

FORT BEND COUNTY, TEXAS
STATE SINGLE AUDIT REPORT
Year Ended September 30, 2013

FORT BEND 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 Robert E. Hebert, County Judge
and Members of Commissioners Court
Fort Bend 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fort Bend County, Texas, (the "County") as of and for the year ended September 30, 2013, 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 18, 2014.

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.

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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs (item #13-01) to be a material weakness.

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.

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*.

The County's Response to Findings

The County's response to the finding 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.

A handwritten signature in black ink that reads "Sante Karp & Co." The signature is written in a cursive, flowing style.

Sugar Land, Texas
March 18, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
AND THE UNIFORM GRANT MANAGEMENT STANDARDS CHAPTER IV STATE OF TEXAS
SINGLE AUDIT CIRCULAR**

To the Honorable Robert E. Hebert, County Judge
and Members of Commissioners Court
Fort Bend County, Texas

Report on Compliance for Each Major State Program

We have audited Fort Bend County, Texas' (the "County") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Uniform Grant Management Standards Chapter IV State of Texas Single Audit Circular* that could have a direct and material effect on each of the County's major state programs for the year ended September 30, 2013. The County's major state programs are identified in the summary of auditor's 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 state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major state 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and, *Uniform Grant Management Standards Chapter IV State of Texas Single Audit Circular*. 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 state 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 state program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major State 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 state programs for the year ended September 30, 2013.

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 state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Uniform Grant Management Standards *Chapter IV State of Texas Single Audit Circular*, 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 state 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 state 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 state 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 State Awards Required by OMB Circular A-133 and Uniform Grant Management Standards *Chapter IV State of Texas Single Audit Circular*

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fort Bend County, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 18, 2014, 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 state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and Uniform Grant Management Standards *Chapter IV State of Texas Single Audit Circular* 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 state 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 and Uniform Grant Management Standards *Chapter IV State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.



Sugar Land, Texas
March 18, 2014

FORT BEND COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended September 30, 2013

<u>State Grantor/ Pass-Through Agency/ Program Title</u>	<u>Grantor or Pass through Grantor's Number</u>	<u>Program Expenditures</u>
Texas Department of Transportation		
Direct Program:		
Section 5311 State/Local Rural Public Transportation	51312F7017	\$ 308,875
Total Texas Department of Transportation		<u>308,875</u>
Texas Department of Criminal Justice - Community Justice Assistance Division		
Direct Programs:		
<u>Diversion Programs</u>		
Mental Health Initiative Caseload	015	93,033
Mental Health Initiative Caseload	015	16,003
Felony Drug Court	016	118,740
Felony Drug Court	016	9,447
Substance Abuse Treatment Caseload	018	127,577
Substance Abuse Treatment Caseload	018	8,320
Special Sanctions Court	019	393,895
Special Sanctions Court	019	34,940
Aftercare Caseload	023	105,334
Aftercare Caseload	023	10,617
		<u>917,906</u>
<u>Treatment Alternative</u>		
Treatment Alternative to Incarceration	010	576,675
Treatment Alternative to Incarceration	010	40,731
		<u>617,406</u>
Total Texas Department of Criminal Justice - Community Justice Assistance Division		<u>1,535,312</u>
Texas Juvenile Justice Department		
Direct Programs:		
State Aid	TJPC-A-2013-079	1,835,539
State Aid	TJPC-A-2014-079	168,942
Commitment Reduction Program - Program C	TJPC-C-2013-079	241,978
Commitment Reduction Program - Program C	TJPC-C-2014-079	43,739
Special Needs Program M	TJPC-M-2013-079	50,080
Special Needs Program M	TJPC-M-2014-079	4,326
Mental Health Program N	TJPC-N-2014-079	7,620
Prevention and Intervention Demonstration Project	TJPC-S-2012-079	11,767
Prevention and Intervention Demonstration Project	TJPC-S-2013-079	50,930
Prevention and Intervention Demonstration Project	TJPC-S-2014-079	5,295
Total Texas Juvenile Justice Department		<u>2,420,216</u>

The accompanying notes are an integral part of this schedule.

FORT BEND COUNTY, TEXAS (continued)
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended September 30, 2013

<u>State Grantor/ Pass-Through Agency/ Program Title</u>	<u>Grantor or Pass through Grantor's Number</u>	<u>Program Expenditures</u>
Office of the Governor - Criminal Justice Division		
Pass-Through Programs From:		
<u>Houston-Galveston Area Council</u>		
Law Enforcement Training Project (Gus George Academy)	SF-08-A10-14719-10	55,926
Regional Juvenile Mental Health Services	26067-01	15,000
TRANSITIONS Work/Study Program (Juvenile)	SF-2556001	61,081
Total Office of the Governor - Criminal Justice Division		<u>132,007</u>
Texas Education Agency		
Direct Programs:		
Juvenile Justice Alternative Education Program (JJAEP)	TJPC P-2013-079	247,681
Juvenile Justice Alternative Education Program (JJAEP)	TJPC P-2014-079	8,860
Total Texas Education Agency		<u>256,541</u>
Texas Department of State Health Services		
Direct Programs:		
Tuberculosis Prevention and Control - State	2013-041111-001	122,428
Tuberculosis Prevention and Control - State	2014-001413-00	11,638
Tobacco Community Coalition	2013-042335-001	194,491
Preventive Health Block Grant-RLSS-Local Public Health	2013-041111-006	29,995
Preventive Health Block Grant-RLSS-Local Public Health	2014-000034-00	2,194
Total Direct Programs		<u>360,746</u>
Pass-Through Programs From:		
<u>Texas State University</u>		
Texas State School Safety Center Tobacco - Constable 3	0790000	3,750
Texas State School Safety Center Tobacco - Sheriff	0790000	49,875
Total Passed Through Texas State University		<u>53,625</u>
 Total Texas Department of State Health Services		 <u>414,371</u>
Texas Commission on Environmental Quality		
Direct Program:		
Retirement Program (LIRAP) Local Initiative Projects	582-12-20281	172,606
Pass-Through Programs From:		
<u>Houston-Galveston Area Council</u>		
HGAC FY13 Solid Waste Implementation Grant (Env Health Truck)	13-16-G05	35,771
HGAC FY13 Solid Waste Implementation Grant (Eng Baler)	13-16-G10	24,069
Total Passed Through Houston-Galveston Area Council		<u>59,840</u>
 Total Texas Commission on Environmental Quality		 <u>232,446</u>

The accompanying notes are an integral part of this schedule.

FORT BEND COUNTY, TEXAS (continued)
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended September 30, 2013

<u>State Grantor/ Pass-Through Agency/ Program Title</u>	<u>Grantor or Pass through Grantor's Number</u>	<u>Program Expenditures</u>
Office of the Attorney General		
Direct Programs:		
Victim Coordinator Liason Grant	1333053	38,571
Victim Coordinator Liason Grant	1442573	3,335
Texas VINE Program	1336718	25,016
<i>Total Office of the Attorney General</i>		<u>66,922</u>
Texas Indigent Defense Commission		
Direct Programs:		
Formula Grant	212-13-079	442,319
Fort Bend County Mental Health Defender Program	212-03-D23	146,741
Evaluation of Fort Bend Mental Health Public Defender Office	212-TS-079	18,901
<i>Total Texas Indigent Defense Commission</i>		<u>607,961</u>
Texas Department of Family and Protective Services		
Direct Program:		
Concrete Services	23355842	957
<i>Total Texas Department of Family and Protective Services</i>		<u>957</u>
Texas Secretary of State		
Direct Programs:		
Chapter 19 Election Funds - 2011	079	1,741
Chapter 19 Election Funds - 2012	079	50,672
<i>Total Texas Secretary of State</i>		<u>52,413</u>
<i>Total Expenditures of State Awards</i>		<u><u>\$ 6,028,021</u></u>

The accompanying notes are an integral part of this schedule.

FORT BEND COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended September 30, 2013

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of state awards (the “schedule”) includes the state grant activity of Fort Bend County, Texas (the “County”) under programs of the state government for the year ended September 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the Uniform Grant Management Standards *Chapter IV Texas State Single Audit Circular*. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County.

NOTE 2 - BASIS OF ACCOUNTING

The County accounts for all awards under programs of the state government in the General and Special Revenue Funds. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

State grant funds for governmental funds are considered to be earned to the extent of expenditures made under the provisions of the grant. When such funds are advanced to the County, they are recorded as unearned revenues until earned. Otherwise, state grant funds are received on a reimbursement basis from the respective state program agencies. Generally, unused balances are returned to the grantor at the close of specified project periods.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- a. Material weakness(es) identified? Yes - #13-01
- b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? No

Noncompliance material to the financial statements noted? No

STATE AWARDS

Internal control over major programs:

- a. Material weakness(es) identified? No
- b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? No

Type of auditors' report issued on compliance with major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) OMB Circular A-133? No

Identification of major programs:

<u>State Contract Number(s)</u>	<u>Name of State Program</u>
Various	Texas Department of Criminal Justice -- Community Justice Assistance Division Diversion Programs
Various	Texas Department of Criminal Justice -- Community Assistance Division—Treatment Alternative to Incarceration
Various 51312F7017 212-13-079; 212-03-D23; 212-TS-079	Texas Juvenile Justice Department Section 5311 State/Local Rural Transportation Texas Indigent Defense Commission

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? No

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding #13-01 – Accounting for Fines and Fees

Criteria

A software program should be in place which records the initial assessment of all fines and fees, records the subsequent collection of fines and fees and identifies outstanding fines and fees. Further, this software program should be used by all County departments that assess fines and fees.

Condition

The County does not have a software program in place which records the initial assessment of all fines and fees, records the subsequent collection of fines and fees and identifies outstanding fines and fees. Various departments within the County use various programs to record fines and fees, and some of these departments are unable to produce an accurate listing of outstanding fines and fees at year-end. Therefore, the County is not able to record an accurate amount of receivables for fines and fees on its general ledger at year-end. The County currently uses a method of estimates and assumptions in order to determine the amount of the receivable at year-end. In addition, the receivable for fines and fees recorded on the general ledger has not been adjusted or reviewed in the past six years.

Context

This was determined while reviewing receivables recorded on the general ledger at year-end.

Effect

Not having all departments using a single software program which records the initial assessment of all fines and fees, records the subsequent collection of fines and fees and identifies outstanding fines and fees, results in an increased risk of fines and fees not being properly recorded and collected and also results in an increased risk that the receivable for fines and fees recorded on the general ledger is misstated.

Cause

The County does not have a software program in place which records the initial assessment of all fines and fees, records the subsequent collection of fines and fees and identifies outstanding fines and fees. The County uses a method of estimates and assumptions in order to determine the amount of the receivable for fines and fees at year-end.

Recommendation

The County should implement a software program or other capability which records the initial assessment of all fines and fees, records the subsequent collection of fines and fees and identifies outstanding fines and fees. Further, this software program or other capability should be used by all departments within the County that collect fines and fees.

Views of Responsible Officials and Planned Corrective Actions

See Section V

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2013

SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters reported.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2013

SECTION IV – STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding #12-01 – Accounting for Fines and Fees

See current year finding #13-01 in Section II

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2013

SECTION V – CORRECTIVE ACTION PLAN

Finding #13-01 – Accounting for Fines and Fees

Responsible Person – Ed Sturdivant, County Auditor

Corrective Action Plan

The courts management software is being modified by the vendor to accommodate the timely and accurate reporting of receivables related to fines, fees and court costs. The solution is expected to be in place during fiscal year 2015.

Estimated Completion Date – Fiscal Year 2015

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