

FORT BEND COUNTY, TEXAS
STATE SINGLE AUDIT REPORT
Year Ended September 30, 2007



FORT BEND COUNTY, TEXAS
STATE SINGLE AUDIT REPORT
TABLE OF CONTENTS

	<u>Page</u>
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 <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major State Program and on Internal Control over Compliance in accordance with the State of Texas Uniform Grant Management Standards Chapter IV, "State of Texas Single Audit Circular"	3
Schedule of Expenditures of State Awards	5
Note to Schedule of Expenditures of State Awards	8
Schedule of Findings and Questioned Costs	9

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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 the Commissioners Court
Fort Bend County, Texas

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, (the "County") as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 30, 2008. 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

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 internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs (items #05-02, #06-02, #06-04, and #07-01) to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider significant deficiencies #05-02, #06-02, #06-04, and #07-01 described above to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item #05-03.

The County's response to the findings identified in our audit is 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.

Closing

This report is intended solely for the information and use of the County Judge, Commissioners Court, management, others within the organization 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 "Mull-Lainson, P.C." in a cursive, flowing script.

Houston, Texas
May 30, 2008

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***Independent Auditors' Report on Compliance with
Requirements Applicable to Each Major State Program
and on Internal Control over Compliance in Accordance with
OMB Circular A-133 and the State of Texas Uniform Grant
Management Standards Chapter IV, "State of Texas Single Audit Circular"***

To the Honorable County Judge and
Members of the Commissioners Court
Fort Bend County, Texas

Compliance

We have audited the compliance of Fort Bend County, Texas (the "County") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit Circular* that are applicable to each of its major state programs for the year ended September 30, 2007. The County's major state programs are identified in the summary of auditors' 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 state programs is the responsibility of the County'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; the provisions of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and, State of Texas Uniform Grant Management Standards Chapter IV *Texas State 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. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended September 30, 2007.

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 state programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement with a state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above.

Schedule of Expenditures of State Awards

We have audited the financial statements of the governmental activities, each major fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of the County, as of and for the year ended September 30, 2007, and have issued our report thereon dated May 30, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's 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 the State of Texas Uniform Grant Management Standards Chapter IV *Texas State Single Audit* Circular and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Closing

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



Houston, Texas
May 30, 2008

FORT BEND COUNTY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Pass Through/ Contract#	State Grantor/ Program Title	Expenditures, Indirect Costs, and Refunds
Texas Department of Criminal Justice		
Community Justice Assistance Division Funded Programs:		
900	Basic Supervision	\$ 2,493,543
900	Basic Supervision	129,903
		<u>2,623,446</u>
<i>Diversion Programs:</i>		
012	Day Reporting Center	43,954
012	Day Reporting Center	
015	Mental Impairment	82,308
015	Mental Impairment	2,515
016	Drug Court	97,138
016	Drug Court	5,622
018	Substance Abuse	139,823
018	Substance Abuse	8,358
019	Progressive Sanctions	343,784
019	Progressive Sanctions	17,370
Total Diversion Programs		<u>740,873</u>
<i>Community Corrections Programs:</i>		
007	Non-English Speaking	153,681
007	Non-English Speaking	8,205
008	Pre-Trial Intervention	291,972
008	Pre-Trial Intervention	10,498
003	Computerized Literacy	36,749
013	Sex Offender	127,571
013	Sex Offender	6,515
011	Young Offender	42,668
Total Community Corrections		<u>677,860</u>
010	Treatment Alternative	254,228
010	Treatment Alternative	2,833
		<u>257,061</u>
Total Community Justice Assistance Division Funded Programs		<u><u>4,299,241</u></u>

FORT BEND COUNTY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

<u>Pass Through/ Contract#</u>	<u>State Grantor/ Program Title</u>	<u>Expenditures, Indirect Costs, and Refunds</u>
	Texas Juvenile Probation Commission Funded Programs	
TJPC-A-2007-079	State Aid	275,210
TJPC-A-2008-079	State Aid	31,641
TJPC-F-2007-079	Progressive Sanctions JPO - Program F	193,596
TJPC-F-2008-079	Progressive Sanctions JPO - Program F	
TJPC-G-2007-079	Progressive Sanctions 123 - Program G	69,017
TJPC-G-2008-079	Progressive Sanctions 123 - Program G	
TJPC-Z-2007-079	Salary Adjustment Program Z	157,425
TJPC-Z-2008-079	Salary Adjustment Program Z	13,748
TJPC-Y-2007-079	Community Corrections Assistance Program Y	542,907
TJPC-Y-2008-079	Community Corrections Assistance Program Y	21,475
TJPC-O-2007-079	Progressive Sanctions ISP Program O	53,742
TJPC-O-2008-079	Progressive Sanctions ISP Program O	
TJPC-M-2007-079	Special Needs Program M	50,522
TJPC-M-2008-079	Special Needs Program M	3,957
TJPC-X-2008-079	ICBP Regional Program X	
TJPC-CCP-LV5	Level 5 Placement	44,795
TJPC CCP RG7	Grant "H"	13,355
	Total Texas Juvenile Probation Commission Funded Programs	<u>1,471,389</u>
	Office of the Governor - Criminal Justice Division	
SF-07-J20-17837-02	Bilingual In-Home Parenting Program	36,148
SF-08-J20-17837-03	Bilingual In-Home Parenting Program	
SF-08-J20-19587-01	Saved By the Bell Delinquency Reduction Program	
SF-08-A10-19191-01	Felony Drug Court (CARD), Misdemeanor DWI Court	
	Total Office of the Governor - Criminal Justice Division	<u>36,148</u>
	Total Texas Department of Criminal Justice	<u>5,806,777</u>
	Texas Education Agency	
TJPC P-2007-079	Juvenile Justice Alternative Education Program (JJAEP)	241,905
TJPC P-2008-079	Juvenile Justice Alternative Education Program (JJAEP)	24,411
	Total Texas Education Agency	<u>266,316</u>
	Texas Department of State Health Services	
7460019692B2007 001	Nurse's Salary - RLSS/LPHS	30,817
2008-024701-001	Nurse's Salary - RLSS/LPHS	2,698
7460019692B007 002	Nurse & Aide's Salaries - IMM/Locals	133,673
2008-023721-001	Nurse & Aide's Salaries - IMM/Locals	16,243
7460019692A2007	Tuberculosis Prevention	75,179
2008-023206-001	Tuberculosis Prevention	3,385
	Total Texas Department of State Health Services	<u>261,996</u>

FORT BEND COUNTY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

<u>Pass Through/ Contract#</u>	<u>State Grantor/ Program Title</u>	<u>Expenditures, Indirect Costs, and Refunds</u>
Texas Comptroller of Public Accounts		
N/A	State Tobacco Enforcement Program - Constable 2	5,000
N/A	State Tobacco Enforcement Program - Constable 2	
N/A	State Tobacco Enforcement Program - Constable 3	6,051
N/A	State Tobacco Enforcement Program - Constable 3	
N/A	State Tobacco Enforcement Program - Sheriff	9,450
N/A	State Tobacco Enforcement Program - Sheriff	638
N/A	State Tobacco Enforcement Program - Constable 4	
	Total Texas Comptroller of Public Accounts	<u>21,138</u>
Texas Commission on Environmental Quality		
582-2-55082-12	Air Check Texas	<u>124,183</u>
	Passed Through Houston-Galveston Area Council:	
06-16-G03	Solid Waste Implementation Grant - Local Enforcement	39,959
06-16-G08	Solid Waste Implementation Grant - Compost Training	6,011
06-16-G15	Solid Waste Implementation Grant - Recycling Facility	25,000
07-16-G09	Solid Waste Implementation Grant - Paint Can Crusher - HHW	<u>28,234</u>
		<u>99,203</u>
	Total Texas Commission on Environmental Quality	<u>223,387</u>
Texas State Library & Archives Commission		
442-07412	Lone Star Libraries Grant	59,299
442-08415	Lone Star Libraries Grant	
n/a	Texas Rehabilitation Commission Grant	<u>3,883</u>
	Total Texas State Library & Archives Commission	<u>63,181</u>
Office of the Attorney General		
07-00355	Victim Coordinator Liason Grant	36,847
08-01688	Victim Coordinator Liason Grant	1,707
01-02200	Texas VINE Program	25,817
08-00862	Texas VINE Program	
	Total Office of the Attorney General	<u>64,370</u>
Task Force on Indigent Defense		
212-07-079	Formula Grant	215,610
	Equalization Disbursement	<u>18,109</u>
	Total Task Force on Indigent Defense	<u>233,719</u>
	Total Expenditures of State Awards	<u>\$ 6,940,884</u>

FORT BEND COUNTY, TEXAS

NOTE TO SCHEDULE OF EXPENDITURES OF STATE AWARDS

NOTE - BASIS OF ACCOUNTING

The County accounts for all awards under programs 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 deferred 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, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS

LEVEL	DESCRIPTION
<i>FINANCIAL STATEMENTS</i>	
Type of report issued on financial statements.	Unqualified
Internal control over financial reporting:	
a. Material weaknesses identified	#05-02, #06-02, #06-04, #07-01
b. Significant deficiencies identified that are not considered to be material weaknesses	None
Noncompliance material to the financial statements noted	#05-03
 <i>STATE AWARDS</i>	
Internal control over major programs:	
a. Material weaknesses identified	None reported
b. Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of reports on compliance with major program	Unqualified
Findings and questioned costs for state awards as defined in Section .510(a) OMB Circular 133	There were no known questioned costs above \$10,000
Major State Programs	<ol style="list-style-type: none"> 1. Texas Department of Criminal Justice Community Justice Assistance Division Funded Programs 2. Texas Juvenile Probation Commission Funded Programs
Dollar threshold considered between Type A and Type B state programs	\$300,000
Low risk auditee statements	The County was classified as a low-risk auditee in the context of <i>State of Texas Single Audit Circular</i> .

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2007

Section II – FINANCIAL STATEMENT FINDINGS

Finding #05-02-Capital Assets

Criteria

Effective controls should be in place in order to prevent and detect errors in the reporting and accounting of capital assets and related matters such as additions, retirements and depreciation of such items. A capital asset policy should be implemented in which outlines the proper accounting and reporting of fixed and capital assets including establishing monitoring and procedural controls in order to prevent and detect errors in a timely manner, provide instructions on how to account for and report on capital asset additions and retirements in order to ensure timely and accurate reporting, defining the useful lives and related depreciation rates of assets and establishing guidelines for other matters that relate to capital assets.

Condition

The County has no formal capital asset policy in place in which establishes controls in order to prevent and detect accounting and reporting errors. This has resulted in capital assets not being classified as such in a timely manner, capital additions being recorded before being received, the recording of retired capital assets not being performed in a timely manner and the amounts received for the sale of retired assets not being properly recorded. Auditors noted that the amounts involved for the aforementioned issues did not cause the financial statements to be materially misstated. However, the presence of such lack of effective controls could cause financial statements to be materially misstated.

Context

Auditors discovered this while performing testing of capital asset related items such as additions, retirements and depreciation.

Effect

The effects of the conditions described above include, capital assets not being properly classified in a timely manner, capital items being added before being received and the recording of retirements including amounts received from the sale of such retirements, not being performed in a timely manner.

Cause

The cause primarily relates to the lack of effective control procedures being in place, as well as, the County not having a capital asset policy in place.

Recommendation

The County should establish a capital asset policy to include specific control processes in order to prevent and detect errors in the reporting of capital assets. The policy should include instructions for identifying expenditures to classify as capital assets, procedures to account and report capital additions and retirements, depreciable lives of certain classes of assets and other procedures in order to ensure that adequate controls are in place to accurately record the County's assets in a timely manner.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2007

Finding #05-03 -Arbitrage Analysis

Criteria

Arbitrage analysis should be performed to determine if any amounts are due to the U.S. Treasury for the excess of interest earned by a governmental unit on bond proceeds over interest paid to bond holders.

Condition

The County has not performed arbitrage analysis for 7 years.

Context

Auditors discovered the condition as a result of inquiring management.

Effect

Not performing an arbitrage analysis increases the risk that the County is entering into investments in which may result in liabilities due to the U.S. Treasury.

Cause

Management has not engaged a professional service firm to perform an arbitrage calculation.

Recommendation

The County should engage a professional service firm that specializes in arbitrage calculations to analyze such information.

Finding #06-02 Year-End Closing

Criteria

The County should perform its year-end general ledger closing activity on a timely basis. Such activity includes making all necessary journal entries to the accounting system relating to the applicable fiscal year, reconciling all general ledger accounts to source documents, and analyzing the general ledger accounts for reasonableness.

Condition

The County is performing general ledger closing activity long after its year end date. Specifically, although the County's year-end is September 30th, the general ledger accounting system did not close (i.e. significant journal entries made and account balances reconciled) until February (at least 4 months later). Having a significant lag with the fiscal year end closing activity creates the risk of errors and inaccuracies not being discovered on a timely basis, as well as, increases the risk of fraud for cash related accounts. It also does not allow for optimal time and resources to be utilized for the external auditing and financial reporting functions. Therefore, resources are not optimally utilized and the risk of financial statement errors increases.

Context

This matter was determined throughout the external audit process.

Effect

Not closing the books in a timely matter creates a higher risk of financial statements being reported inaccurately, resources being utilized inefficiently, and causes delays with the external auditing process.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2007

Cause

There may be a lack of resources to allocate to the closing process. Also, there may not be a “sense of urgency” to complete such tasks.

Recommendation

The County should make necessary adjustments and reconcile account balances on a monthly basis where possible in order to prevent volumes of entries being necessary subsequent to year-end. Also, the County should determine an appropriate scope to utilize in deciding which transactions to make adjustments for in order to decrease the number of adjustments made. The County should also consider bringing in additional resources to assist in the closing process.

Finding #06-04-Grant Administration

Criteria

The grant administration function should be centrally managed so that all grant resources are timely and properly accounted for, recognized, and reported. This function also should maintain records of all grants and potential grants including the grant's status, compliance requirements, grant funding amounts, amount of resources utilized in order to facilitate the objectives of the grant, and names of responsible parties of the grantor and grantee (benefiting County department or function).

Condition

The County does not have an effective, centralized grant administration function. This results in increased risk of grant resources not being properly accounted for, utilized, or recognized. This also increases the risk of grantees not meeting the grant compliance requirements or meeting its objectives and reporting requirements.

Context

This was determined during the grant testing process.

Effect

Not having an effective centralized grant administration function results in grants being improperly accounted for and reported, higher risk of the County not meeting compliance requirements that may result in resources being refunded to the grantor, and lack of monitoring of grants from the grant's implementation through conclusion.

Cause

The County does not have a grant department that operates as the central hub for its grant administration.

Recommendation

The County should implement a centralized grant administration department in which functions as a central hub from the beginning stages (e.g. grant research and application process) through conclusion (e.g. financial reporting). This department would be responsible for tracking the status of all current and potential grants, determine the grants compliance requirements and periodically assess whether or not such requirements are being met. In addition, the grant administration function would verify accounting records with source data from the grantor, maintain a listing of grantor and grantee contacts, and other functions relating to grant administration.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2007

Finding #07-01 – Formal, Written Year-End Closing Procedures

Criteria

Management of the County is responsible for developing formal, written year-end closing procedures and implementing those procedures to ensure proper financial reporting.

Condition

The County does not have formal, written year-end closing procedures. This year's closing process was marked by delays caused by miscommunication among the accounting personnel. The lack of formal, written procedures resulted in the County not adjusting all account balances to reflect appropriate year-end balances. This is a necessary step to ensure the financial statements are fairly stated. The unrecorded amounts were, in our judgment, material to the financial statements. Management subsequently recorded the amounts. Since the County's control policies and procedures did not prevent or detect a material misstatement of the financial statements, we concluded that there is a material weakness in the County's control policies and procedures required to be reported under professional standards.

Context

This was determined during the audit process.

Effect

The absence of formal, written year-end closing procedures resulted in delays in producing financial reports needed by management and the auditors.

Cause

The County does not have formal, written year-end closing procedures.

Recommendation

We recommend that the County develop formal, written year-end closing procedures and assign responsibility for completing the procedures to specific County personnel. The closing procedures should be documented in a way that indicates who will perform each procedure and when completion of each procedure is due and is accomplished.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2006

Section III – State Award Findings and Questioned Costs

None Noted.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2006

Section IV – Status of Prior Year Findings and Questioned Costs

Finding #05-02-Capital Assets

See current year findings in Section II

Finding #05-03-Arbitrage Analysis

See current year findings in Section II

Finding #05-04-Segregation of Duties-Payroll

Condition

The County's Human Resource department did not have the latest, approved effective payroll records. Such information was kept by the Payroll department instead, which results in segregation of duty issues since the Payroll department processes employees' pay.

Status

This was corrected with the implementation of the new financial software system that went live December 3, 2007.

Finding #05-05-Contract Management

Condition

Best practice would dictate that all County contracts be maintained at a central location, even if contract management responsibilities are delegated to user departments. Maintenance of County contracts centrally would enable the County administrators to ensure that all applicable state guidelines and County policies are followed in making contracted purchases of goods and services.

Status

With the implementation of the new financial system that went live on December 3, 2007, the requirements of each contract are entered into the system to enforce the parameters of the contract. The physical contracts all go through Commissioners' Court with the system flagging the renewal date for contracts with upcoming end dates. Purchasing is now the central repository of all physical contracts. The pre-screening documentation for non-selected vendors will be requested to be retained by Purchasing.

Finding #06-02 – Year End Closing

See current year findings in Section II

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2006

Finding #06-03 – Number of Funds

Condition

The County had an excessive number of funds to account for its transactions, with over 100 funds for its accounting and reporting. This resulted in the very time consuming and tedious task of accounting for such resources in various funds that otherwise could be consolidated and recorded in fewer funds.

Status

With the implementation of the new financial system that went live on December 3, 2007, the County uses the Activities module to account for projects, grants, and residual funds which allows for the reduction of funds within the chart of accounts.

#06-04 – Grant Administration

See current year findings in Section II

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2006

Section V. – Corrective Action Plan

Finding #05-02-Capital Assets

Responsible Person- Ed Sturdivant, County Auditor

Corrective Action Plan- The County is in the process of establishing a formal written policy for recording the purchase and sale of capital assets. The policy will include instructions for identifying expenditures to classify as capital assets as well as procedures to account and report capital additions and retirements. In addition, the written policy will identify depreciable lives of certain classes of assets and will include other procedures to ensure that adequate controls are in place to accurately record the County's assets in a timely manner.

Estimated Completion Date- September 2008

Finding #05-03 -Arbitrage Analysis

Responsible Person- Ed Sturdivant, County Auditor

Corrective Action Plan

The County has engaged Arbitrage Compliance Specialists to perform all arbitrage calculations to date with the assistance of Null-Lairson CPA to facilitate the collection of data.

Estimated Completion Date- December 2008

Finding #06-02-Year End Closing

Responsible Person- Ed Sturdivant, County Auditor

Corrective Action Plan-

With the implementation of the new financial system that went live on December 3, 2007, the monthly and year end closings will occur within 30 and 60 days respectively after the last day of the month/year.

Estimated Completion Date- September 2008

Finding #06-04 Grant Administration

Responsible Person- Commissioners' Court

Corrective Action Plan

The County continues to analyze the implementation of a centralized grant administration department that will serve as a central hub from the beginning stages (e.g. grant research and application process) through conclusion (e.g. financial reporting). This department/division will be responsible for tracking the status of all current and potential grants, determining the grants compliance requirements, and periodically assessing whether such requirements are being met.

Estimated Completion Date- September 2008

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2006

Finding #07-01 Formal, Written Year-End Closing Procedures

Responsible Person- Ed Sturdivant, County Auditor

Corrective Action Plan

The County will compile the documented software procedures into a single procedure manual with the addition of the processes that occur outside of the software. This procedure manual will be maintained to represent the most current process.

Estimated Completion Date- September 2008