

FORT BEND COUNTY, TEXAS
STATE SINGLE AUDIT REPORT
Year Ended September 30, 2011

FORT BEND COUNTY, TEXAS
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Robert E. Hebert, County Judge
and Members of 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, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 16, 2012. 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 opinions 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs (item #11-01) 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 deficiency described in the accompanying schedule of findings and questioned costs (item #11-02) to be a significant deficiency.

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.

This report is intended solely for the information and use of Commissioners Court, management, others within the entity and 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.

A handwritten signature in cursive script, appearing to read "Galt & Co.", is written in black ink.

Sugar Land, Texas
March 16, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE UNIFORM GRANT MANAGEMENT STANDARDS CHAPTER IV STATE OF TEXAS
SINGLE AUDIT CIRCULAR**

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

Compliance

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* and the *Uniform Grant Management Standards Chapter IV State of Texas Single Audit Circular* that could have a direct and material effect on each of the County's major state programs for the year ended September 30, 2011. The County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major 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; *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and, *Uniform Grant Management Standards Chapter IV State of Texas 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 compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2011.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over

compliance in accordance with OMB Circular A-133 and Uniform Grant Management Standards, 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 state 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 state program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule of Expenditures of State Awards

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 the County as of and for the year ended September 30, 2011, and have issued our report thereon dated March 16, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of state awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Uniform Grant Management Standards *Chapter IV State of Texas Single Audit Circular*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of Commissioners Court, management, others within the entity and 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.



Sugar Land, Texas
March 16, 2012

FORT BEND COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>State Contract Number</u>	<u>State Expenditures and Indirect Costs</u>
Texas Department of Transportation		
Direct Program:		
Section 5311 State/Local Rural Public Transportation	51112F7018	\$ 110,352
Total Texas Department of Transportation		<u>110,352</u>
Texas Department of Criminal Justice - Community Justice Assistance Division		
Direct Programs:		
<u>Diversion Programs</u>		
Mental Impairment	015	105,786
Mental Impairment	015	9,072
Drug Court	016	118,720
Drug Court	016	10,080
Substance Abuse	018	114,803
Substance Abuse	018	9,543
Progressive Sanctions	019	377,163
Progressive Sanctions	019	33,982
Aftercare Caseload	023	100,759
Aftercare Caseload	023	8,448
		<u>888,355</u>
<u>Treatment Alternative</u>		
Treatment Alternative	010	376,467
Treatment Alternative	010	33,733
		<u>410,200</u>
Total Texas Department of Criminal Justice - Community Justice Assistance Division		<u>1,298,555</u>
Texas Juvenile Probation Commission		
Direct Programs:		
State Aid	TJPC-A-2011-079	385,809
State Aid	TJPC-A-2012-079	155,340
Progressive Sanctions JPO - Program F	TJPC-F-2011-079	182,989
Commitment Reduction Program - Program C	TJPC-C-2011-079	192,350
Commitment Reduction Program - Program C	TJPC-C-2012-062	18,889
Salary Adjustment - Program Z	TJPC-Z-2011-079	159,075
Community Corrections Assistance - Program Y	TJPC-Y-2011-079	539,920
New Progressive Sanctions ISP	TJPC-O-2011-079	50,811
Special Needs - Program M	TJPC-M-2011-079	51,436
Special Needs - Program M	TJPC-M-2012-079	1,728
ICBP Regional - Program X	TJPC-X-2011-079	97,937
Diversionsary H	TJPC-H-2011-079	341,505
Total Texas Juvenile Probation Commission		<u>2,177,789</u>

The accompanying notes are an integral part of this schedule.

FORT BEND COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>State Contract Number</u>	<u>State Expenditures and Indirect Costs</u>
Office of the Governor - Criminal Justice Division		
Pass-Through Programs From:		
<u>Houston-Galveston Area Council</u>		
Law Enforcement Training Project (Gus George Academy)	SF-08-A 10-14719-10	92,889
Total Office of the Governor - Criminal Justice Division		<u>92,889</u>
Texas Education Agency		
Direct Programs:		
Juvenile Justice Alternative Education Program (JJAEP)	TJPC P-2011-079	166,509
Juvenile Justice Alternative Education Program (JJAEP)	TJPC P-2012-079	12,095
Total Texas Education Agency		<u>178,604</u>
Texas Department of State Health Services		
Direct Programs:		
Tuberculosis Prevention	2011-035287-001	142,364
Tuberculosis Prevention	2012-039059	10,590
Tobacco Community Coalition	2011-036913-001	309,480
Tobacco Community Coalition	2012-039679	5,141
Total Texas Department of State Health Services		<u>467,576</u>
Texas Comptroller of Public Accounts		
Direct Programs:		
State Tobacco Enforcement Program - Constable 2	N/A	1,801
State Tobacco Enforcement Program - Constable 3	N/A	4,920
State Tobacco Enforcement Program - Sheriff	N/A	13,788
State Tobacco Enforcement Program - Sheriff	N/A	659
Total Texas Comptroller of Public Accounts		<u>21,167</u>
Texas Commission on Environmental Quality		
Direct Program:		
Low Income Vehicle Repair Assistance, Retrofit and Accelerated Retirement Program (LIRAP) Local Initiative Projects	582-8-89960	1,385,045
Subtotal Texas Commission on Environmental Quality Direct Programs		<u>1,385,045</u>
Pass-Through Programs From:		
<u>Houston-Galveston Area Council</u>		
Solid Waste Implementation Grant - HHW Program	10-16-G11	49,343
Subtotal Texas Commission on Environmental Quality Pass-Through Programs		<u>49,343</u>
 Total Texas Commission on Environmental Quality		 <u>1,434,388</u>

The accompanying notes are an integral part of this schedule.

FORT BEND COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>State Contract Number</u>	<u>State Expenditures and Indirect Costs</u>
Texas State Library & Archives Commission		
Direct Program:		
Lone Star Libraries Grant	442-10332	122,210
Total Texas State Library & Archives Commission		<u>122,210</u>
Office of the Attorney General		
Direct Programs:		
Victim Coordinator Liaison Grant FY2011	1014232	34,278
Victim Coordinator Liaison Grant FY2012	1014232	3,856
Texas VINE Program	1012137	26,333
Total Office of the Attorney General		<u>64,467</u>
Texas Indigent Defense Commission		
Direct Programs:		
Formula Grant	212-11-079	294,301
Fort Bend County Mental Health Defender Program	212-01-D18	353,867
Equalization Disbursement	N/A	43,427
Total Texas Indigent Defense Commission		<u>691,595</u>
Texas Historical Commission		
Direct Program:		
Historic Courthouse Preservation Program	Fort Bend-2010	255,247
Total Texas Historical Commission		<u>255,247</u>
Texas Department of Family and Protective Services		
Direct Program:		
Concrete Services	23355842	1,656
Total Texas Department of Family and Protective Services		<u>1,656</u>
Texas Secretary of State		
Chapter 19 Elections Funds - 2010		1,874
Total Texas Secretary of State		<u>1,874</u>
Total Expenditures of State Awards		<u><u>\$ 6,918,370</u></u>

The accompanying notes are an integral part of this schedule.

FORT BEND COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of state awards (the “schedule”) includes the state grant activity of Fort Bend County, Texas (the “County”) under programs of the state government for the year ended September 30, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State of Texas Uniform Grant Management Standards Chapter IV Texas State Single Audit Circular. 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 assets or cash flows of the County.

NOTE 2 - BASIS OF ACCOUNTING

The County accounts for all awards under programs of the state 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 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, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
a. Material weakness(es) identified?	Yes - #11-01
b. Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes - #11-02
Noncompliance material to the financial statements noted?	No

STATE 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 program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) OMB Circular A-133?	No

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Identification of major programs:

<u>State Contract Number(s)</u>	<u>Name of State Program</u>
Various	Texas Department of Criminal Justice – Community Justice Assistance Division Funded Programs
TJPC P-2011-079 TJPC P-2012-079	Texas Education Agency-Juvenile Justice Alternative Education Program (JJAEP)
2011-036913-001 2012-039679	Texas Department of State Health Services – Tobacco Community Coalition
582-8-89960	Texas Commission on Environmental Quality- Low Income Vehicle Repair Assistance, Retrofit and Accelerated Retirement Program (LIRAP) Local Initiative Projects
212-11-079	Texas Indigent Defense Commission-Formula Grant
212-01-D18	Texas Indigent Defense Commission-Fort Bend County Mental Health Defender Program
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

SECTION II- FINANCIAL STATEMENT FINDINGS

Finding #11-01 – 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 five 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.

Views of Responsible Officials and Planned Corrective Actions

See Section V.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

SECTION II- FINANCIAL STATEMENT FINDINGS (continued)

Finding #11-02 – Recording of Expenditures/Expenses

Criteria

Controls should be in place to ensure that expenditures/expenses are posted to the correct expenditure/expense categories at the point of original entry, and that such items are evaluated for appropriate treatment in a timely fashion during the normal course of business.

Condition

During the course of our audit, it was noted that certain items relating to sources and uses of funds from various financing activities were not optimally posted to various capital and expense categories.

Context

This condition was determined during the review process of financial statement presentation based on input from the financial advisor and other parties.

Effect

Not having controls in place to ensure that all expenditures/expenses are posted to the correct expenditure/expense category increases the likelihood that financial statements are misstated.

Cause

While the final controls necessary to detect and address categorization issues were operational, proper controls are not in place to ensure that expenditure/expenses are posted to the correct expenditure/expense category at the point of original entry, including invoices which are coded to expenditure/expense categories by external bookkeepers.

Recommendation

The County should implement controls to ensure that expenditure/expenses are posted to the correct expenditure/expense category. This might include obtaining input from the financial advisor regarding categorization of sources and uses for proceeds of certain borrowings at the point of original issuance and posting of the entries, as well as soliciting more contemporaneous comments from these parties on the results of the entries posted as a result.

Views of Responsible Officials and Planned Corrective Actions

See Section V.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

SECTION III- STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters reported.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

SECTION IV- STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding #10-01 – Accounting for Fines and Fees

See current year finding #11-01 in Section II.

Finding #10-02 – Budget Maintenance

The Auditor's Office and Budget Office have developed a reconciliation process and are regularly reviewing the reconciliation for accuracy and compliance.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

SECTION V-CORRECTIVE ACTION PLAN

Finding #11-01 – Accounting for Fines and Fees

Responsible Person – Ed Sturdivant, County Auditor

Corrective Action Plan

The implementation of the courts management software, Odyssey, was delayed during the 2011 fiscal year. This application will provide the detailed subsidiary receivable schedule that will allow the accurate posting of this asset to the County's financial records in fiscal 2012 and future fiscal years.

Estimated Completion Date – September 2012

Finding #11-02 – Recording of Expenditures/Expenses

Responsible Person – Ed Sturdivant, County Auditor

Corrective Action Plan

The County concurs with this finding and has implemented controls to ensure that expenditure/expenses are posted to the correct expenditure/expense category, including invoices which are coded to expenditure/expense categories by bookkeepers of the component units of the County.

Estimated Completion Date – September 2012