

SINGLE AUDIT REPORTS

CHAMBERS COUNTY, TEXAS

For the Year Ended
December 31, 2013

CHAMBERS COUNTY, TEXAS

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December 31, 2013

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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

June 19, 2014

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 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. A significant deficiency is a deficiency, or 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 2013-001 described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BELT HARRIS PECHACEK, LLLP

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Certified Public Accountants
Houston, Texas



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR
A-133, AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 19, 2014

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

Report on Compliance for Each Major Federal Program

We have audited Chambers County, Texas' (the "County") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2013. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

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Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated June 19, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

CHAMBERS COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 2013

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

None

CHAMBERS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Chambers County, Texas.
2. Significant deficiencies in internal control were disclosed by the audit of the financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for the County are reported.
7. The programs included as a major program are:

<u>Program Name</u>	<u>CFDA</u>
Community Development Block Grant	14.228
Disaster Grants - Public Assistance	97.036

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The County did qualify as a low-risk auditee.

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

Significant Deficiency:

2013 – 001. RECONCILIATION OF FEDERAL AWARD EXPENDITURES

Criteria

The County is responsible for administering and satisfying the compliance and reporting requirements associated with grants that it has been awarded and accepted.

Condition

Expenditure-driven grants should be recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. The schedule of expenditures of federal awards did not reconcile to the revenue reported in the general ledger for grants awarded on a reimbursement basis.

Effect

The lack of reconciling federal award expenditures to revenue reported could lead to noncompliance with grant requirements and reporting inadequacies.

CHAMBERS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended December 31, 2013

Cause

The County does not appear to have procedures in place to reconcile federal award expenditures to the related revenue for reimbursement based grants.

Recommendation

The County should establish a policy for reconciling federal award expenditures to the related revenue, as applicable, in accordance with grant and reporting requirements.

Management Corrective Action Plan

The County has hired additional staff to assist in reconciling federal award expenditures to the related revenue. Additionally, the County has taken steps to correct issues for fiscal year 2014.

C. FINDINGS - FEDERAL AWARDS

None.

CHAMBERS COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (page 1 of 2)
For the Year Ended December 31, 2013

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE			
<i>Passed through Texas Department of State Health Services:</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children	7460000361-2013	10.557	\$ 97,590
Special Supplemental Nutrition Program for Women, Infants, and Children	7460000361-2014	10.557	35,328
TOTAL DEPARTMENT OF AGRICULTURE			<u>132,918</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through Brazos Valley Community Action Agency (BVCAA):</i>			
Community Services Block Grant	N/A	93.569	25,000
<i>Passed through Texas Department of State Health Services:</i>			
Public Health Emergency Preparedness (PHEP)	2014-001505-01	93.069	7,336
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>32,336</u>
DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through Texas Department of Public Safety's Division of Emergency Management:</i>			
Disaster Grants - Public Assistance	FEMA 1791 DR TX	97.036	567,784
Emergency Management Performance Grant	13TX-EMPG-0377	97.042	43,944
State Homeland Security Program	2011SHSP-OSHSP8071	97.073	57,258
State Homeland Security Program	2012SHSP-OSHSP8071	97.073	44,470
Subtotal for CFDA Number			<u>101,728</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>713,456</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through Texas General Land Office:</i>			
Community Development Block Grant - Housing	10-5279-000-5285	14.228	2,664,805
Community Development Block Grant - Non-Housing	10-5045-000-5021	14.228	5,859,599
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>8,524,404</u>
DEPARTMENT OF INTERIOR			
<i>Passed through Texas General Land Office:</i>			
Coastal Impact Assistance Program - Administration	F12AF00677	15.668	5,135
Coastal Impact Assistance Program - Smith Pt. Waste Wtr Trtmt	F12AF00677	15.668	139,521
Coastal Impact Assistance Program - Game Warden Equipment	F12AF00677	15.668	194,191
Coastal Impact Assistance Program - Herbicides - CLCND	F12AF00677	15.668	25,000
TOTAL DEPARTMENT OF INTERIOR			<u>363,847</u>

CHAMBERS COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (page 2 of 2)

For the Year Ended December 31, 2013

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
DEPARTMENT OF TRANSPORTATION/FEDERAL AVIATION ADMINISTRATION			
<i>Passed through Texas Department of Transportation:</i>			
Airport Improvement Program	M320ANAHC	20.106	46,517
Airport Improvement Program	M1420ANAH	20.106	18,002
Airport Improvement Program	M320WINNIE	20.106	46,156
Airport Improvement Program	M1420WNNI	20.106	18,395
TOTAL DEPARTMENT OF TRANSPORTATION/FEDERAL AVIATION ADMINISTRATION			129,070
DEPARTMENT OF JUSTICE			
<i>Passed through Governor's Division of Criminal Justice:</i>			
Crime Victim Assistance	VA-10-V30-1908806	16.575	10,952
Crime Victim Assistance	VA-10-V30-1908807	16.575	8,824
Subtotal for CFDA Number			19,776
ARRA - Violence Against Women Formula Grant	WF-11-V30-2410802	16.588	19,435
ARRA - Violence Against Women Formula Grant	WF-12-V30-2410803	16.588	8,967
Subtotal for CFDA Number			28,402
<i>Passed through Office of Justice Programs:</i>			
Bulletproof Vest Partnership Program	2013BUBX09047527	16.607	3,954
State Criminal Alien Assistance Program	2013-AP-BX-0612	16.606	7,336
TOTAL DEPARTMENT OF JUSTICE			59,468
TOTAL FEDERAL EXPENDITURES			\$ 9,955,499

CHAMBERS COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

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.