

*SINGLE AUDIT REPORTS*

**POLK COUNTY, TEXAS**

**For the Year Ended  
September 30, 2015**

# **POLK COUNTY, TEXAS**

## ***SINGLE AUDIT REPORTS***

September 30, 2015

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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**

March 24, 2016

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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 24, 2016.

**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) to determine 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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 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*.

### **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



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB  
CIRCULAR A-133, AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

March 24, 2016

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 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, 2015. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

## **Opinion on Each Major Federal Program**

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, 2015.

## **Report on Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated March 24, 2016, 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 OMB Circular A-133 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 OMB Circular A-133. 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 YEAR AUDIT FINDINGS**  
For the Year Ended September 30, 2015

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

***Significant Deficiencies:***

**2014-001. REDACTED REPORTING**

**Condition**

During the audit we presented information to the County Judge, who schedule an Executive Session with the Commissioners Court, in which we reported a pattern of activity within the District Clerk's accounts which raised the fraud risk assessment to maximum. There has been a long history going back over eight years of prior audit findings regarding the District's Clerk's office, including substantial delays in responding to both the independent and County Auditors' request for information. In addition, during the current fiscal year, the school districts within county threatened to file suit regarding alleged delays in processing tax sales monies. In July 2014, we requested additional information from the District Clerk's office to follow up on various allegations, by the completion of the audit in March 2015, approximately 9 months later, the District Clerk had not supplied the information requested. During 2015 the County Auditor gained access through the Net Data software to view activity being posted by the District's clerks' office. The activity observed by the County Auditor indicated the District Clerk was recording and depositing receipts a year or more after the fact. It appeared highly probable that a lapping scheme was being used, but at a minimum cash was not being deposited in a timely manner exposing the County to unnecessary risk. The District Attorney, County Auditor and our firm discussed the matter with Commissioners Court and the course of action that was decided was that the Attorney General's office was to be contacted as they were the jurisdiction best suited to follow up on the matter.

To our knowledge the Attorney General Office has an ongoing investigation. However, as reported by the media a key portion of their investigation has taken place related to the recovery of records in the possession of the District Clerk. The District Clerk resigned the day following the seizure of records and new a District Clerk was subsequently appointed.

**Please note that no federal funds are held or processed by the Districts Clerks office.**

**Recommendation**

The County should continue to cooperate with the Attorney General's Office and address matters as new information becomes available.

**Current Status**

As of September 30, 2015, the new District Clerk was continuing to reconcile all of the District Clerk accounts and the County hired an independent CPA, to assist with the reconciliations. As of the date of this report, the unreconciled amount was approximately \$79,000.

**2014-002. DISTRICT CLERK BANK DEPOSITS**

**Condition**

Review of bank accounts received from the District Clerk's office shows large deposit amounts consisting of smaller collected amounts being deposited into the District Clerk's accounts twice during the year. One money order appears to have been held for three years. In addition, the District Clerk's



**POLK COUNTY, TEXAS**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (continued)**  
For the Year Ended September 30, 2015

registry of the court bank account has an outstanding deposit of \$7,000 dated March 5, 2007.

**Recommendation**

The District Clerk's office should immediately implement a plan to make timely deposits of any checks received and record activity accurately. The District Clerk's office should assign the responsibility of taking trust deposits to the bank on a daily basis to more than one individual.

**Current Status**

The new District Clerk has implemented plans during the year to ensure that all deposits are deposited in a timely manner.

**2014-003. DISTRICT CLERK BANK RECONCILIATIONS**

**Condition**

On August 5, 2014, certain reports, bank statements and reconciliations were requested from the District Clerk's office. Bank reconciliations were received February 25, 2015, after the conclusion of our on-site audit. The court records to verify the funds were not received as of the date of March 13, 2015.

**Recommendation**

The District Clerk's office should immediately implement a plan to reconcile cash monthly. The District Clerk's office should submit the reconciliation report, applicable monthly bank statement and other supporting documentation by the 20<sup>th</sup> of the following month.

**Current Status**

The new District Clerk has implemented plans during the year to ensure that all accounts are reconciled and submitted to the County Auditor office each month.

**2014-004. DISTRICT CLERK TAX SALES FUNDS**

**Condition**

The District Clerk's office has not disbursed funds related to tax sales for many years as presented in the court minutes and discussed in detail with the County Auditor's office.

**Recommendation**

The District Clerk's office should immediately implement a plan to disburse all funds with court orders to release funds to agencies or individuals.

**Current Status**

As of September 30, 2015, the disbursements for the tax sales had not been completed due to the ongoing reconciliation of all funds in the District Clerks office. However, as of the date of March 13, 2015, the tax sale disbursements have been made to the correct agencies and individuals.

**POLK COUNTY, TEXAS**  
***SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (continued)***  
For the Year Ended September 30, 2015

**2014-005. DISTRICT CLERK COURT RECORDS**

**Condition**

Court orders to verify all of the trust account receipts and disbursement were requested on August 5, 2014 from the District Clerk's office and were not provided as of March 13, 2015. Without these documents, the balances of accounts were unable to be verified.

**Recommendation**

The District Clerk's office should provide all documentation previously requested. The District Clerk's office should carefully maintain all records according to government statute.

**Current Status**

All requested documentation was received during the current year audit.

**POLK COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended September 30, 2015

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Polk County, Texas.
2. Significant deficiencies in internal control were not 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 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>CFDA</u>	<u>Program Name</u>
14.228	Community Development Block Grant

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The County did not qualify as a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**None.**

**C. FINDINGS – FEDERAL AWARDS**

**None.**

**POLK COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended September 30, 2015

Department/Pass-Through Agency/Program Name	Program/Grant/ Project Number	CFDA Number	Expenditures
<b>DEPARTMENT OF JUSTICE</b>			
<i>Pass-through Criminal Division/Joint Law Enforcement</i>			
Asset Forfeiture Program	LOA #2015-120	16.922	\$ 25,520
<i>Pass-through Bureau of Justice Assistance</i>			
Bulletproof Vest Partnership Program	2012BUBX1206	16.607	695
<i>Pass-through Texas Department of Public Safety</i>			
State Criminal Alien Assistance Program	2014-H1907-TX-AP	16.606	1,517
<b>Total Department of Justice</b>			<u>27,732</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Pass-Through Deep East Texas Council of Governments</i>			
Title III Part C1, Nutrition Services	6358	93.045	72,548
Title III Part C2, Nutrition Services	6358	93.045	43,050
			<u>115,598</u>
<i>Pass-Through Texas Department Family and Protective Orders</i>			
Title IV E - Foster Care	23938987	93.658	2,293
<i>Pass-Through Texas Department of Aging and Disability Services</i>			
Social Services Block Grant	1000824	93.667	63,053
<i>Pass-Through Texas Administration for Children and Families</i>			
Child Support Enforcement	15-C0071	93.563	67,267
<b>Total Department of Health and Human Services</b>			<u>248,211</u>
<b>DEPARTMENT OF INTERIOR</b>			
<i>Pass-Through Bureau of Land Management</i>			
Payments in Lieu of Taxes	PL 110-343	15.226	55,172
<b>Total Department of Interior</b>			<u>55,172</u>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Pass-through Texas General Land Office</i>			
Texas Community Development Block Grant-Disaster Recovery	12-526-000-6757	14.228	985,949
Texas Community Development Block Grant-Disaster Recovery	10-5226-0005210	14.228	15,608
<b>Total Department of Housing and Urban Development</b>			<u>1,001,557</u>
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Pass-Through Texas Department of Public Safety's Division of Emergency Management</i>			
Road System Drainage	FEMA-4223-DR-TX	97.036	154,903
Homeland Security Grant Program	EMW-2013-SS-00045	97.067	49,333
Emergency Management Performance Grant	14TX-EMPG-0441	97.042	18,805
Emergency Management Performance Grant	15TX-EMPG-0441	97.042	18,873
<b>Sub-total</b>			<u>37,678</u>
<b>Total Department of Homeland Security</b>			<u>241,914</u>
<b>Total Federal Expenditures</b>			<u>\$ 1,574,586</u>

**POLK COUNTY, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended September 30, 2015

**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.