

SINGLE AUDIT REPORTS

POLK COUNTY, TEXAS

For the Year Ended
September 30, 2011

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

March 12, 2012

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, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 12, 2012. 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

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 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We

consider the deficiency described in the accompanying schedule of findings and questioned costs, item 2011-1, to be a material weakness.

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.

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, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas



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

March 12, 2012

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 *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, 2011. 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, 2011.

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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 compliances 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 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, 2011, and have issued our report thereon dated March 12, 2012, which contained unqualified opinions on these financial statements. Our audit was performed for the purpose of forming opinions on those 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 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 procedure 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.

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

POLK COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2011

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

None.

POLK COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Polk County, Texas.
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 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:

<u>CFDA</u>	<u>Program Name</u>
97.036	Disaster Grants – Public Assistance
97.073	State Homeland Security Program

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 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.

POLK COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued

For the Year Ended September 30, 2011

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.

C. FINDINGS – FEDERAL AWARDS

None.

POLK COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2011

Department/Pass-Through Agency/Program Name	Program/Grant/ Project Number	CFDA Number	Expenditures
DEPARTMENT OF JUSTICE			
<i>Pass-through Violence Against Women Office</i>			
Violence Against Women Act Court Training and Improvement Grant	2299301	16.588	\$ 45,529
<i>Pass-through Bureau of Justice Assistance</i>			
Bulletproof Vest Partnership Program	BA-3A00S-BR01	16.607	11,812
<i>Pass-through Texas Department of Public Safety</i>			
State Criminal Alien Assistance Program	2009-G4116-TX-AP	16.606	10,200
Total Department of Justice			67,541
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Pass-Through Deep East Texas Council of Governments</i>			
Title III Part B, Grants for Supportive Services and Senior Centers *	6358	93.044	4,100
Title III Part C1, Nutrition Services *	6358	93.045	62,688
Title III Part C2, Nutrition Services *	6358	93.045	132,781
			199,569
<i>Pass-Through Texas Department of Health</i>			
Social Services Block Grant	1000824	93.667	145,222
<i>Pass-Through Texas Department of Family and Protective Services</i>			
Title IV E - Foster Care	23379452	93.658	4,352
<i>Pass-Through Texas Administration for Children and Families</i>			
Child Support Enforcement	174600162193030	93.563	41,648
Total Department of Health and Human Services			394,891
U. S. ELECTION ASSISTANCE COMMISSION			
<i>Pass-through TX Secretary of State</i>			
Help America Vote Act (HAVA)	78662	90.401	43,535
DEPARTMENT OF INTERIOR			
Bureau of Land Management			
Payments in Lieu of Taxes	PL 110-343	15.226	53,267
DEPARTMENT OF AGRICULTURE			
<i>Pass-through Texas Forest Service</i>			
Cooperative Forestry Assistance	03.10	10.664	10,000
DEPARTMENT OF HOMELAND SECURITY			
<i>Pass-Through Deep East Texas Council of Governments</i>			
Law Enforcement Authorized (Equipment) Program	2008-GE-TB-0034	97.073	10,841
Law Enforcement Authorized (Equipment) Program	2009-SS-TA-0064	97.073	72,144
State Homeland Security Program	2009-SS-TA-0064	97.073	119,547
			202,532
<i>Pass-Through Texas Department of Public Safety's Division of Emergency Management</i>			
Disaster Grants - Public Assistance	HMGP DR-1791-TX	97.036	109,500
<i>Pass-Through Texas Department of Public Safety's Division of Emergency Management</i>			
Emergency Management Performance Grant	10TX-EMPG-0441	97.042	33,190
Emergency Management Performance Grant	11TX-EMPG-0441	97.042	9,300
			42,490
Total Department of Homeland Security			354,522
Total Federal Expenditures			\$ 923,756

* Indicates clustered program under OMB Circular A-133 Compliance Supplement.

POLK COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2011

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.