

SAN JACINTO COUNTY, TEXAS

REPORTS ON COMPLIANCE

SEPTEMBER 30, 2017

**SAN JACINTO COUNTY, TEXAS
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Todd, Hamaker & Johnson, LLP

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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, 2017, 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 March 26, 2019.

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 findings and questioned costs (items 2017-001 and 2017-002) 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

March 26, 2019

Todd, Hamaker & Johnson, LLP

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable County Judge and
Members of the Commissioners Court
San Jacinto County, Texas

Report on Compliance for Each Major Federal Program

We have audited San Jacinto County, Texas' (the "Organization") 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 Organization's major federal programs for the year ended September 30, 2017. The Organization'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 San Jacinto County, Texas'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 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). Those standards and the Uniform Guidance 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 San Jacinto County, Texas' 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 San Jacinto County, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, San Jacinto County, Texas 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, 2017.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE – CONTINUED**

Report on Internal Control over Compliance

Management of San Jacinto County, Texas 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 San Jacinto County, Texas'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 the Uniform Guidance, 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 San Jacinto County, Texas' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Jacinto County, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 26, 2019, 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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE – CONTINUED**

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.

Todd, Hamaker & Johnson, LLP

Todd, Hamaker & Johnson, LLP
Lufkin, Texas

March 26, 2019

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SAN JACINTO COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/ Pass-through Grantor/Other Grantor Program Title/Grant Title	Federal CFDA Number	Grant Number	Total Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Agriculture</u>				
<i>Passed through Texas A&M Forest Service</i>				
Cooperative Forestry Assistance	10.664	16-DG-11083148-007	\$ 10,000	\$ -
Total for CFDA 10.664			<u>10,000</u>	<u>-</u>
<i>Passed through Texas Comptroller</i>				
Schools and Roads - Grants to States - Title I	10.665	-	79,355	26,102
Total for CFDA 10.665			<u>79,355</u>	<u>26,102</u>
Total U.S. Department of Agriculture:			<u>89,355</u>	<u>26,102</u>
<u>U.S. Department of the Interior</u>				
<i>Passed through Texas Comptroller</i>				
National Forest Acquired Lands	15.438	-	35,492	-
Total for CFDA 15.438			<u>35,492</u>	<u>-</u>
Total U.S. Department of the Interior:			<u>35,492</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed through Texas General Land Office</i>				
Community Development Block Grants/ State Program and Non-Entitlement Grants in Hawaii	14.228	10-5192-000-5175	1,452,450	-
<i>Passed through Texas Department of Agriculture</i>				
Community Development Block Grants/ State Program and Non-Entitlement Grants in Hawaii	14.228	7216400	28,650	-
Total for CFDA 14.228			<u>1,481,100</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development:			<u>1,481,100</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
<i>Direct Award – Drug Enforcement Administration</i>				
Domestic Cannabis Eradication/Suppression Program	16.000	2017-121	7,700	-
Total for CFDA 16.000			<u>7,700</u>	<u>-</u>
<i>Passed through Texas Department of Public Safety</i>				
State Criminal Alien Assistance Program	16.606	2019-AP-BX-0425 LOA#2017	2,743	-
Total for CFDA 16.606			<u>2,743</u>	<u>-</u>
Total U.S. Department of Justice:			<u>10,443</u>	<u>-</u>

SAN JACINTO COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(CONTINUED)

Federal Grantor/ Pass-through Grantor/Other Grantor Program Title/Grant Title	Federal CFDA Number	Grant Number	Total Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through Texas Department of Family and Protective Services</i>				
Foster Care – Title IV-E	93.658	24105139	<u>9,104</u>	<u>-</u>
Total for CFDA 93.658			<u>9,104</u>	<u>-</u>
Total U.S. Department of Health and Human Services:			<u>9,104</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
<i>Passed through Texas Department of Public Safety - Division of Emergency Management</i>				
Disaster Grants – Public Assistance	97.036	DR 4223	305,673	-
Disaster Grants – Public Assistance	97.036	DR 4269	773,883	-
Disaster Grants – Public Assistance	97.036	DR 4272	<u>129,408</u>	<u>-</u>
Total for CFDA 97.036			<u>1,208,964</u>	<u>-</u>
<i>Passed through Texas Department of Public Safety - Division of Emergency Management</i>				
Emergency Management Performance Grant	97.042	2017-EP-00005-S01 17TX-EMPG-0453	<u>15,401</u>	<u>-</u>
Total for CFDA 97.042			<u>15,401</u>	<u>-</u>
Total U.S. Department of Homeland Security:			<u>1,224,365</u>	<u>-</u>
Total Expenditures of Federal Awards:			<u>\$ 2,849,859</u>	<u>\$ 26,102</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

SAN JACINTO COUNTY, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (“Schedule”) includes the federal grant activity of San Jacinto County, Texas under programs of the federal government for the year ended September 30, 2017. 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* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), as applicable. Because the Schedule presents only a selected portion of the operations of San Jacinto County, Texas, it is not intended to and does not present the financial position, changes in net position, or cash flows of San Jacinto County, Texas.

NOTE 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting and accordingly, all significant receivables, payables, and other liabilities are included. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* and the *Uniform Guidance*, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – Presentation of Expenditures

Expenditures included in the Schedule are reported exclusive of non-federal matching funds.

NOTE 4 – Indirect Cost Rate

San Jacinto County has elected not to use the 10% de minimis indirect cost rate allowed under the *Uniform Guidance*.

NOTE 5 – Other

Pass-through entity identifying numbers are presented where available.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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**SAN JACINTO COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

- Material weakness(es) identified? _____ yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes _____ none reported

Non-compliance material to financial statements noted? _____ yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with § 516(a) of the *Uniform Guidance*? _____ yes no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14.228	Community Development Block Grants/State Program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between type A and type B federal programs: \$ 750,000

Auditee qualified as a low-risk auditee? _____ yes no

**SAN JACINTO COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Section II – Financial Statements Audit Findings

2017-001 Significant Deficiency: Bank Reconciliations
Prior Audit Finding 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.

Context. During the course of the audit, it was noted that the aggregate “claims on pooled cash” accounts were not being reconciled to the software’s total pooled cash fund. Bank statement register listings for both the pooled cash account and the payroll cash account included extensive outstanding general ledger entries (i.e. transactions that were not “deposits” or “checks”) that ultimately appeared to be either erroneous or duplicative in nature. Many of the noted transactions appeared to be attempts to correct deposits that were initially receipted to an incorrect fund or general ledger account. Additionally, it was noted that in at least one instance, a significant bank error was not identified and corrected by the bank for three months.

Criteria. The County is responsible for balancing and reconciling bank statements and accurately accounting for the County’s pooled cash account, payroll, and various other cash accounts.

Cause. The County did not reconcile bank statements in a timely manner due to lack of training with the new financial software (both the bank statement reconciliation function and the related receipting function).

Effect or Potential Effect. The County is at high risk for loss of funds due to inadequate accounting for cash.

Recommendation. The County should reconcile all 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. We also recommend the inclusion of a “Pooled Cash Report” for the same time period to demonstrate that the pooled cash reconciliation and general ledger agree. Furthermore, the County should review/revise policies and procedures to ensure accurate receipting of funds in the first instance.

Views of Responsible Officials. See *Management’s Responses to Findings and Corrective Action Plan* beginning on page 19

SAN JACINTO COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

2017-002 Significant Deficiency: Month End Procedures
Prior Audit Finding 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 and updating fixed asset software listings to reflect asset disposals approved by the Commissioners’ Court;
- 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 from fee collecting offices;
- 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 19.

**SAN JACINTO COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Section III – Major Federal Award Programs Audit Findings and Questioned Costs

None.

**SAN JACINTO COUNTY, TEXAS
MANAGEMENT'S RESPONSES TO FINDINGS AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2017**



**San Jacinto County
Auditor's Office**

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Management's Responses to Schedule of Findings and Questioned Costs

San Jacinto County, Texas submits the following responses to the Schedule of Findings and Questioned Costs for the fiscal year ended September 30, 2017

Finding # 2017-001 Bank Reconciliations

Response and Planned Corrective Action – San Jacinto County is working with the financial software company on the bank reconciliation process and bank statements are being reconciled in a timely manner.

Anticipated Implementation Date – April 30, 2019

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

Finding # 2017-002 Month End Procedures

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

Anticipated Implementation Date – April 30, 2019

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

Respectfully,

A handwritten signature in blue ink 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, 2017**

Financial Statements Audit Findings

2016-001 Significant Deficiency: Bank Reconciliations

Condition. The bank statements and reconciliations were not reconciled to the trial balance and numerous entries were needed to reconcile cash.

Recommendation of Prior Auditor. 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. This finding remains outstanding. See also, *Schedule of Findings and Questioned Costs, Section II* beginning on page 16.

2016-002 Significant Deficiency: EFile Bank Account

Condition. As of September 30, 2016, the Efile bank account was not listed on the general ledger.

Recommendation of Prior Auditor. The County should reconcile bank statements monthly to ensure that all cash has been accounted for on the general ledger.

Status. As of September 30, 2017, Efile bank accounts have been added to the County's general ledger. Accordingly, in relation to general ledger inclusion of the Efile accounts, this finding is considered resolved.

2016-003 Significant Deficiency: Month End Procedures

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 .

Recommendation of Prior Auditor. 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 Findings and Questioned Costs, Section II* beginning on page 16.

Major Federal Award Programs Audit Findings and Questioned Costs

None reported.