, Nutrition Services	6358	93.045	50,914
Title III Part C2, Nutrition Services	6358	93.045	78,611
			<u>134,525</u>
<i>Pass-Through Texas Department of Aging and Disability Services</i>			
Social Services Block Grant	1000824	93.667	50,962
<i>Pass-Through Texas Administration for Children and Families</i>			
Child Support Enforcement	174600162193030	93.563	29,011
<b>Total Department of Health and Human Services</b>			<u>214,498</u>
<b>DEPARTMENT OF INTERIOR</b>			
Bureau of Land Management			
Payments in Lieu of Taxes	PL 110-343	15.226	51,075
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed-through Texas General Land Office</i>			
Texas Community Development Block Grant-Disaster Recovery	10-5226-000-5210	14.228	5,131,619
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Pass-Through Deep East Texas Council of Governments</i>			
Law Enforcement Authorized (Equipment) Program	2009-SS-TA-0064	97.073	30,085
			<u>30,085</u>
<i>Pass-Through Texas Department of Public Safety's Division of Emergency Management</i>			
Emergency Management Performance Grant	10TX-EMPG-0441	97.042	27,900
Emergency Management Performance Grant	11TX-EMPG-0441	97.042	18,424
State Mass Care Coordination Grant	EMPG-00117	97.042	22,398
			<u>68,722</u>
<b>Total Department of Homeland Security</b>			<u>98,807</u>
<b>Total Federal Expenditures</b>			<u>\$ 5,509,925</u>

# **POLK COUNTY, TEXAS**

## ***NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

**For the Year Ended September 30, 2012**

### **NOTE 1: BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Polk County, Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.