

FORT BEND COUNTY, TEXAS
FEDERAL SINGLE AUDIT REPORT
Year Ended September 30, 2014

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, 2014, 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 20, 2015.

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 deficiency in internal control that we consider to be a material weakness and other deficiencies in internal control 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 and questioned costs (item #14-01) 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (items #14-02, #14-03, #14-04, and #14-05) to be significant deficiencies.

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 Responses to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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, appearing to read "Sugar Land & Co.", is written in a cursive style.

Sugar Land, Texas
March 20, 2015



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal 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* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2014. 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, 2014.

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 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 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 Required by OMB Circular A-133

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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 20, 2015, 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.



Sugar Land, Texas
March 20, 2015

FORT BEND COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2014

| Federal Grantor/ Pass-Through Agency/ Program Title | CFDA Number | Grantor or Pass through Grantor's Number | Program Expenditures |
|--|----------------|--|-------------------------|
| U.S. Department of Agriculture | | | |
| Direct Programs: | | | |
| Food Donation (Program Year 2014: 10/1/13 - 9/30/14) | 10.555 | 079017A2014 | \$ 4,807 |
| National School Lunch / Breakfast Program 2013-2014 | 10.553 | 792002 | 71,527 |
| National School Lunch / Breakfast Program 2014-2015 | 10.553 | 792002 | 22,355 |
| Summer Food Service Program for Children #01637 | 10.559 | 01637 | 128,657 |
| Total U.S. Department of Agriculture | | | 227,346 |
| U.S. Department of Housing and Urban Development | | | |
| Direct Programs: | | | |
| Community Development Block Grants/Entitlement Grants 2009 | 14.218 | B-09-UC-48-0004 | 139,129 |
| Community Development Block Grants/Entitlement Grants 2010 | 14.218 | B-10-UC-48-0004 | 78,221 |
| Community Development Block Grants/Entitlement Grants 2011 | 14.218 | B-11-UC-48-0004 | 47 |
| Community Development Block Grants/Entitlement Grants 2012 | 14.218 | B-12-UC-48-0004 | 358,133 |
| Community Development Block Grants/Entitlement Grants 2013 | 14.218 | B-13-UC-48-0004 | 1,694,017 |
| Shelter Plus Care Program | 14.238 | TX24C700002 | 151,395 |
| Emergency Solutions Grant Program 2011 | 14.231 | E-11-UC-48-0003 | 27,208 |
| Hearth Emergency Solutions Grant Program 2012 | 14.231 | E-12-UC-48-0003 | 78,898 |
| Hearth Emergency Solutions Grant Program 2013 | 14.231 | E-13-UC-48-0003 | 99,127 |
| Home Investment Partnerships Program 2010 | 14.239 | M-10-UC-48-0216 | 1,158 |
| Home Investment Partnerships Program 2011 | 14.239 | M-11-UC-48-0216 | 24,229 |
| Home Investment Partnerships Program 2012 | 14.239 | M-12-UC-48-0216 | 100,768 |
| Home Investment Partnerships Program 2013 | 14.239 | M-13-UC-48-0216 | 227,191 |
| Total Direct Programs | | | 2,979,521 |
| Pass-Through Programs From: | | | |
| <u>Texas General Land Office</u> | | | |
| Community Development Block Grants/State's Program lke Non-Housing | 14.228 | DRS010047 | 38,003 |
| Community Development Block Grants/State's Program lke Non-Housing | 14.228 | 12-202-000-5502 | 28,324 |
| Total Passed Through Texas General Land Office | | | 66,327 |
| Total U.S. Department of Housing and Urban Development | | | 3,045,848 |
| U.S. Department of Justice | | | |
| Direct Programs: | | | |
| State Criminal Alien Assistance Program FY14 | 16.606 | 2014-AP-BX-0076 | 136,585 |
| Edward Byrne Justice Assistance Grant FY11 | 16.738 | 2011-DJ-BX-3210 | 8,174 |
| Edward Byrne Justice Assistance Grant FY12 | 16.738 | 2012-DJ-BX-0312 | 4,882 |
| Edward Byrne Justice Assistance Grant FY13 | 16.738 | 2013-DJ-BX-0868 | 46,431 |
| Organized Crime Drug Enforcement Task Forces (0919) | 16.111 | SW-TXS-0919 (DC 8706) | 8,155 |
| Organized Crime Drug Enforcement Task Forces (0875) | 16.111 | SW-TXS-0875 (DC 8714) | 11,909 |
| Organized Crime Drug Enforcement Task Forces (0919) | 16.111 | SW-TXS-0919 | 17,202 |
| Organized Crime Drug Enforcement Task Forces (0875) | 16.111 | SW-TXS-0875 | 16,241 |
| Organized Crime Drug Enforcement Task Forces (0919) | 16.111 | SW-TXS-0919 (DC 8705) | 117,255 |
| Organized Crime Drug Enforcement Task Forces (0875) | 16.111 | SW-TXS-0875 (DC 8712) | 8,880 |
| Organized Crime Drug Enforcement Task Forces (0875) | 16.111 | SW-TXS-0875 (DC 8716) | 1,424 |
| Organized Crime Drug Enforcement Task Forces (0875) | 16.111 | SW-TXS-0875 (DC 8717) | 21,370 |
| Organized Crime Drug Enforcement Task Forces (0875) | 16.111 | SW-TXS-0875 (DC 8719) | 76,647 |
| Organized Crime Drug Enforcement Task Forces (0875) | 16.111 | SW-TXS-0875 (DC 8721) | 25,926 |
| Organized Crime Drug Enforcement Task Forces (0875) | 16.111 | SW-TXS-0875 (DC 8720) | 100,000 |
| Joint Law Enforcement Investigator Violent Offender | 16.111 | M-14-D79-O-000183 | 5,500 |
| Tactical Diversion Task Force | N/A | NA | 3,544 |
| Total Direct Programs | | | 610,125 |

The accompanying notes are an integral part of this schedule.

FORT BEND COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2014

| <u>Federal Grantor/ Pass-Through Agency/ Program Title</u> | <u>CFDA Number</u> | <u>Grantor or Pass through Grantor's Number</u> | <u>Program Expenditures</u> |
|--|--------------------|---|-----------------------------|
| Pass-Through Programs From: | | | |
| <u>The Office of the Governor Criminal Justice Division</u> | | | |
| Crime Victim Assistance-Victim Witness Staff Expansion-(VOCA) (District Atty) | 16.575 | VA-1364514 | 68,209 |
| Crime Victim Assistance-Victim Witness Staff Expansion-(VOCA) (District Atty) | 16.575 | VA-1364515 | 5,420 |
| Violence Against Women Formula Grant-Investigator (District Atty) | 16.588 | WF-1515715 | 43,827 |
| Violence Against Women Formula Grant-Investigator (District Atty) | 16.588 | WF-1515716 | 3,151 |
| Violence Against Women Formula Grant-Prosecutor (District Atty) | 16.588 | WF-1344716 | 73,223 |
| Violence Against Women Formula Grant-Prosecutor (District Atty) | 16.588 | WF-1344717 | 5,677 |
| Crime Victim Assistance-Victim Services Program-Victim of Crime Act(VOCA) (CSCD) | 16.575 | VA-1364814 | 33,189 |
| Crime Victim Assistance-Victim Services Program-Victim of Crime Act(VOCA) (CSCD) | 16.575 | VA-1364815 | 2,252 |
| Edward Byrne Justice Assistance-Equipment Grant | 16.738 | DJ-2656301 | 11,750 |
| Edward Byrne Justice Assistance-Adult Gang Investigator | 16.738 | DJ-2674101 | 35,629 |
| Total Passed Through The Office of the Governor Criminal Justice Division | | | 282,327 |
| <u>Executive Office of the President -</u> | | | |
| <u>Office on National Drug Control Policy</u> | | | |
| High Intensity Drug Trafficking Areas (HIDTA) (Sheriff's Office) | 95.001 | G12HN0010A | 143,496 |
| High Intensity Drug Trafficking Areas (HIDTA) (Sheriff's Office) | 95.001 | G13HN0010A | 462,959 |
| High Intensity Drug Trafficking Areas (HIDTA) (Sheriff's Office) | 95.001 | G14HN0010A | 124,113 |
| Total Passed Through Office on National Drug Control Policy | | | 730,568 |
| <u>Office of Juvenile Justice and Delinquency Prevention</u> | | | |
| <u>Passed Through The City of Houston</u> | | | |
| Internet Crimes Against Children Task Force Program: District Atty | 16.543 | 2012-MC-FX-K053 | 67,781 |
| Total Passed Through The City of Houston | | | 67,781 |
| Total Pass-Through Programs | | | 1,080,676 |
| Total U.S. Department of Justice | | | 1,690,801 |
| U.S. Department of Transportation | | | |
| Direct Programs: | | | |
| Section 5307 Urban Public Transportation | 20.507 | TX90-X836-00 | 187,440 |
| Section 5307 Urban Public Transportation | 20.507 | TX90-X869-00 | 153,425 |
| Section 5307 Urban Public Transportation | 20.507 | TX90-X847 | 375,086 |
| Section 5307 Urban Public Transportation | 20.507 | TX90-X915 | 458,191 |
| Section 5307 Urban Public Transportation | 20.507 | TX90-X968 | 464,746 |
| Section 5307 Urban Public Transportation | 20.507 | TX90-X026 | 38,855 |
| Section 5307 Urban Public Transportation | 20.507 | TX90-Y110 | 742,030 |
| Section 5307 Urban Public Transportation | 20.507 | TX90-Y120 | 250,868 |
| Section 5309 Urban Discretionary Transit | 20.500 | TX04-0041 | 142,773 |
| Section 5307 American Recovery Act (ARRA) | 20.507 | TX-96-X034 | 3,649 |
| Total Direct Programs | | | 2,817,063 |
| Pass-Through Programs From: | | | |
| <u>Texas Department of Transportation</u> | | | |
| Section 5309 Capital Investment | 20.500 | 51312F7108 | 62,999 |
| Section 5310 Elderly & Disabled Transportation Program | 20.513 | 51412F7153 | 610,671 |
| Section 5310 Elderly & Disabled Transportation Program | 20.513 | 51412F7114 | 53,102 |
| Section 5311 State/Local Rural Public Transportation | 20.509 | 51212F7216 | 119,041 |
| Section 5311 State/Local Rural Public Transportation | 20.509 | 51312F7187 | 30,362 |
| Section 5311 State/Local Rural Public Transportation | 20.509 | 51312F7288 | 147,909 |
| Section 5311 State/Local Rural Public Transportation | 20.509 | 51411F7246 | 48,801 |

The accompanying notes are an integral part of this schedule.

FORT BEND COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2014

| <u>Federal Grantor/ Pass-Through Agency/ Program Title</u> | <u>CFDA Number</u> | <u>Grantor or Pass through Grantor's Number</u> | <u>Program Expenditures</u> |
|--|--------------------|---|-----------------------------|
| US 59/FM762 Landscape Project | 20.205 | CSJ-0027-12-137 | 52,683 |
| ROW Spur 10 | 20.205 | CSJ-0187-05-057 | 1,531,932 |
| Total Passed Through Texas Department of Transportation | | | <u>2,657,500</u> |
| <u>Metropolitan Transit Authority of Harris County</u> | | | |
| Section 5316 Job Access/Reverse Commute Federal Funds | 20.516 | TX37-X059 | 428,230 |
| Section 5317 New Freedom Federal Funds | 20.521 | TX57-X006 | 240,144 |
| Total Passed Through Metropolitan Transit Authority of Harris County | | | <u>668,374</u> |
| <u>Houston Galveston Area Council</u> | | | |
| Fort Bend County Major Thoroughfare Plan | 20.205 | TP2410-03 | 125,937 |
| State and Community Highway Safety-HGAC Selective Traffic Enforcement Program (DWI Task Force) | 20.600 | | 8,655 |
| Total Passed Through Houston Galveston Area Council | | | <u>134,592</u> |
| Total Pass-Through Programs | | | <u>3,460,466</u> |
| Total U.S. Department of Transportation | | | <u><u>6,277,529</u></u> |
| U.S. Department of Homeland Security | | | |
| Pass-Through Programs From: | | | |
| <u>United Way of Greater Houston</u> | | | |
| Emergency Food & Shelter-National Board Program | 97.024 | | 191,292 |
| Total Passed Through United Way of Greater Houston | | | <u>191,292</u> |
| <u>Texas Department of Public Safety -</u> | | | |
| <u>Division of Emergency Management</u> | | | |
| Emergency Management Performance Grant | 97.042 | 12TX-EMPG-0511 | 99,183 |
| Urban Area Security Initiative (UASI) 2012 | 97.008 | EMW-2012-SS-00018-S01 | 734,245 |
| Urban Area Security Initiative (UASI-LETPA) 2012 | 97.008 | EMW-2012-SS-00018-S01 | 15,318 |
| Urban Area Security Initiative (UASI) 2013 | 97.067 | EMW-2013-SS-00045 | 1,113,644 |
| Urban Area Security Initiative (UASI-LETPA) 2013 | 97.067 | EMW-2013-SS-00045 | 115,375 |
| Urban Area Security Initiative (UASI-M&A) 2013 | 97.067 | EMW-2013-SS-00045 | 37,346 |
| Total Passed Through Texas Department of Public Safety - Division of Emergency Management | | | <u>2,115,111</u> |
| Total Pass-Through Programs | | | <u>2,306,403</u> |
| Total U.S. Department of Homeland Security | | | <u><u>2,306,403</u></u> |
| <u>U.S. Department of Health & Human Services</u> | | | |
| Pass-Through Programs From: | | | |
| <u>Texas Department of Family & Protective Services</u> | | | |
| Foster Care Title IV-E FY '14 (Legal) ARRA | 93.658 | 23941775 | 100,534 |
| Foster Care Title IV-E FY '14 (CWS) ARRA | 93.658 | 23941778 | 20,780 |
| Total Passed Through Texas Department of Family & Protective Services | | | <u>121,314</u> |
| <u>Texas Juvenile Probation Commission</u> | | | |
| Foster Care Title IV-E | 93.658 | TJPC E-2014-079 | 302,093 |
| Total Passed Through Texas Juvenile Probation Commission | | | <u>302,093</u> |

The accompanying notes are an integral part of this schedule.

FORT BEND COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2014

| <u>Federal Grantor/ Pass-Through Agency/ Program Title</u> | <u>CFDA Number</u> | <u>Grantor or Pass through Grantor's Number</u> | <u>Program Expenditures</u> |
|--|------------------------|---|------------------------------------|
| <u>Texas Department of State Health Services</u> | | | |
| Public Health Emergency Preparedness (PHEP) (Hazards) | 93.069 | 2014-001130-00 | 284,512 |
| Public Health Emergency Preparedness (PHEP) (Hazards) | 93.069 | 2015-001130-00 | 22,381 |
| Public Health Emergency Preparedness - CRI - Cities Readiness Initiative | 93.069 | 2014-001133-00 | 116,690 |
| Public Health Emergency Preparedness - CRI - Cities Readiness Initiative | 93.069 | 2015-001133-00 | 5,844 |
| Public Health Emergency Preparedness - Bioterrorism Discretionary | 93.069 | 2014-045412-001 | 103,030 |
| Immunization Cooperative Agreement - Locals | 93.268 | 2014-001054-00 | 211,654 |
| Immunization Cooperative Agreement - Locals | 93.268 | 2015-001054-00 | 18,065 |
| Tuberculosis Prevention & Control - Federal | 93.116 | 2014-001385-00 | 90,303 |
| Tuberculosis Prevention & Control - Federal | 93.116 | 2015-001385-00 | 8,394 |
| Total Passed Through Texas Department of State Health Services | | | <u>860,873</u> |
| <u>Texas Health and Human Services Commission</u> | | | |
| Ambulance Supplemental Payment Program - Medical Assistance Program | 93.778 | 0863953-01 | 1,325,679 |
| Medical Assistance Program 1115 Waiver | 93.778 | | 3,465,434 |
| Total Passed Through Texas Health and Human Services Commission | | | <u>4,791,113</u> |
| Total Pass-Through Programs | | | <u>6,075,393</u> |
| Total U.S. Department of Health & Human Services | | | <u><u>6,075,393</u></u> |
| U.S. Environmental Protection Agency | | | |
| Direct Program: | | | |
| FY08 EPA STAG Grant | 66.202 | XP-00F30401 | 93,573 |
| Total U.S. Environmental Protection Agency | | | <u>93,573</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 19,716,893</u></u> |

The accompanying notes are an integral part of this schedule.

FORT BEND COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2014

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of Fort Bend County, Texas (the “County”) under programs of the federal government for the year ended September 30, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. 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 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County accounts for all federal awards under programs of the federal 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 are generally 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.

Federal 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, federal grant funds are received on a reimbursement basis from the respective federal program agencies. Generally, unused balances are returned to the grantor at the close of specified project periods.

NOTE 3 - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the County provided federal awards to subrecipients as follows:

| <u>CFDA Number</u> | <u>Program Name</u> | <u>Amounts Provided to Subrecipients</u> |
|--------------------|---|--|
| 14.218 | Community Development Block Grant - Entitlement Grants | \$ 462,112 |
| 14.231 | ESG Program | 31,107 |
| 14.239 | HOME Program | 239,672 |

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2014

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 - #14-01 |
| b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | Yes - #14-02, #14-03, #14-04, #14-05 |
| Noncompliance material to the financial statements noted? | No |

FEDERAL 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 programs: | 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>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|------------------------|--|
| 20.500, 20.507 | Federal Transit Cluster |
| 14.218 | Community Development Block Grant—Entitlement Grants |
| 20.205 | Highway Planning and Construction |
| 97.008 | Nonprofit Security Program |
| 97.067 | Homeland Security Grant Program |
| 95.001 | High Intensity Drug Trafficking Areas Program |
| 93.778 | Medical Assistance Program |
| 93.658 | Foster Care Title IV-E |
| 20.513, 20.516, 20.521 | Transit Services Programs Cluster |

| | |
|--|-----------|
| Dollar threshold used to distinguish between type A and type B programs: | \$591,507 |
|--|-----------|

| | |
|--|----|
| Auditee qualified as low-risk auditee? | No |
|--|----|

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding #14-01 – 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 seven 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.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2014

Finding #14-02 – Capital Assets Accounting – Joint Funded Projects

Criteria

Policies and procedures should be in place to insure the proper accounting of capital assets related to joint funded projects.

Condition

During the course of our audit, we reviewed property plant and equipment additions, including construction in progress items. In several instances, expenses related to local joint funded projects were incorrectly capitalized. These expenses were related to assets owned and maintained by other entities outside of the County, such as local municipalities. For example, funds expended by the County for joint construction of a bridge were accounted for as donated/contributed funds and capitalized by a city, while the same expenses were also capitalized by the County. Typically, joint funded costs can be capitalized if the asset is owned or maintained by the party that incurs the expenses.

Entities have evolved their approach to implementation of capitalization pursuant to Governmental Accounting Standards Board Statement No. 34 (“GASB 34”) over the years and Fort Bend County is no exception. Different approaches to capitalization matters not consistent with current practice have occurred, and sometimes they are related to the facts and circumstances of an individual project or transaction, while at other times they tend to be consistent within a reporting cycle. This is especially true with respect to joint funded construction costs.

Context

This condition was identified during our testing of capital asset additions in the current fiscal year.

Effect

The result of these cumulative transactions is that there is a potential overstatement of capital assets based on the application of current practices. Capital asset additions for the current operating cycle have been conformed to appropriate standards, while historical transactions have not been totally assessed.

Cause

Current policies and procedures do not facilitate the identification of expenses related to assets not owned or maintained by the County.

Recommendation

We recommend that the County conduct an assessment of capital assets to determine the net effect of these transactions, along with an assessment of potential impairments in order to determine the proper carrying value of capital assets.

Further, we recommend that clear and concise policies and procedures be issued by the County Auditor, with input from the County Engineer and other appropriate County officials that are consistent with the requirements of GASB 34 in order to insure only capital assets owned by the County are capitalized. In addition, we recommend that all CIP be reviewed by assigned accountants within the County Auditor’s Office that have knowledge of Generally Accepted Accounting Principles and GASB 34 to insure consistent application of these standards in practice.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2014

Finding #14-03 – Capital Assets Accounting - Construction in Progress (“CIP”)

Criteria

Policies and procedures should be in place to insure the proper accounting of CIP capital assets.

Condition

During our review and testing of CIP, we noted instances where certain project costs were incorrectly expensed to operations. Because CIP relates not only to the County, but to several component units as well, having inconsistencies or errors in practice and procedure can create reporting issues at multiple levels.

In addition, during the course of our audit, we noted instances where costs have accumulated in CIP relating to various projects in different levels of ultimate feasibility or prospects of coming to fruition.

Context

This condition was identified during our review of CIP projects.

Effect

The initial impact was an overstatement of operating costs. The County corrected all errors identified in the current fiscal year.

Cause

Current policies and procedures are not effective in preventing or detecting errors in accounting for CIP costs.

Recommendation

We recommend the County evaluate CIP transactions on a regular basis and clear items from CIP whose prospect do not justify the amounts carried. We recommend the use of separate CIP accounts for each capital project or phase and all costs related to an individual phase or project should be charged to the CIP account and ultimately capitalized in accordance with established accounting standards.

Finding #14-04 – Capital Assets Accounting – Donated/Contributed Assets

Criteria

Policies and procedures should be in place to insure the proper accounting for donated/contributed capital assets.

Condition

During a review of recorded depreciation and other capital asset transactions, the County identified duplicate entries in its capital asset records for several infrastructure capital assets that were donated/contributed to the County.

Context

This condition was identified while performing a previously recommendation to review depreciation records as well as other capital asset transactions.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2014

Effect

The initial impact was an overstatement of reported capital asset amounts.

Cause

The infrastructure records maintained by the County included duplicate entries for several donated/contributed capital assets.

Recommendation

We recommend that the County implement policies and procedures relating to donated/contributed capital assets that are complimentary to its policies and procedures for joint funded projects and assets ultimately owned and maintained by other entities, as discussed in Finding #14-02. In addition, based on the findings of the current year review, we recommend that the County expand its review of capitalized donated/contributed capital assets to include roads and right of ways, along with any other class of capital assets deemed appropriate.

Finding #14-05 – Stale Receivables

Criteria

Policies and procedures should be in place to help insure appropriate classification and timely collections of receivables.

Condition

During the course of our audit, we noted that there are still Hurricane Ike receivables from FEMA being carried as current operating cycle receivables. Staff maintains that the receivables are ultimately collectible; little evidence of ongoing progress towards resolution is noted. At some point the items should be collected, reserved against, or considered for classification as something other than a current asset.

Context

This condition was identified during our review of receivables in the current fiscal year.

Effect

The County's financial statements may not properly reflect the financial position of the County, unless an adequate allowance for uncollectible amounts is recorded or the receivable is ultimately collected.

Cause

The Hurricane Ike receivable from FEMA has been outstanding since 2011.

Recommendation

We recommend that the County institute regularly scheduled ongoing review and reporting requirements for all single reporting cycle receivables having an origin greater than one operating cycle in the past.

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, 2014

SECTION III – FEDERAL 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, 2014

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding #13-01 – Accounting for Fines and Fees

See current year finding #14-01 in Section II.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2014

SECTION V – CORRECTIVE ACTION PLAN

Finding #14-01 – 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

Finding #14-02 – Capital Assets Accounting – Joint Funded Projects

Responsible Person – Ed Sturdivant, County Auditor

Corrective Action Plan

The Auditor’s Office will request that the Commissioners’ Court engage the Independent Auditor to perform agreed upon procedures related to the assessment of the property, plant, equipment and construction-in-progress assets to ensure proper treatment in the financial statements. The Auditor’s Office will also include the procedure for evaluation and capitalization of these transactions in the Capital Assets Policies and Procedures.

Estimated Completion Date – Fiscal Year 2015

Finding #14-03 – Capital Assets Accounting - Construction in Progress (“CIP”)

Responsible Person – Ed Sturdivant, County Auditor

Corrective Action Plan

The Auditor’s Office has begun the perpetual/monthly evaluation of CIP transactions and will ensure the separate accounting of each CIP project. The Auditor’s Office will also include the procedure for evaluation and capitalization of CIP in the Capital Assets Policies and Procedures.

Estimated Completion Date – Fiscal Year 2015

Finding #14-04 – Capital Assets Accounting – Donated/Contributed Assets

Responsible Person – Ed Sturdivant, County Auditor

Corrective Action Plan

The Auditor’s Office will develop and implement policies and procedures to ensure the proper treatment of assets resulting from donated/contributed capital and will also include the procedure for evaluation and capitalization of these transactions in the Capital Assets Policies and Procedures. The Auditor’s Office

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2014

will request that the Commissioners' Court engage the Independent Auditor to perform agreed upon procedures related to the assessment of all donated/contributed capital assets to ensure proper treatment in the financial statements.

Estimated Completion Date – Fiscal Year 2015

Finding #14-05 – Stale Receivables

Responsible Person – Ed Sturdivant, County Auditor

Corrective Action Plan

The Auditor's Office will begin evaluation at least annually of the single reporting cycle receivables to ensure the proper classification on the financial statements.

Estimated Completion Date – Fiscal Year 2015