

*SINGLE AUDIT REPORTS*  
**CHAMBERS COUNTY, TEXAS**

For the Year Ended  
December 31, 2010

# CHAMBERS COUNTY, TEXAS

## *SINGLE AUDIT REPORTS*

For the Year Ended December 31, 2010

### TABLE OF CONTENTS

|   | <u>Page</u> |
|---|-------------|
| <b>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></b>  | 3           |
| <b>INDEPENDENT AUDITORS REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT OF EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b> | 5           |
| <b>SCHEDULES</b>  |             |
| <i>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS</i>   | 8           |
| <i>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</i>  | 9           |
| <i>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</i>   | 11          |
| <i>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</i>  | 14          |



**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**

September 2, 2011

To the Honorable County Judge and  
Members of Commissioners' Court of  
Chambers County, Texas:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chambers County, Texas (the "County") as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 2, 2011. 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.

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 County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. This finding is item 2010-1. 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.

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the County in a separate letter dated September 2, 2011.

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 management 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.

 BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM, INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133,  
AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

September 2, 2011

To the Honorable County Judge and  
Members of Commissioners' Court of  
Chambers County, Texas:

**Compliance**

We have audited Chambers County's (the "County") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2010. The County's major federal 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 federal 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on 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 federal programs for the year ended December 31, 2010

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### **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 federal 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 federal 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chambers County, Texas, (the "County") as of and for the year ended December 31, 2010, and have issued our report thereon dated September 2, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purposes of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 management 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.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas

**CHAMBERS COUNTY, TEXAS**  
***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***  
**For the Year Ended December 31, 2010**

**A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

No prior year findings.



**CHAMBERS COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended December 31, 2010

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Chambers County, Texas.
2. Significant deficiencies in internal control were disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. Significant deficiencies in internal control over major federal award programs were not disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for the County are reported in Part C of this schedule.
7. The programs included as major programs are:

|                                     |        |
|-------------------------------------|--------|
| Disaster Grants - Public Assistance | 97.036 |
| Community Development Block Grant   | 14.228 |
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The County did not qualify as a low-risk auditee.

**B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT**

***CURRENT YEAR MATTERS***

***Significant Deficiencies:***

**2010-1. JUSTICE OF THE PEACE COURT - DOCUMENTATION**

**Condition**

During our testing of Justice of the Peace Court transactions, we noted that Justice of the Peace #5 was unable to comply with request to view deposit information on the citations requested due to a bat infestation.

**Effect**

The lack of monitoring over citation deposits increases the risk that clerks collecting payments from defendants may have fraudulent activity and improprieties occur as well as storage of important court documents.

**Cause**

The County did not effectively monitor the decentralized Court functions and ensure that citation deposit documents were well stored and accessible.

**CHAMBERS COUNTY, TEXAS**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued*  
For the Year Ended December 31, 2010

**Criteria**

The County needs to have strong internal controls in place to accurately process, record, and protect citations deposits according to state statutes on record retention.

**Recommendation**

The County should ensure that citation deposits have proper back up in the event of a disaster and the original records are accessible.

**Corrective Action Plan**

The County auditor will put procedures in place to ensure that citation deposits are secured and backed up in the event of a disaster during the next fiscal year.

**C. FINDINGS - FEDERAL AUDIT AWARDS**

**None.**

**CHAMBERS COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended December 31, 2010 (page 1 of 3)

| Federal Grantor/Pass Through Grantor/Program or<br>Cluster Title                                | PASS-THROUGH<br>ENTITY<br>IDENTIFYING<br>NUMBER | FEDERAL<br>CFDA<br>NUMBER | FEDERAL<br>EXPENDITURES |
|---|---|---------------------------|-------------------------|
| <b>DEPARTMENT OF AGRICULTURE</b>  |   |                           |                         |
| <i>Passed through Texas Department of State Health Services:</i>                                |   |                           |                         |
| Special Supplemental Nutrition Program for Women,<br>Infants, and Children/2010                 | 7460000361-2010                                 | 10.557                    | \$ 113,868              |
| Special Supplemental Nutrition Program for Women,<br>Infants, and Children/2011                 | 7460000361-2011                                 | 10.557                    | <u>38,368</u>           |
| <b>TOTAL DEPARTMENT OF AGRICULTURE</b>  |   |                           | <u>152,236</u>          |
| <b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>  |   |                           |                         |
| <i>Passed through Brazos Valley Community Action Agency (BVCAA):</i>                            |   |                           |                         |
| Community Services Block Grant/Jan. - Dec. 2010   | N/A   | 93.569                    | <u>50,000</u>           |
| <b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>  |   |                           | <u>50,000</u>           |
| <b>DEPARTMENT OF HOMELAND SECURITY</b>  |   |                           |                         |
| <i>Passed through Texas Department of Public Safety's<br/>Division of Emergency Management:</i> |   |                           |                         |
| Disaster Grants - Public Assistance   | FEMA 1791 DR TX                                 | 97.036                    | 441,051                 |
| State Homeland Security Program 2010 EMPG   | 10TX-EMPG-0377                                  | 97.042                    | 37,928                  |
| State Homeland Security Program 2011 EMPG   | 11TX-EMPG-0377                                  | 97.042                    | <u>12,642</u>           |
| Subtotal for CFDA Number  |   |                           | <u>50,570</u>           |
| State Homeland Security Program 2008 SHSP   | 2008SHSP-48071                                  | 97.073                    | 31,707                  |
| State Homeland Security Program 2009 SHSP   | 2009SHSP-48071                                  | 97.073                    | <u>76,628</u>           |
| Subtotal for CFDA Number  |   |                           | <u>108,335</u>          |
| State Homeland Security Program 2008 CCP  | 2008CPP-48071                                   | 97.053                    | 2,784                   |

**CHAMBERS COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended December 31, 2010 (page 2 of 3)

| Federal Grantor/Pass Through Grantor/Program or<br>Cluster Title         | PASS-THROUGH<br>ENTITY<br>IDENTIFYING<br>NUMBER | FEDERAL<br>CFDA<br>NUMBER | FEDERAL<br>EXPENDITURES |
|--|---|---------------------------|-------------------------|
| <i>Passed through Texas Department of Transportation:</i>                |   |                           |                         |
| Emergency Food and Shelter/2010 Phase 28                                 | 793800-001                                      | 97.114                    | 21,493                  |
| <b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>                             |   |                           | <u>624,233</u>          |
| <b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>                       |   |                           |                         |
| <i>Passed through Texas Department of Housing and Community Affairs:</i> |   |                           |                         |
| Community Development Block Grant - Housing                              | 70090010  | 14.228                    | 4,007                   |
| <i>Passed through Texas Department of Rural Affairs:</i>                 |   |                           |                         |
| Community Development Block Grant - NonHousing                           | DRS010024                                       | 14.228                    | 1,449,921               |
| <b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>                 |   |                           | <u>1,453,928</u>        |
| <b>DEPARTMENT OF INTERIOR</b>  |   |                           |                         |
| <i>Passed through Texas Parks &amp; Wildlife Commission:</i>             |   |                           |                         |
| Sport Fish & Restoration, Boating Access                                 | N/A   | 15.605                    | 11,941                  |
| <b>TOTAL DEPARTMENT OF INTERIOR</b>                                      |   |                           | <u>11,941</u>           |
| <b>DEPARTMENT OF TRANSPORTATION</b>                                      |   |                           |                         |
| <i>Passed through Texas Department of Transportation:</i>                |   |                           |                         |
| Routine Airport Maintenance Program - Anahuac 2010                       | M020ANAHC                                       | 20.106                    | 6,611                   |
| Routine Airport Maintenance Program - Anahuac 2011                       | M120ANAHC                                       | 20.106                    | 8,150                   |
| Routine Airport Maintenance Program - Winnie 2010                        | M020WNNIE                                       | 20.106                    | 12,412                  |
| Routine Airport Maintenance Program - Winnie 2011                        | M120WNNIE                                       | 20.106                    | 7,144                   |
| Texas Traffic Safety Program Grant (2010 STEP-OP)                        | (10)05-05-A1-AA                                 | 20.600                    | 44,729                  |
| <b>TOTAL DEPARTMENT OF TRANSPORATION</b>                                 |   |                           | <u>79,046</u>           |

**CHAMBERS COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended December 31, 2010 (page 3 of 3)

| Federal Grantor/Pass Through Grantor/Program or<br>Cluster Title | PASS-THROUGH<br>ENTITY<br>IDENTIFYING<br>NUMBER | FEDERAL<br>CFDA<br>NUMBER | FEDERAL<br>EXPENDITURES |
|--|---|---------------------------|-------------------------|
| <b>DEPARTMENT OF JUSTICE</b>                                     |   |                           |                         |
| <i>Passed through Governor's Division of Criminal Justice:</i>   |   |                           |                         |
| Crime Victim Assistance  | VA-08-V30-1908803                               | 16.575                    | 14,214                  |
| Crime Victim Assistance  | VA-09-V30-1908804                               | 16.575                    | 7,226                   |
| Subtotal for CFDA Number   |   |                           | <u>21,440</u>           |
| <i>Passed through Office of Justice Programs</i>                 |   |                           |                         |
| FY 2010 State Criminal Alien Assistance Program                  | 2010-AP-BX-0402                                 | 16.606                    | 15,795                  |
| ARRA - Violence Against Women                                    | EF-09-V30-2410801                               | 16.588                    | <u>16,780</u>           |
| <b>TOTAL DEPARTMENT OF JUSTICE</b>                               |   |                           | <u>54,015</u>           |
| <b>GENERAL SERVICES ADMINISTRATION</b>                           |   |                           |                         |
| <i>Passed through Texas General Services Commission:</i>         |   |                           |                         |
| Donation of Federal Surplus Personal Property                    | N/A   | 39.003                    | <u>246,329</u>          |
| <b>TOTAL GENERAL SERVICES ADMINISTRATION</b>                     |   |                           | <u>246,329</u>          |
| <b>NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION</b>           |   |                           |                         |
| <i>Passed through Texas Parks and Wildlife Department:</i>       |   |                           |                         |
| Hurricane Ike Fishery Disaster Program                           | NAO9NMF4520023                                  | 11.477                    | <u>20,256</u>           |
| <b>TOTAL NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION</b>     |   |                           | <u>20,256</u>           |
| <b>TOTAL FEDERAL EXPENDITURES</b>                                |   |                           | <u>\$ 2,691,984</u>     |

**CHAMBERS COUNTY, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended December 31, 2010

**NOTE 1: BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Chambers County, Texas, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.