

FORT BEND COUNTY, TEXAS
STATE SINGLE AUDIT REPORT
Year Ended September 30, 2008



11 Greenway Plaza | Suite 1515 | Houston, TX 77046 | (P) 713.621.1515 | (F) 713.621.1570
www.null-lairson.com

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

***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, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 31, 2009. 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 #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 the significant deficiency #06-02 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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.



Houston, Texas
March 31, 2009

***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, 2008. 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, 2008.

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, 2008, and have issued our report thereon dated March 31, 2009. 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
March 31, 2009

FORT BEND COUNTY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

State		
<u>Contract#</u>	<u>Program Title</u>	<u>Expenditures</u>
	Texas Department of Transportation	
51712F7019	Section 5311 State/Local Rural Public Transportation	\$ 73,457
51812F7019	Section 5311 State/Local Rural Public Transportation	52,458
51912F7019	Section 5311 State/Local Rural Public Transportation	2,774
	Total Texas Department of Transportation	<u>128,688</u>
	 Texas Department of Criminal Justice-Community Justice Assistance Division	
	<u>Basic Supervision:</u>	
900	Basic Supervision	2,705,936
900	Basic Supervision	160,014
		<u>2,865,950</u>
	<u>Diversion Programs:</u>	
012	Day Reporting Center	38,050
012	Day Reporting Center	2,732
015	Mental Impairment	77,777
015	Mental Impairment	5,643
016	Drug Court	96,202
016	Drug Court	5,889
018	Substance Abuse	139,464
018	Substance Abuse	8,986
019	Progressive Sanctions	353,643
019	Progressive Sanctions	21,497
		<u>749,885</u>
	<u>Community Corrections Programs:</u>	
007	Non-English Speaking	132,072
007	Non-English Speaking	8,602
008	Pre-Trial Intervention	379,792
008	Pre-Trial Intervention	19,891
013	Sex Offender	117,008
013	Sex Offender	6,788
		<u>664,154</u>
	<u>Treatment Alternative:</u>	
010	Treatment Alternative	573,498
010	Treatment Alternative	28,505
		<u>602,003</u>
	Total Texas Department of Criminal Justice-Community Justice Assistance Division	<u>4,881,992</u>

FORT BEND COUNTY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

<u>State</u>		<u>Expenditures</u>
<u>Contract#</u>	<u>Program Title</u>	
	Texas Juvenile Probation Commission	
TJPC-A-2008-079	State Aid	275,324
TJPC-A-2009-079	State Aid	13,238
TJPC-F-2008-079	Progressive Sanctions JPO - Program F	193,596
TJPC-F-2009-079	Progressive Sanctions JPO - Program F	8,721
TJPC-G-2008-079	Progressive Sanctions 123 - Program G	69,017
TJPC-G-2009-079	Progressive Sanctions 123 - Program G	3,324
TJPC-Z-2008-079	Salary Adjustment Program Z	156,595
TJPC-Z-2009-079	Salary Adjustment Program Z	11,837
TJPC-Y-2008-079	Community Corrections Assistance Program Y	545,431
TJPC-Y-2009-079	Community Corrections Assistance Program Y	19,387
TJPC-O-2008-079	Progressive Sanctions ISP Program O	53,742
TJPC-O-2009-079	Progressive Sanctions ISP Program O	2,532
TJPC-M-2008-079	Special Needs Program M	45,641
TJPC-M-2009-079	Special Needs Program M	2,904
TJPC-X-2008-079	ICBP Regional Program X	78,069
TJPC-X-2009-079	ICBP Regional Program X	5,463
TJPC CCP RG7	Grant "H" - Reimbursement (2008)	414,215
	Total Juvenile Probation Commission	<u>1,899,036</u>
	 Office of the Governor - Criminal Justice Division	
SF-08-J20-17837-03	Bilingual In-Home Parenting Program	27,305
SF-08-J20-19587-01	Saved By the Bell Delinquency Reduction Program	100,861
SF-09-J20-19587-02	Saved By the Bell Delinquency Reduction Program	6,184
SF-08-A10-19191-01	Felony Drug Court (CARD), Misdemeanor DWI Court	146,458
		<u>280,808</u>
	<u>Passed Through Houston-Galveston Area Council:</u>	
SF-08-A10-14719-08	Law Enforcement Training Project	65,352
	Total Office of the Governor - Criminal Justice Division	<u>346,160</u>
	 Texas Education Agency	
TJPC P-2008-079	Juvenile Justice Alternative Education Program (JJAEP)	347,679
TJPC P-2009-079	Juvenile Justice Alternative Education Program (JJAEP)	24,490
	Total Texas Education Agency	<u>372,169</u>
	 Texas Department of State Health Services	
2008-024701-001	RLSS-Local Public Health System	31,983
2008-023721-001	Nurse & Aide's Salaries - IMM/Locals	135,939
2009-029154-001	Nurse & Aide's Salaries - IMM/Locals	7,707
2008-023206-001	Tuberculosis Prevention	121,075
2009-028471-001	Tuberculosis Prevention	3,413
2008-025615-001	Tobacco Community Coalition	65,049
	Total Texas Department of State Health Services	<u>365,167</u>

FORT BEND COUNTY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

State

<u>Contract#</u>	<u>Program Title</u>	<u>Expenditures</u>
	Texas Comptroller of Public Accounts	
N/A	State Tobacco Enforcement Program - Constable 2	4,289
N/A	State Tobacco Enforcement Program - Constable 3	6,294
N/A	State Tobacco Enforcement Program - Sheriff	9,018
N/A	State Tobacco Enforcement Program - Constable 4	4,220
	Total Texas Comptroller of Public Accounts	<u>23,821</u>
	Texas Commission on Environmental Quality	
582-2-55082-12	Air Check Texas	1,455,284
	<u>Passed Through Houston-Galveston Area Council:</u>	
08-16-G06	Solid Waste Implementation Grant - Misc. Education/Equipment	35,694
	Total Texas Commission on Environmental Quality	<u>1,490,977</u>
	Texas State Library & Archives Commission	
442-08415	Lone Star Libraries Grant	120,855
	Total Texas State Library & Archives Commission	<u>120,855</u>
	Office of the Attorney General	
08-01688	Victim Coordinator Liaison Grant	33,523
08-01688	Victim Coordinator Liaison Grant	2,252
0800862	Texas VINE Program	25,817
	Total Office of the Attorney General	<u>61,593</u>
	Task Force on Indigent Defense	
212-08-079	Formula Grant	222,789
212-E8-079	Equalization Disbursement	237,623
	Total Task Force on Indigent Defense	<u>460,412</u>
	Total Expenditures of State Awards	<u>\$ 10,150,869</u>

FORT BEND COUNTY, TEXAS

NOTE TO SCHEDULE OF EXPENDITURES OF STATE AWARDS

For the Year Ended September 30, 2008

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, 2008

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	#06-02
b. Significant deficiencies identified that are not considered to be material weaknesses	#06-04 and #07-01
Noncompliance material to the financial statements noted	None
 <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 3. Air-Check Texas
Dollar threshold considered between Type A and Type B state programs	\$304,526
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, 2008

Section II – FINANCIAL STATEMENT FINDINGS

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.

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).

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2008

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.

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.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2008

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
For the Year Ended September 30, 2008

Section III – STATE AWARD FINDINGS AND QUESTIONED COSTS

None Noted.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2008

Section IV – Status of Prior Year Findings and Questioned Costs

Finding #05-02-Capital Assets

Condition

The County had no formal capital asset policy in place in which established controls in order to prevent and detect accounting and reporting errors. This 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.

Status

With the implementation of the new financial system that went live on December 3, 2007, the County has utilized this resource to make the accounting for capital assets more efficient and effective. The County has established a written policy for capital asset accounting and reporting and continues to make revisions as necessary. In addition, the County has an individual dedicated to the function of capital asset accounting and reporting.

Finding #05-03-Arbitrage Analysis

Condition

The County had not performed arbitrage analysis for 7 years.

Status

The County engaged a consulting firm to assist in performing its arbitrage analysis, which is completed.

Finding #06-02 – Year End Closing

See current year findings in Section II

Finding #06-04 – Grant Administration

See current year findings in Section II

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

See current year findings in Section II

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2008

Section V. – Corrective Action Plan

Finding #06-02-Year End Closing

Responsible Person- Ed Sturdivant, County Auditor

Corrective Action Plan

With the implementation of the new financial system and the development of written closing procedures, 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- June 2009

Finding #06-04 Grant Administration

Responsible Person- Commissioners' Court

Corrective Action Plan

The County assigned the interim responsibility to the Director of Special Services in the County Judge's Office. The Commissioners' Court will address the implementation of a centralized grant administration department during the FY2010 budget process that will begin in April 2009.

Estimated Completion Date- September 2009

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

Responsible Person- Ed Sturdivant, County Auditor

Corrective Action Plan

The County will consolidate 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- June 2009