

SINGLE AUDIT REPORTS

Liberty County, Texas

Fiscal Year Ended
September 30, 2012

Liberty County, Texas

SINGLE AUDIT REPORTS

Year Ended September 30, 2012

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**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
Liberty County, Texas:

We have audited the basic financial statements of Liberty County, Texas (the "County") as of and for the year ended September 30, 2012, and have issued our report thereon dated July 11, 2013. We conducted our audit in accordance with 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.

Internal Control over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 questioned costs as item 2012-1 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. We consider the deficiencies described in the accompanying schedule of findings questioned costs as items 2012-2, 2012-3, 2012-4, 2012-5, and 2012-6 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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*.

We noted certain matters that we have reported to management of the County in a separate letter dated July 11, 2013.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of, management, Commissioners' Court, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



BrooksCardiel, PLLC
Certified Public Accountants
The Woodlands, Texas
July 11, 2013

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable County Judge and
Members of the Commissioners' Court
Liberty County, Texas:

Compliance

We have audited the compliance of Liberty County, Texas (the "County") with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the entity's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and 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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the 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, 2012.

Internal Control over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with 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 a 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.

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 that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended September 30, 2012, and have issued our report thereon dated July 11, 2013, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Circular A-133 and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.”

This report is intended solely for the information and use of, management, Commissioners’ Court, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brooks Cardiel, PLLC". The signature is written in a cursive, flowing style.

BrooksCardiel, PLLC
Certified Public Accountants
The Woodlands, Texas
July 11, 2013

Liberty County, Texas
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2012

I. SUMMARY OF PRIOR YEAR AUDIT FINDINGS:

None.

Liberty County, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2012

I. SUMMARY OF AUDITOR'S RESULTS:

Financial Statements

Type of auditor's report issued:

The auditor's report on the basic financial statements of the County expresses an unqualified opinion.

Internal control over financial reporting:

Are any material weaknesses identified?	<u>X</u> Yes	___ No
Are any significant deficiencies identified not considered to be material weaknesses?	<u>X</u> Yes	___ None Reported
Is any noncompliance material to financial statements noted?	___ Yes	<u>X</u> No

Federal Awards

The auditor's report on compliance for major federal programs expresses an unqualified opinion.

Internal control over major program compliance:

Are any material weaknesses identified?	___ Yes	<u>X</u> No
Are any significant deficiencies identified not considered to be material weaknesses?	___ Yes	<u>X</u> None Reported
Are any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133, <i>Audits of State, Local Governments, and Non-Profit Organizations</i> , Section .510(a)?	___ Yes	<u>X</u> No

Liberty County, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.225	Community Development Block Grant
14.228	Community Development Block Grant

Enter the dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Is the auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

II. FINANCIAL STATEMENT FINDINGS

2012-1 FINANCIAL STATEMENTS

Finding

As part of our audit, management requested us to prepare a draft of the County's financial statements and the related notes. Management reviewed, approved, and accepted responsibility for those statements prior to their issuance. The outsourcing of these services is not unusual for a County the size of the County. However, we cannot be considered part of the County's internal control over financial reporting. We also determined that certain adjustments were required that were material to the financial statements. Accordingly, we consider these control deficiencies over financial reporting to be material weaknesses.

Recommendation

We recommend that management review the existing policies, procedures, and controls over these areas to ensure that all information is recorded and reported properly.

Responsible Official's Response

Management concurs with this finding.

Liberty County, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

We consider the following deficiencies to the County's internal control to be significant deficiencies:

2012-2 FINANCIAL AGREEMENTS

Finding

Due to the decentralized nature of Counties, occasionally agreements (debt, grant, contracts, etc.) are maintained by the issuing County office and are not easily obtainable for review in one central location. This can lead to delays in accurately tracking the performance of these agreements and ensuring their financial reporting accuracy.

Recommendation

We recommend that a copy of all significant debt, grant, and procurement agreements be provided to the County Auditor's office on a timely basis.

Responsible Official's Response

Management concurs with this finding.

2012-3 UNDEPOSITED FUNDS

Finding

We noted that cash and checks were consistently held by the Justice of the Peace ("JP") clerks for one to two weeks prior to being deposited into the bank. The longer funds remain with the County, the greater the possibility of loss or theft of these funds.

Recommendation

The County should consider adopting a policy of depositing all cash daily or formally approve a limit to the amount of cash that can be held without making a deposit.

Responsible Official's Response

Management concurs with this finding.

Liberty County, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

2012-4 COMMUNITY SERVICE

Finding

Several instances were noted where written authorization for community service in lieu of payment, was not retained on file by the JP office. Lack of written authorization may make the office susceptible to fraud where a clerk can misappropriate cash and mark a ticket as community service served.

Recommendation

We recommend that the County require written authorization by the Justice of the Peace to be obtained and kept on file as proof of authorization.

Responsible Official's Response

Management concurs with this finding.

2012-5 WARRANTS

Finding

Several instances were noted where defendants had pled guilty and agreed to a payment plan for their fines. These defendants had not paid according to their agreement. The unpaid fines had not been sent to collections or a warrant issued.

Recommendation

We recommend the County closely monitor payment plans and issue warrants accordingly.

Responsible Official's Response

Management concurs with this finding.

Liberty County, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

2012-6 ORIGINAL CITATIONS

Finding

In several instances, original traffic citations issued could not be located. The original citation is an important source document which serves as proof that the defendant was actually ticketed by an officer and for which crime.

Recommendation

The JP office should retain a copy of the original ticket with the defendant's docket information.

Responsible Official's Response

Management concurs with this finding.

III. FEDERAL AWARDS FINDINGS

None.

Liberty County, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2012

Department/Pass through Agency/Program Name	Program/Grant/ Project Number	CFDA Number	Expenditures
DEPARTMENT OF HOMELAND SECURITY			
Pass-through Texas Department of Public Safety - Emergency Management Division:			
<i>Emergency Management Performance Grant</i>	11TX-EMPG-0398	97.042	\$ 34,743
<i>Homeland Security Grant</i>	2010-55-TO-0008	97.073	111,556
<i>Hazard Mitigation</i>	DR 1791-017	97.039	35,479
Total Department of Homeland Security			181,778
 DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass-through Texas Department of Rural Affairs:			
<i>Community Development Block Grant</i>	DRS 010099	14.225	1,578,809
<i>Community Development Block Grant</i>	DRS 060099	14.225	137,065
<i>Community Development Block Grant</i>	DRS 060048	14.228	5,369,036
Total Department of Housing and Urban Development			7,084,910
 DEPARTMENT OF JUSTICE			
Pass through the Texas Office of the Governor - Criminal Justice Division			
<i>Edward Byrne Memorial Justice Assistance Grant</i>	2011 - DJBX2180	16.738	11,205
<i>Edward Byrne Memorial Justice Assistance Grant</i>	2445601	16.738	86,368
<i>Edward Byrne Memorial Justice Assistance Grant</i>	2010 - DJBX0925	16.738	2,402
Total Department of Justice			99,975
TOTAL PROGRAMS			\$ 7,366,663

Liberty County, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2012

Note 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Liberty 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.