



Management Letter

March 15, 2013

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 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, 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 significant deficiencies or material weaknesses and, therefore, there can be no assurances that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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.

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Our findings and additional comments are as follows:

CURRENT YEAR MATTER

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.

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.

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.

This communication is intended solely for the information and use of management, County Judge, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the members of Commissioners' Court, 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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