

FORT BEND COUNTY, TEXAS
STATE SINGLE AUDIT REPORT
Year Ended September 30, 2014

FORT BEND COUNTY, TEXAS
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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***

To the Honorable Robert E. Hebert, County Judge
and Members of Commissioners Court
Fort Bend 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 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 20, 2015.

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 a deficiency in internal control that we consider to be a material weakness and other deficiencies in internal control 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 #14-01) 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 deficiencies described in the accompanying schedule of findings and questioned costs (items #14-02, #14-03, #14-04, and #14-05) to be significant deficiencies.

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*.

The County's Responses to Findings

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Sugar Land & Co." with a stylized flourish at the end.

Sugar Land, Texas
March 20, 2015



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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

Report on Compliance for Each Major State Program

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, 2014. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major 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; *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 on compliance for each major state program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major 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 state programs for the year ended September 30, 2014.

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 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 state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Uniform Grant Management Standards *Chapter IV 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 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. *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 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 Schedule of Expenditures of State Awards Required by OMB Circular A-133 and Uniform Grant Management Standards *Chapter IV State of Texas Single Audit Circular*

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, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 20, 2015, 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 state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and Uniform Grant Management Standards *Chapter IV State of Texas Single Audit Circular* 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 state 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 and Uniform Grant Management Standards *Chapter IV State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.



Sugar Land, Texas
March 20, 2015

FORT BEND COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended September 30, 2014

<u>State Grantor/ Pass-Through Agency/Program Title</u>	<u>Grantor or Pass through Grantor's Number</u>	<u>Program Expenditures</u>
Texas Department of Transportation		
Direct Programs:		
Section 5311 State/Local Rural Public Transportation	51312F7017	\$ 45,382
Section 5311 State/Local Rural Public Transportation	51412F7016	123,100
Section 5311 State/Local Rural Public Transportation	51511F7020	7,999
Total Texas Department of Transportation		<u>176,481</u>
Texas Department of Criminal Justice - Community Justice Assistance Division		
Direct Programs:		
<u>Diversion Programs</u>		
Mental Health Initiative Caseload	015	252,803
Mental Health Initiative Caseload	015	20,699
Felony Drug Court	016	124,758
Felony Drug Court	016	9,975
Substance Abuse Treatment Caseload	018	103,585
Substance Abuse Treatment Caseload	018	5,190
Special Sanctions Court	019	430,072
Special Sanctions Court	019	36,044
Aftercare Caseload	023	110,220
Aftercare Caseload	023	10,324
		<u>1,103,670</u>
<u>Treatment Alternative</u>		
Treatment Alternative to Incarceration	010	469,249
Treatment Alternative to Incarceration	010	36,480
		<u>505,729</u>
Total Texas Department of Criminal Justice - Community Justice Assistance Division		<u>1,609,399</u>
Texas Juvenile Justice Department		
Direct Programs:		
State Aid	TJPC-A-2013-079	7,200
State Aid	TJPC-A-2014-079	1,841,712
State Aid	TJPC-A-2015-079	127,127
Commitment Reduction Program - Program C	TJPC-C-2014-079	216,346
Special Needs - Program M	TJPC-M-2014-079	50,087
Special Needs - Program M	TJPC-M-2015-079	5,877
Mental Health Services - Program N	TJPC-N-2014-079	202,572
Mental Health Services - Program N	TJPC-N-2015-079	17,186
Prevention and Intervention Demonstration Project	TJPC-S-2014-079	52,272
Prevention and Intervention Demonstration Project	TJPC-S-2015-079	5,380
Total Texas Juvenile Justice Department		<u>2,525,759</u>

The accompanying notes are an integral part of this schedule.

FORT BEND COUNTY, TEXAS (continued)
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended September 30, 2014

<u>State Grantor/ Pass-Through Agency/Program Title</u>	<u>Grantor or Pass through Grantor's Number</u>	<u>Program Expenditures</u>
Office of the Governor - Criminal Justice Division		
Direct Programs:		
Felony Drug Court (CARD), Misdemeanor DWI Court (JAG) (CSCD)	SF-1919107	150,000
Truancy Abatement Assistance Program	SF-2662201	52,830
Kids and Cops	SF-2662301	47,987
Community Services Division-Youth Programs	SF-2662302	7,849
Total Office of the Governor - Criminal Justice Division		<u>258,666</u>
Texas Education Agency		
Direct Programs:		
Juvenile Justice Alternative Education Program (JJAEP)	TJPC P-2014-079	262,554
Juvenile Justice Alternative Education Program (JJAEP)	TJPC P-2015-079	13,027
Total Texas Education Agency		<u>275,581</u>
Texas Department of State Health Services		
Direct Programs:		
Tuberculosis Prevention and Control - State	2014-001413-00	137,654
Tuberculosis Prevention and Control - State	2015-001413-00	10,520
Preventive Health Block Grant - RLSS-Local Public Health System	2014-000034-00	22,654
Preventive Health Block Grant - RLSS-Local Public Health System	2015-000034-00	1,905
Influenza Incidence Surveillance Project	2014-002513-00	9,702
Infectious Disease Control Unit/Foodborne Associated Infections	2014-045568-001	3,416
Total Direct Programs		<u>185,851</u>
Pass-Through Programs From:		
<u>Texas State University</u>		
Texas State School Safety Center Tobacco - Const 3	0790000	7,339
Texas State School Safety Center Tobacco - Sheriff	0790000	49,743
Texas State School Safety Center Tobacco - Const 3	0790000	766
Total Passed Through Texas State University		<u>57,848</u>
Total Texas Department of State Health Services		<u>243,699</u>
Texas Department of Public Safety		
Texas 1033 Military Surplus Property Program - Helicopters		<u>300,000</u>
Total Texas Department of Public Safety		<u>300,000</u>
Texas Commission on Environmental Quality		
Direct Programs:		
Retirement Program (LIRAP) Local Initiative Projects	582-8-89960	47,381
Aircheck Texas Repair & Replacement Assistance Program	582-12-20281	172,610
Total Texas Commission on Environmental Quality		<u>219,991</u>

The accompanying notes are an integral part of this schedule.

FORT BEND COUNTY, TEXAS (continued)
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended September 30, 2014

<u>State Grantor/ Pass-Through Agency/Program Title</u>	<u>Grantor or Pass through Grantor's Number</u>	<u>Program Expenditures</u>
Office of the Attorney General		
Direct Programs:		
Victim Coordinator Liason Grant	1442573	38,665
Victim Coordinator Liason Grant	1553932	3,288
Texas VINE Program (SAVNS)	1445493	27,715
Total Office of the Attorney General		<u>69,668</u>
Texas Indigent Defense Commission		
Direct Programs:		
Formula Grant	212-12-079	883,299
Fort Bend County Mental Health Defender Program	212-14-D23	36,685
Evaluation of Fort Bend Mental Health Public Defender Office	212-TS-079	18,902
Total Texas Indigent Defense Commission		<u>938,886</u>
Texas Department of Family and Protective Services		
Direct Program:		
Concrete Services	23355842	900
Total Texas Department of Family and Protective Services		<u>900</u>
Texas Secretary of State		
Direct Programs:		
Chapter 19 Election Funds - 2012	079	66,475
Chapter 19 Election Funds - 2013	079	5,976
Total Texas Secretary of State		<u>72,451</u>
Texas Water Development Board		
Direct Program:		
Flood Protection Study for the GAPPS Bayou Watershed	1248321468	40,728
Total Texas Water Development Board		<u>40,728</u>
Total Expenditures of State Awards		<u><u>\$ 6,732,209</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, 2014

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, 2014. 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 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 position 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 unearned 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, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
a. Material weakness(es) identified?	Yes - #14-01
b. Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes - #14-02, #14-03, #14-04, #14-05
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:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) OMB Circular A-133?	No

Identification of major programs:

<u>State Contract Number(s)</u>	<u>Name of State Program</u>
019	Texas Department of Criminal Justice – Community Justice Assistance Division Special Sanction Court
010	Texas Department of Criminal Justice – Community Justice Assistance Division Treatment Alternative to Incarceration
Various	Texas Juvenile Justice Department
212-12-079; 212-04-D23; 212-TS-079	Texas Indigent Defense Commission
None	Texas 1033 Military Surplus Property 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 (continued)
For the Year Ended September 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding #14-01 – 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 seven 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.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2014

Finding #14-02 – Capital Assets Accounting – Joint Funded Projects

Criteria

Policies and procedures should be in place to insure the proper accounting of capital assets related to joint funded projects.

Condition

During the course of our audit, we reviewed property plant and equipment additions, including construction in progress items. In several instances, expenses related to local joint funded projects were incorrectly capitalized. These expenses were related to assets owned and maintained by other entities outside of the County, such as local municipalities. For example, funds expended by the County for joint construction of a bridge were accounted for as donated/contributed funds and capitalized by a city, while the same expenses were also capitalized by the County. Typically, joint funded costs can be capitalized if the asset is owned or maintained by the party that incurs the expenses.

Entities have evolved their approach to implementation of capitalization pursuant to Governmental Accounting Standards Board Statement No. 34 (“GASB 34”) over the years and Fort Bend County is no exception. Different approaches to capitalization matters not consistent with current practice have occurred, and sometimes they are related to the facts and circumstances of an individual project or transaction, while at other times they tend to be consistent within a reporting cycle. This is especially true with respect to joint funded construction costs.

Context

This condition was identified during our testing of capital asset additions in the current fiscal year.

Effect

The result of these cumulative transactions is that there is a potential overstatement of capital assets based on the application of current practices. Capital asset additions for the current operating cycle have been conformed to appropriate standards, while historical transactions have not been totally assessed.

Cause

Current policies and procedures do not facilitate the identification of expenses related to assets not owned or maintained by the County.

Recommendation

We recommend that the County conduct an assessment of capital assets to determine the net effect of these transactions, along with an assessment of potential impairments in order to determine the proper carrying value of capital assets.

Further, we recommend that clear and concise policies and procedures be issued by the County Auditor, with input from the County Engineer and other appropriate County officials that are consistent with the requirements of GASB 34 in order to insure only capital assets owned by the County are capitalized. In addition, we recommend that all CIP be reviewed by assigned accountants within the County Auditor’s Office that have knowledge of Generally Accepted Accounting Principles and GASB 34 to insure consistent application of these standards in practice.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2014

Finding #14-03 – Capital Assets Accounting - Construction in Progress (“CIP”)

Criteria

Policies and procedures should be in place to insure the proper accounting of CIP capital assets.

Condition

During our review and testing of CIP, we noted instances where certain project costs were incorrectly expensed to operations. Because CIP relates not only to the County, but to several component units as well, having inconsistencies or errors in practice and procedure can create reporting issues at multiple levels.

In addition, during the course of our audit, we noted instances where costs have accumulated in CIP relating to various projects in different levels of ultimate feasibility or prospects of coming to fruition.

Context

This condition was identified during our review of CIP projects.

Effect

The initial impact was an overstatement of operating costs. The County corrected all errors identified in the current fiscal year.

Cause

Current policies and procedures are not effective in preventing or detecting errors in accounting for CIP costs.

Recommendation

We recommend the County evaluate CIP transactions on a regular basis and clear items from CIP whose prospect do not justify the amounts carried. We recommend the use of separate CIP accounts for each capital project or phase and all costs related to an individual phase or project should be charged to the CIP account and ultimately capitalized in accordance with established accounting standards.

Finding #14-04 – Capital Assets Accounting – Donated/Contributed Assets

Criteria

Policies and procedures should be in place to insure the proper accounting for donated/contributed capital assets.

Condition

During a review of recorded depreciation and other capital asset transactions, the County identified duplicate entries in its capital asset records for several infrastructure capital assets that were donated/contributed to the County.

Context

This condition was identified while performing a previously recommendation to review depreciation records as well as other capital asset transactions.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2014

Effect

The initial impact was an overstatement of reported capital asset amounts.

Cause

The infrastructure records maintained by the County included duplicate entries for several donated/contributed capital assets.

Recommendation

We recommend that the County implement policies and procedures relating to donated/contributed capital assets that are complimentary to its policies and procedures for joint funded projects and assets ultimately owned and maintained by other entities, as discussed in Finding #14-02. In addition, based on the findings of the current year review, we recommend that the County expand its review of capitalized donated/contributed capital assets to include roads and right of ways, along with any other class of capital assets deemed appropriate.

Finding #14-05 – Stale Receivables

Criteria

Policies and procedures should be in place to help insure appropriate classification and timely collections of receivables.

Condition

During the course of our audit, we noted that there are still Hurricane Ike receivables from FEMA being carried as current operating cycle receivables. Staff maintains that the receivables are ultimately collectible; little evidence of ongoing progress towards resolution is noted. At some point the items should be collected, reserved against, or considered for classification as something other than a current asset.

Context

This condition was identified during our review of receivables in the current fiscal year.

Effect

The County's financial statements may not properly reflect the financial position of the County, unless an adequate allowance for uncollectible amounts is recorded or the receivable is ultimately collected.

Cause

The Hurricane Ike receivable from FEMA has been outstanding since 2011.

Recommendation

We recommend that the County institute regularly scheduled ongoing review and reporting requirements for all single reporting cycle receivables having an origin greater than one operating cycle in the past.

Views of Responsible Officials and Planned Corrective Actions

See Section V.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2014

SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters reported.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2014

SECTION IV – STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding #13-01 – Accounting for Fines and Fees

See current year finding #14-01 in Section II.

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2014

SECTION V – CORRECTIVE ACTION PLAN

Finding #14-01 – Accounting for Fines and Fees

Responsible Person – Ed Sturdivant, County Auditor

Corrective Action Plan

The courts management software is being modified by the vendor to accommodate the timely and accurate reporting of receivables related to fines, fees and court costs. The solution is expected to be in place during fiscal year 2015.

Estimated Completion Date – Fiscal Year 2015

Finding #14-02 – Capital Assets Accounting – Joint Funded Projects

Responsible Person – Ed Sturdivant, County Auditor

Corrective Action Plan

The Auditor’s Office will request that the Commissioners’ Court engage the Independent Auditor to perform agreed upon procedures related to the assessment of the property, plant, equipment and construction-in-progress assets to ensure proper treatment in the financial statements. The Auditor’s Office will also include the procedure for evaluation and capitalization of these transactions in the Capital Assets Policies and Procedures.

Estimated Completion Date – Fiscal Year 2015

Finding #14-03 – Capital Assets Accounting - Construction in Progress (“CIP”)

Responsible Person – Ed Sturdivant, County Auditor

Corrective Action Plan

The Auditor’s Office has begun the perpetual/monthly evaluation of CIP transactions and will ensure the separate accounting of each CIP project. The Auditor’s Office will also include the procedure for evaluation and capitalization of CIP in the Fixed and Capital Assets Policies and Procedures.

Estimated Completion Date – Fiscal Year 2015

Finding #14-04 – Capital Assets Accounting – Donated/Contributed Assets

Responsible Person – Ed Sturdivant, County Auditor

Corrective Action Plan

The Auditor’s Office will develop and implement policies and procedures to ensure the proper treatment of assets resulting from donated/contributed capital and will also include the procedure for evaluation and

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2014

capitalization of these transactions in the Capital Assets Policies and Procedures. The Auditor's Office will request that the Commissioners' Court engage the Independent Auditor to perform agreed upon procedures related to the assessment of all donated/contributed capital assets to ensure proper treatment in the financial statements.

Estimated Completion Date – Fiscal Year 2015

Finding #14-05 – Stale Receivables

Responsible Person – Ed Sturdivant, County Auditor

Corrective Action Plan

The Auditor's Office will begin evaluation at least annually of the single reporting cycle receivables to ensure the proper classification on the financial statements.

Estimated Completion Date – Fiscal Year 2015

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