

SAN JACINTO COUNTY, TEXAS

REPORT ON COMPLIANCE

SEPTEMBER 30, 2019

**SAN JACINTO COUNTY, TEXAS
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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
San Jacinto 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, each major fund, and the aggregate remaining fund information of San Jacinto County, Texas (the "County"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise San Jacinto County, Texas' basic financial statements and have issued our report thereon dated June 22, 2020.

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 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings (item 2019-001) that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the San Jacinto County, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain

**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 – CONTINUED**

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*.

San Jacinto County, Texas' Response to Findings

San Jacinto County, Texas' 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 auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Todd, Hamaker & Johnson, LLP

Todd, Hamaker & Johnson, LLP
Lufkin, Texas

June 22, 2020

SCHEDULE OF AUDIT FINDINGS

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**SAN JACINTO COUNTY, TEXAS
SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Financial Statements Audit Findings

2019-001 Significant Deficiency: Month End Procedures
Prior Audit Finding 2018-002, 2017-002 and 2016-003

Condition. Various balance sheet accounts and individual funds required significant adjustments and corrections to year-end balances.

Context. The County appears to lack both a formal process and an actual practice of “closing the books” at the end of each month/year and comparing the general ledger accounts to supporting documentation to ensure that interim financial statements are accurate. Noted areas of deficiency include, but are not limited to, the following:

- Comparing general ledger balances for liability accounts (such as the probate trust) to court documents (such as registers from the County Clerk);
- Comparing/reconciling general ledger balances for state fee liabilities and fee/fine revenue to original documentation from fee collecting offices to ensure coding accuracy and timely clearing of accounts;
- Comparing/reconciling general ledger balances (both liabilities and expenditures) relating to employee benefits to monthly billing invoices or other appropriate documentation;
- Comparing/reconciling general ledger balances of other fiduciary-type liability accounts (such as seizures, restitution, etc.) to appropriate supporting documentation to ensure coding accuracy and appropriate clearing of accounts;
- Recording month/year-end accruals of revenue and receipts of funds in-transit (such as grants, etc.);
- Comparing/reconciling general ledger balances related to property tax revenues.

Criteria. The County Auditor’s office is responsible for ensuring the County has a formal procedure in place to reconcile general ledger accounts on a consistent basis.

Effect or Potential Effect. Lack of the noted policies/practices can result in inaccurate financial reporting to the Commissioners’ Court; inaccurate state fee reporting to the state (resulting in over or under remitting fees); loss of funds; violation of grant agreements or other contracts.

Recommendation. The County Auditor’s office should establish a month end and year end closing procedure to reconcile all balance sheet accounts, including reviewing supporting subsidiary ledgers and other supporting documents to determine their accuracy and correct any errors and to ensure the general ledger is appropriately adjusted.

Views of Responsible Officials. See *Management’s Responses to Findings and Corrective Action Plan* beginning on page 9.

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**SAN JACINTO COUNTY, TEXAS
MANAGEMENT'S RESPONSES TO FINDINGS AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2019**



**San Jacinto County
Auditor's Office**

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Management's Responses to Schedule of Audit Findings and Questioned Costs

San Jacinto County, Texas submits the following responses to the Schedule of Audit Findings and Questioned Costs for the fiscal year ended September 30, 2019.

Finding # 2019-001 Month End Procedures

Response and Planned Corrective Action – San Jacinto County has been in the process of establishing procedures that will ensure general ledger accounts are reconciled at month end.

Anticipated Implementation Date – This was implemented as of April 30, 2019 and continued changes to be made in FY2020.

Official Responsible for Corrective Action- Kimberly Wooley, County Auditor
Dianna Adams, County Treasurer

Respectfully,

A handwritten signature in cursive script that reads "Kimberly Wooley".

**Kimberly Wooley
San Jacinto County Auditor**

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SAN JACINTO COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Financial Statements Audit Findings

2018-001 Significant Deficiency: Bank Reconciliations
Also Prior Audit Finding 2017-001 and 2016-001

Condition. Certain bank statements and registers were not reconciled to the trial balance. Numerous entries were needed to reconcile pooled cash and payroll cash.

Prior Recommendations. The County should reconcile bank statements monthly. To ensure timeliness, the County should present a copy of the bank statement and reconciliation to the Commissioners' Court on a monthly basis.

Status. The underlying issues resulting in this finding appear to be corrected. Accordingly, this matter is considered resolved.

2018-002 Significant Deficiency: Month End Procedures
Also Prior Audit Finding 2017-002 and 2016-003

Condition. The County Auditor's office is responsible for ensuring the County has a formal procedure in place to reconcile balance sheet accounts on a consistent basis. It appeared the County lacked a formal process for closing the books at the end of each month. Multiple adjustments were required at year end during the audit process to correct general ledger account balances. Accordingly, it did not appear that other support was being compared to the general ledger on a monthly basis to ensure that interim financial statements were correct .

Prior Recommendations. The County Auditor's office should establish a month end closing procedure to reconcile all balance sheet accounts, including reviewing supporting subsidiary ledgers and other supporting documents to determine their accuracy and to ensure the general ledger is appropriately adjusted.

Status. This finding remains outstanding. See also, *Schedule of Audit Findings* beginning on page 7.

Major Federal Award Programs Audit Findings and Questioned Costs

None reported.

