

*SINGLE AUDIT REPORTS*

**POLK COUNTY, TEXAS**

For the Year Ended  
September 30, 2022

# **POLK COUNTY, TEXAS**

## ***SINGLE AUDIT REPORTS***

September 30, 2022

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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**

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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 10, 2023.

**Report on 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.

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 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. We identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as item 2022.001 that we consider to be a material weakness.

## **Report on 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2022.001.

## **Polk County, Texas's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on 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 other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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  
May 10, 2023



**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**

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, 2022. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

**Basis for Opinion on Each Major Federal Program**

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

## **Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

**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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated May 10, 2023, 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.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
May 10, 2023

**POLK COUNTY, TEXAS**  
***SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS***  
**For the Year Ended September 30, 2022**

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

None

**POLK COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended September 30, 2022

**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. An instance of 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>AL</u>	<u>Program Name</u>
<u>Number</u>	<u>Program Name</u>
93.667	Social Services Block Grant

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The County did qualify as a low-risk auditee.

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

***Material Weakness***

**Background**

The Sheriff's department maintains a custodial account for monies held for the benefit and use of inmates while detained at the jail for the purposes of making paid phone calls and ancillary purchases. The custodial nature of the account should result in the reconciled bank account balance equaling the individual inmate trust liability. After an inmate is released from the jail the procedure is for the inmate to request the funds from the Sheriff's office and the Sheriff's office would disburse the funds in the form of a check or debit card.

**Condition**

At year end, the Sheriff's jail inmate bank account could not be reconciled to the corresponding liability account which captures amounts due to individual inmates. The difference between the bank account and inmate liability account was \$43,057 at year end. The Sheriff's inmate bank reconciliation listed deposits in transit which we were unable to validate. Additionally, we noted that subsequent to year end, the bank account was negative resulting in insufficient funds bank charges. In theory, a negative balance could not occur in the account. Our findings initiated a criminal investigation that is presently ongoing. The custodian of the account has reportedly

**POLK COUNTY, TEXAS**  
***SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)***  
**For the Year Ended September 30, 2022**

admitted to misappropriation of a portion of the funds. February 2023 and with the information provided it appears that as of that date, the unaccounted difference between the bank account and inmate liability is \$43,560.

**Cause**

It appears the custodian misappropriated funds which went undetected until the external independent financial statement audit as the County's procedures did not detect the anomaly on the bank reconciliation or disparity between the bank account and related inmate liability account.

**Effect**

There is a shortage in the jail inmate account as of February 2023 of \$43,560.

**Recommendation**

After the jail inmate checking account has been reconciled each month, it should be reviewed by a supervisor that is familiar with the proper use of the account and any reconciling items should be validated. Additionally, in conjunction with this step, the reconciled bank balance should be traced and agreed to the individual inmate liability account. The County should continue with its investigation and pursue collection from the custodian and employee dishonesty bond.

**Management Corrective Action Plan**

The Sheriff's and County Auditor's offices have both implemented dual overlapping procedures to ensure oversight of the account.

**C. FINDINGS – FEDERAL AWARDS**

None

**POLK COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended September 30, 2022

Department/Pass-Through Agency/Program Name	Program/Grant/ Project Number	AL Number	Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Pass-Through Deep East Texas Council of Governments</i>			
Title III Part C1, Nutrition Services	014-16-1000824-8	93.045	\$ 114,113
Title III Part C2, Nutrition Services	014-16-1000824-8	93.045	25,428
			<u>139,541</u>
<i>Pass-Through Texas Department of Aging and Disability Services</i>			
Social Services Block Grant	1000824	93.667	273,784
<b>Total U.S. Department of Health and Human Services</b>			<u>413,325</u>
<b>U.S. ELECTION ASSISTANCE COMMISSION</b>			
<i>Pass-through Texas Secretary of State</i>			
Help America Vote Act	TX18101001-01-187	90.404	42,903
Help America Vote Act	TX20101CARES-187	90.404	55,561
<b>Total U.S. Election Assistance Commission</b>			<u>98,464</u>
<b>U.S. DEPARTMENT OF INTERIOR</b>			
<i>Pass-Through Bureau of Land Management</i>			
Payments in Lieu of Taxes - 2022	PL 110-343	15.226	56,020
<b>Total U.S. Department of Interior</b>			<u>56,020</u>
<b>U.S. DEPARTMENT OF TREASURY</b>			
<i>Direct Award</i>			
Coronavirus State and Local Fiscal Funds		21.019	181,421
<b>Total U.S. Department of Treasury</b>			<u>181,421</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Pass-Through Texas Division of Emergency Management</i>			
Disaster Grants - Public Assistance	FEMA-4272-DR-TX	97.036	65,225
Disaster Grants - Public Assistance	FEMA-4332-DR-TX	97.036	2,297
<b>Total U.S. Department of Homeland Security</b>			<u>67,522</u>
<b>Total Federal Expenditures</b>			<u><u>\$ 816,752</u></u>

**POLK COUNTY, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended September 30, 2022**

**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 principles 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.