

SINGLE AUDIT REPORTS
HARDIN COUNTY, TEXAS

For the Year Ended
September 30, 2016

HARDIN COUNTY, TEXAS

SINGLE AUDIT REPORTS

September 30, 2016

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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 29, 2017

To the Honorable County Judge and
Members of the Commissioners' Court of
Hardin 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, each major fund, and the aggregate remaining fund information of Hardin County, Texas (the "County") as of and for the year ended September 30, 2016, 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 29, 2017.

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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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, THE STATE OF TEXAS SINGLE AUDIT CIRCULAR, AND THE SCHEDULES
OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

June 29, 2017

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

Report on Compliance for Each Major Federal and State Program

We have audited Hardin County's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of the County's major federal and state programs for the year ended September 30, 2016. The County's major federal and state 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 and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal and state 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) and the *State of Texas Single Audit Circular*. Those standards, the Uniform Guidance, and the *State of Texas Single Audit Circular* 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 and 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 on compliance for each major

federal and state program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal and State 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 and state programs for the year ended September 30, 2016.

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 and state 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 and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State of Texas Single Audit Circular*, 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 and 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 federal and state 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 and state 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 Schedules of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State of Texas Single Audit Circular

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended September 30, 2016, 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 29, 2017, 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 schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the Uniform Guidance and the *State of Texas Single Audit Circular* and are 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 schedules of expenditures of federal and state awards are 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 and the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

HARDIN COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended September 30, 2016

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

2015-001

SIGNIFICANT DEFICIENCY - BALANCE SHEET ACCOUNT RECONCILIATIONS

Criteria:

Best practices indicate that all balance sheet accounts should be reconciled and reviewed timely by appropriate personnel or management to ensure accuracy of the balances and mitigate opportunity for fraud or errors to occur.

Condition:

During our audit, we noted that balance sheet accounts were not being reconciled monthly.

Questioned Cost:

None noted.

Perspective Information:

During our audit, Hereford, Lynch, Sellars & Kirkham, P.C. proposed a significant number of adjusting journal entries to correct balance sheet accounts that were not reconciled.

Cause:

Hardin County implemented a new accounting software that created issues reconciling beginning balances and current activity. Hardin County has procedures in place to ensure balances are reconciled timely; however, these procedures have not been adhered to since the software conversion.

Effect:

Hardin County's financial statements are susceptible to misstatements due to fraud or error. The effects noted below were discovered during our audit process:

- Incorrect balances appeared to be brought over from GSA (prior accounting software) into the new accounting software
- Indications that payments to accounts receivable were incorrectly applied and
- The County Auditor reconciled the general ledger accounts as we were completing our audit procedures.

Recommendation:

We recommend that the balance sheet account reconciliation process be put back in place and be subject to a monthly documented review by appropriate personnel or management to ensure accuracy of the general ledger account balances and mitigate opportunity for fraud or errors to occur and not be detected in a timely manner.

Views of Responsible Officials and Planned Corrective Action:

See corrective action plan.

Response:

Hardin County agrees with the finding and will work toward having monthly reconciliation completed on all balance sheet accounts.

Responsible Party:

Angela Gore, County Auditor

Completion Date:

This deficiency was resolved during the 2016 fiscal year.

HARDIN COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2016

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Hardin County, Texas.
2. Significant deficiencies in internal control were not 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 and state award programs were disclosed by the audit.
5. The auditors' report on compliance for the major federal and state award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal and state award programs for the County are reported.
7. The Federal programs included as major programs are:

<u>CFDA</u>	<u>Program Name</u>
10.557	NSS-WIC Local Agency
14.228	Community Development Block Grant
93.069	CPS/Hazard (PHEP)

8. The Federal threshold for distinguishing Type A and B programs was \$750,000.
9. The State program included as a major program is:

<u>Program Name</u>
CJAD program

10. The State threshold for distinguishing Type A and B programs was \$750,000.
11. The County did not qualify as a low-risk auditee.

B. FINDINGS – BASIC FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS – FEDERAL AND STATE AWARDS

None

HARDIN COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2016

Department/Pass-Through Agency/Program Name	Program/Grant/ Project Number	CFDA Number	Expenditures
US DEPARTMENT OF AGRICULTURE			
<i>Pass-through Department of State Health Services:</i>			
NNS-WIC Local Agency	2016-048750-001	10.557	\$ 251,046
Total US Department of Agriculture			251,046
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Pass-through Texas General Land Office:</i>			
Community Development Block Grant DRS010002	10-5004-000-4978	14.228	28,304
Community Development Block Grant DRS220002	13-130-000-7192	14.228	235,170
Total Department of Housing and Urban Development			263,474
US DEPARTMENT OF JUSTICE			
<i>Pass-Through Office of the Governor, Criminal Justice Division:</i>			
Felony VAWA Prosecutor	2826902	16.588	104,809
Felony VAWA Prosecutor	2826903	16.588	7,365
			Subtotal
			112,174
Victims Assistance Center	1366017	16.575	162,797
Victims Assistance Center	1366017	16.575	18,308
			Subtotal
			181,105
Regional Juvenile Alternatives		16.540	6,645
Total US Department of Justice			299,924
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Pass-through State Department of Family & Protective Services:</i>			
Title IV-E Foster Care Program	24118450	93.658	8,371
<i>Pass-through Department of State Health Services:</i>			
IMM/LOCALS Immunization Branch-Locals	2016-001296-01	93.268	119,586
IMM/LOCALS Immunization Branch-Locals	2016-001296-01	93.268	5,184
			Subtotal
			124,770
CPS/Hazards (PHEP) - Yr 16-17	2016-001168-00	93.069	177,649
CPS/Hazards (PHEP) - Yr 15-17	2016-001168-00	93.069	48,822
CPS/OT-Unique	2016-004042-00	93.069	36,671
			Subtotal
			263,142
CPS/Ebloa	2015-003628-00	93.074	6,091
Total Department of Health and Human Services			402,374
DEPARTMENT OF HOMELAND SECURITY			
<i>Pass-Through State Department of Public Safety Division of</i>			
<i>Emergency Management:</i>			
Disaster Grants - Public Assistance	FEMA-4223-DR-TX	97.036	15,527
Disaster Grants - Public Assistance	FEMA-4272-DR-TX	97.036	24,973
			Subtotal
			40,500
Emergency Management Performance Grants	16TX-EMPG-0383	97.042	91,101
Total Department of Homeland Security			131,601
Total Federal Expenditures			\$ 1,348,419

HARDIN COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS (page 1 of 2)
For the Year Ended September 30, 2016

Department/Pass-Through Agency/Program Name	Program/Grant/ Project Number	Expenditures
STATE DEPARTMENT OF TRANSPORTATION		
<i>Direct:</i>		
Hardin County Transportation Infrastructure Fund Grant Program	CTIF-01-101	\$ 97,838
Total State Department of Transportation		<u>97,838</u>
STATE DEPARTMENT TASK FORCE ON INDIGENT DEFENSE		
<i>Direct:</i>		
Indigent Defense Formula Grant	212-16-100	54,170
		<u>54,170</u>
<i>Direct:</i>		
RLSS/LPHS RLSS/Local Public Health System-PNP	2016-001199-00	31,218
RLSS/LPHS RLSS/Local Public Health System-PNP	2016-001199-00	2,775
Subtotal		<u>33,993</u>
Total State Department Task Force on Indigent Defence		<u>33,993</u>
STATE DEPARTMENT OF JUVENILE PROBATION COMMISSION		
<i>Direct:</i>		
State Aid - A	TJPC-A-2016-100	239,867
State Aid - A	TJPC-A-2017-100	16,898
Community Programs	TJPC-Comm Prog 2016	70,671
Community Programs	TJPC-Comm Prog 2016	4,597
Pre/Post Adjudication	TJPC - Pre/Post Adj. 2016	42,105
Pre/Post Adjudication	TJPC - Pre/Post Adj. 2016	1,616
Subtotal		<u>375,754</u>
Discretionary - W	TJPC-W-2016-100	47,585
Discretionary - W	TJPC-W-2017-100	2,100
Subtotal		<u>49,685</u>
Commitment Diversion - C	TJPC-C-2016-100	50,859
Commitment Diversion - C	TJPC-C-2017-100	3,377
Subtotal		<u>54,236</u>
Mental Health - N	TJPC-N-2016-100	71,993
Mental Health - N	TJPC-N-2017-101	4,241
Subtotal		<u>76,234</u>
Regional Diversion - R	TJPC-R-2017-100	4,869
Total State Department of Juvenile Probation Commission		<u>560,778</u>

HARDIN COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS (page 2 of 2)
For the Year Ended September 30, 2016

Department/Pass-Through Agency/Program Name	Program/Grant/ Project Number	Expenditures
STATE DEPARTMENT OFFICE OF THE ATTORNEY GENERAL		
<i>Direct:</i>		
Texas VINE Grant	1659838	\$ 14,046
Sexual Assault Preention and Crisis Service (SAPCS) State	1663285	51,136
Sexual Assault Preention and Crisis Service (SAPCS) State	1772698	4,470
	Subtotal	55,606
Cictim Coordinator and Liaison Grant	1662360	34,881
Cictim Coordinator and Liaison Grant	1772383	2,869
	Subtotal	37,750
Total State Department Office of the Attorney General		107,403
STATE DEPARTMENT OF CRIMINAL JUSTICE COMMUNITY JUSTICE ASSISTANCE DIVISION		
<i>Direct:</i>		
Basic Supervision	CJAD Program 900-2016	618,189
Basic Supervision	CJAD Program 900-2017	104,513
	Subtotal	722,702
High Risk Offender Caseload	CJAD Program 005-2016	22,048
High Risk Offender Caseload	CJAD Program 005-2017	3,189
	Subtotal	25,237
Substance Abuse Treatment Program-DP	CJAD Program 012-2016	25,166
Substance Abuse Treatment Program-DP	CJAD Program 012-2017	2,378
	Subtotal	27,544
Specialized Caseload Substance Abuse-DP	CJAD Program 007-2016	38,721
Specialized Caseload Substance Abuse-DP	CJAD Program 007-2017	3,310
	Subtotal	42,031
Substance Abuse Caseload - CCP	CJAD Program 014-2016	50,164
Substance Abuse Caseload - CCP	CJAD Program 014-2017	4,299
	Subtotal	54,463
Total State Department of Criminal Justice Community Justice Addistance Division		871,978
STATE DEPARTMENT OF TEXAS AUTOMOBILE THEFT PREVENTION AUTHORITY		
<i>Pass-Through the City of Beaumont:</i>		
Southeast Texas Auto Theft Task Force	2016-T01-City of-00002	80,694
Southeast Texas Auto Theft Task Force	2016-T01-City of-00002	5,893
Total Department of Texas Automobile Theft Prevention Authority		86,587
Total State Expenditures		\$ 1,812,746

HARDIN COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended September 30, 2016

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal and state and awards includes the federal and state grant activity of Hardin County, Texas, and are presented on the accrual basis of accounting. The information in these schedules are presented in accordance with the requirements of *OMB Compliance Supplement* and the *State of Texas Single Audit Circular*; 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) and the *State of Texas Single Audit Circular*. Therefore, some amounts presented in these schedules 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.