

*SINGLE AUDIT REPORTS*

**Liberty County, Texas**

**Fiscal Year Ended  
September 30, 2013**

# Liberty County, Texas

## SINGLE AUDIT REPORTS

Year Ended September 30, 2013

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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, 2013, and have issued our report thereon dated June 04, 2014. 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 2013-1 through 2013-6 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 June 04, 2014.

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  
June 04, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT  
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:

**Report on Compliance for Each Major Federal Program**

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, 2013. 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.

***Management's Responsibility***

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

***Auditor's 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, 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 federal program as a basis for designing 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 as Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 04, 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 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.



BrooksCardiel, PLLC  
Certified Public Accountants  
The Woodlands, Texas  
June 04, 2014

**Liberty County, Texas**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
Year Ended September 30, 2013

**I. SUMMARY OF PRIOR YEAR AUDIT FINDINGS:**

**None.**

**Liberty County, Texas**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended September 30, 2013**

**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 unmodified 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, 2013**

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**

**2012-01 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, 2013

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

**2013-01 EXPENDITURES IN EXCESS OF APPROPRIATIONS**

**Finding**

As disclosed in the notes to the financial statements, expenditures exceeded appropriations in several departments.

**Recommendation**

The County should monitor expenditures throughout the year and ensure that budget amendments are properly approved by Commissioners' Court and recorded in the accounting system.

**Responsible Official's Response**

Management concurs with this finding.

**COUNTY AND DISTRICT CLERK'S OFFICES**

**2013-02 CASH DRAWERS**

**Finding**

Employees that accept payments will share the cash drawers depending on their availability. Each clerk uses a unique log in ID when accepting a payment. This practice limits the ability to identify the employee responsible in the event of an error or theft.

**Recommendation**

The County should consider assigning specific cash drawers to each employee accepting cash. Each employee should be responsible for the daily reconciliation of receipts to the system.

**Responsible Official's Response**

Management concurs with this finding.

**Liberty County, Texas**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
Year Ended September 30, 2013

**2013-03 CASH RECEIPTS – SEGREGATION OF DUTIES**

**Finding**

The individual responsible for the overall supervisory review of the daily receipts also accepts payments. This practice creates the potential for the supervisory employee to cover up theft or error.

**Recommendation**

The County should consider assigning the supervisory review function to an employee who does not accept payments.

**Responsible Official's Response**

Management concurs with this finding.

**2013-04 VAULT – COUNTY CLERK**

**Finding**

The County Clerk will hold funds awaiting deposit in a locked vault overnight. Deposits are taken to the bank each day. Although the funds are secure, all employees have access to the vault and code. There are also no cameras on the clerks or vault.

**Recommendation**

The County should consider limited access to the vault to specific individuals whose job function necessitates access to the vault.

**Responsible Official's Response**

Management concurs with this finding.

**Liberty County, Texas**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
Year Ended September 30, 2013

**2013-05 LACK OF BOOKKEEPER – DISTRICT CLERK**

**Finding**

The District Clerk does not have a dedicated bookkeeper. Bookkeeping duties are performed by individuals who accept payments and reconcile the total daily cash received. Ideally, an individual independent of the cash receipts process should maintain the accounting and general ledger function.

**Recommendation**

The County should consider hiring an experienced bookkeeper or allocate duties to a current employee and properly segregate the bookkeeping function.

**Responsible Official's Response**

Management concurs with this finding.

**JUSTICE OF THE PEACE**

**2013-06 DEPOSITS**

**Finding**

Several JP offices do not make daily deposits. This increases the possibility of loss or theft of cash while it is on the premises until the deposit can be made. Deposits are typically made weekly and can be in excess of \$10,000.

**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.

**III. FEDERAL AWARDS FINDINGS**

None.

# Liberty County, Texas

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2013

Department/Pass through Agency/Program Name	Program/Grant/ Project Number	CFDA Number	Expenditures
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Pass-through Texas Department of Public Safety - Emergency Management Division:			
<i>Emergency Management Performance Grant</i>	11TX-EMPG-0398	97.042	\$ 35,330
<i>Homeland Security Grant</i>	2010-55-TO-0008	97.073	65,424
<b>Total U.S. Department of Homeland Security</b>			100,754
 <b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Pass-through Texas Forest Service -			
<i>Community Wildfire Protection Plan</i>	01.10	10.665	10,000
 <b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Pass-through Texas Department of Rural Affairs:			
<i>Community Development Block Grant</i>	DRS 010099	14.225	2,396,598
<i>Community Development Block Grant</i>	DRS 060048	14.228	197,921
Pass-through Texas General Land Office:			
<i>Community Development Block Grant</i>	12-219-000-5519	14.228	304,737
<i>Community Development Block Grant</i>	13-307-000-7582	14.228	1,380
<b>Total U.S. Department of Housing and Urban Development</b>			2,900,636
<b>TOTAL PROGRAMS</b>			\$ 3,011,390

# Liberty County, Texas

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2013

### 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.