

SINGLE AUDIT REPORTS

CHAMBERS COUNTY, TEXAS

**For the Year Ended
December 31, 2018**

CHAMBERS COUNTY, TEXAS

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December 31, 2018

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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

July 31, 2019

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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 31, 2019.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

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*.

Management's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

The logo features the names 'BELT HARRIS PECHACEK, LLLP' in a serif font. The letters 'B', 'H', and 'P' are significantly larger and more ornate, with decorative flourishes extending from them. The remaining letters are smaller and more standard.

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE, AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

July 31, 2019

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 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

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, 2018.

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 the Uniform Guidance, 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 the Uniform Guidance

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated July 31, 2019, 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 the Uniform Guidance 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*B*ELT *H*ARRIS *P*ECHACEK, 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, 2018

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

None

CHAMBERS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Polk County, Texas (the "County").
2. No material weaknesses 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 material weaknesses or 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 major programs are:

<u>CFDA</u>	<u>Program Name</u>
14.228	Community Development Block Grant

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The County did qualify as a low-risk auditee.

B. FINDINGS - BASIC FINANCIAL STATEMENT AUDIT

2018-001. CITATIONS

Condition

Out of 25 transactions randomly requested for review, the County could not provide adequate support to document citations charged to offenders and support for when payments were received for 15.

Effect

Payments not recorded correctly could result in a loss of fines and fees paid to the State and to the County.

Cause

The Treasurer's office is not maintaining adequate records to support fines and fees collected.

Criteria

Each Judicial Precinct is responsible for accounting and documenting citations issued and paid by offenders, collections are brought to the Treasurer's office for deposit.

CHAMBERS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended December 31, 2018

Recommendation

The County should establish procedures to adequately document the citation process from when the fines are issued to when the payments are received and deposited.

Management's Corrective Action Plan

The County's current batch receipting/reconciliation process makes it difficult to trace a specific JP citation payment all the way through to the bank statement. The County is reviewing procedures and will identify a method for tracing individual receipts more effectively. This method will be implemented by the end of the 2019 fiscal year.

C. FINDINGS - FEDERAL AWARDS AUDIT

None

CHAMBERS COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (page 1 of 2)
For the Year Ended December 31, 2018

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
DEPARTMENT OF AGRICULTURE			
<i>Passed through Texas Department of State Health Services:</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children - Oct through Sept	2018-049798-001	10.557	\$ 83,562
TOTAL DEPARTMENT OF AGRICULTURE			<u>83,562</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	24,971
<i>Passed through Texas Department of State Health Services:</i>			
Public Health Emergency Preparedness (PHEP) - CRI	537-18-0184-00001	93.069	4,344
Public Health Emergency Preparedness (PHEP) - CPS/Hazards	537-18-0166-00001	93.069	76,445
Subtotal for CFDA Number			<u>80,789</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>105,760</u>
DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through Texas Department of Public Safety's Division of Emergency Management:</i>			
Emergency Management Performance Grant	16TX-EMPG-0377	97.042	32,808
<i>Passed through Texas Office of the Governor Homeland Security Grants Division (HSGD)</i>			
District Attorney Parks and Wildlife Radio Project	EMW-2017-SS-00005	97.067	15,736
<i>Passed through Texas Department of Public Safety Texas Division of Emergency Management (TDEM)</i>			
FEMA Public Assistance Grant, 4332, Texas Hurricane Harvey	4332DRTP0000001	97.036	632,647
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>681,191</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through Texas General Land Office:</i>			
Community Development Block Grant - Mayhaw Bayou	DRS210024	14.228	43,839
Community Development Block Grant - Disaster - Non-Housing	DRS010024	14.228	1,320,699
Community Development Block Grant - Disaster Rec 2.2	DRS220401	14.228	390,377
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>1,754,916</u>

CHAMBERS COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (page 2 of 2)
For the Year Ended December 31, 2018

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
DEPARTMENT OF TRANSPORTATION/FEDERAL AVIATION ADMINISTRATION			
<i>Passed through Texas Department of Transportation:</i>			
Airport Improvement Program - Anahuac	M1820ANAH	20.106	\$ 2,358
Airport Improvement Program - Anahuac	M1920ANAH	20.106	6,780
Airport Improvement Program - Winnie	M1820WNNI	20.106	3,502
TOTAL DEPARTMENT OF TRANSPORTATION/FEDERAL AVIATION ADMINISTRATION			12,640
DEPARTMENT OF JUSTICE			
<i>Passed through Governor's Criminal Justice Division:</i>			
ARRA - Violence Against Women Formula Grant	2017-WF-AX-0053	16.588	10,691
ARRA - Violence Against Women Formula Grant	2017-WF-AX-0053	16.588	-
Subtotal for CFDA Number			10,691
<i>Passed through Bureau of Justice Assistance:</i>			
State Criminal Alien Assistance Program	2018-AP-BX-0612	16.606	1,099
TOTAL DEPARTMENT OF JUSTICE			11,790
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
<i>Passed through Texas State Library and Archives Commission</i>			
ILL Lending Reimbursement Program	LS-00-16-0044-16	45.310	893
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES			893
TOTAL FEDERAL EXPENDITURES			\$ 2,650,752

CHAMBERS COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of Chambers County, Texas, and is presented on the accrual basis of accounting. The information in SEFA is presented in accordance with the requirements of *OMB Compliance Supplement*; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: INDIRECT COST RATE

The County elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.