

FORT BEND COUNTY, TEXAS
STATE SINGLE AUDIT REPORT
For the Year Ended September 30, 2015

FORT BEND COUNTY, TEXAS

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REPORT OF INDEPENDENT AUDITORS 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, 2015, 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 31, 2016.

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 entity’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.

To the Honorable Robert E. Hebert, County Judge
and Members of Commissioners Court
Fort Bend County, Texas

Compliance and Other Matters

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

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 purposes.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
March 31, 2016

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF STATE AWARDS REQUIRED BY *OMB CIRCULAR A-133 AND TEXAS SINGLE AUDIT CIRCULAR (UNIFORM GRANT MANAGEMENT STANDARDS)*

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 U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and *Texas Single Audit Circular (Uniform Grant Management Standards)* that could have a direct and material effect on each of the County's major state programs for the year ended September 30, 2015. 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 *Texas Single Audit Circular (Uniform Grant Management Standards)*. Those standards, OMB Circular A-133, and *Texas Single Audit Circular (Uniform Grant Management Standards)* 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.

To the Honorable Robert E. Hebert, County Judge
and Members of Commissioners Court
Fort Bend County, Texas

Opinion on Each Major State Program

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2015.

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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133 and *Texas Single Audit Circular (Uniform Grant Management Standards)*, 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 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.

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 *Texas Single Audit Circular (Uniform Grant Management Standards)*. Accordingly, this report is not suitable for any other purpose.

To the Honorable Robert E. Hebert, County Judge
and Members of Commissioners Court
Fort Bend County, Texas

Schedule of Expenditures of State Awards

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 the County as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated March 31, 2016, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming our 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 *Texas Single Audit Circular (Uniform Grant Management Standards)* 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 other 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 taken as a whole.

Whitley Penn LLP

Houston, Texas
March 31, 2016

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended September 30, 2015

| I. Summary of Auditors' Results | |
|---|----------------------------------|
| Financial Statements | |
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| Noncompliance material to financial statements noted? | No |
| State Awards | |
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| Type of auditors' report issued on compliance with major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) 2-7 OMB Circular A-133? | No |
| Identification of major programs | |
| Name of State Program | State Contract Number |
| Texas Department of Transportation: Section 5311 State/Local Rural Public Transportation | 51511F77020 |
| Texas Department of Criminal Justice: Mental Health Initiative Caseload | 015 |
| Felony Drug Court | 016 |
| Substance Abuse Treatment Caseload | 018 |
| Special Sanctions Court | 019 |
| Aftercare Caseload | 023 |
| Treatment Alternative to Incarceration | 010 |
| Texas Juvenile Justice Department: State Aid Agreement - Grant A | TJPC-A-2015-079, TJPC-A-2016-079 |
| Commitment Reduction Program - Grant C | TJPC-C-2015-079 |
| Special Needs Diversionary - Grant M | TJPC-M-2015-079, TJPC-M-2016-079 |
| Mental Health Services - Grant N | TJPC-N-2015-079 |
| Prevention and Intervention Project - Grant S | TJPC-S-2015-079, TJPC-S-2016-079 |
| 1. Dollar Threshold Considered Between Type A and Type B State Programs | \$300,000 |
| 2. Auditee qualified as low-risk auditee? | No |

FORT BEND COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended September 30, 2015

II. Financial Statement Findings

None noted

III. State Award Findings and Questioned Costs

None noted

IV. Status of Prior Year Findings and Questioned Costs

Finding #14-01 - Accounting for Fines and Fees

Resolved. During fiscal year 2015, the County Auditor's Office began to analyze the detail transactions for the fines and fees, and arrived at an accurate assessment by September 30, 2015.

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

Resolved. The County engaged a consultant to audit the capital asset transactions. This engagement included tracing fixed assets capitalized from the end of the most recently completed fiscal year to the date of GASB 34 conversion in order to:

- a. Evaluate the appropriate amount capitalized to include the relationship of capital projects to their funding source,
- b. Evaluate if the amount is appropriately classified as a fixed asset (ownership),
- c. Evaluate and classify the depreciation methodology attached,
- d. Evaluate and classify the risk management methodology associated,
- e. Evaluate potential impairment and impairment identification methodologies, and
- f. Evaluate asset classifications as they relate to the County's existing strategic asset management program.

At the conclusion of this engagement, based on the results of the report we received, all adjustments have been made during the fiscal year ended September 30, 2015.

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

Resolved. The County Auditor's Office began an analysis of the CIP process during fiscal year 2015 and developed a solution that follows the outcome of the findings of the engagement noted in Finding # 14-02 above.

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

Resolved. The County Auditor's Office established and put in service policies and procedures for the evaluation and capitalization of these transactions using recommendations of the Independent Auditor as a result of the engagement noted in Finding #14-02 above.

Finding #14-05 - Stale Receivables

Resolved. The County Auditor's Office obtained a formal confirmation from the funding agency as to the status of the stale receivables, as well as an anticipated receipt date.

FORT BEND COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the year ended September 30, 2015

| <u>State Grantor/Pass-Through Grantor/Program Title</u> | <u>Grantor or Pass-Through Entity Identifying Number</u> | <u>State Expenditures</u> |
|---|--|---------------------------|
| Texas Department of Transportation | | |
| <u>Direct Program:</u> | | |
| <i>Section 5311 State/Local Rural Public Transportation</i> | 51511F7020 | \$ 291,741 |
| Total Texas Department of Transportation | | <u>291,741</u> |
| Texas Department of Criminal Justice - Community Justice Assistance Division | | |
| <u>Direct Programs:</u> | | |
| Diversion Programs | | |
| <i>Mental Health Initiative Caseload</i> | 015 | 221,536 |
| <i>Mental Health Initiative Caseload</i> | 015 | 12,475 |
| <i>Felony Drug Court</i> | 016 | 127,123 |
| <i>Felony Drug Court</i> | 016 | 7,841 |
| <i>Substance Abuse Treatment Caseload</i> | 018 | 120,373 |
| <i>Substance Abuse Treatment Caseload</i> | 018 | 9,731 |
| <i>Special Sanctions Court</i> | 019 | 359,079 |
| <i>Special Sanctions Court</i> | 019 | 25,379 |
| <i>Aftercare Caseload</i> | 023 | 125,859 |
| <i>Aftercare Caseload</i> | 023 | 9,849 |
| Total Diversion Programs | | <u>1,019,245</u> |
| Treatment Alternative to Incarceration | | |
| <i>Treatment Alternative to Incarceration</i> | 010 | 527,643 |
| <i>Treatment Alternative to Incarceration</i> | 010 | 61,766 |
| Total Treatment Alternative to Incarceration | | <u>589,409</u> |
| Total Texas Department of Criminal Justice - Community Justice Assistance Division | | <u>1,608,654</u> |
| Texas Juvenile Justice Department | | |
| <u>Direct Programs:</u> | | |
| <i>State Aid</i> | TJPC-A-2015-079 | 1,672,461 |
| <i>State Aid</i> | TJPC-A-2016-079 | 139,930 |
| <i>Commitment Reduction Program - Program C</i> | TJPC-C-2015-079 | 260,085 |
| <i>Special Needs Program M</i> | TJPC-M-2015-079 | 48,536 |
| <i>Special Needs Program M</i> | TJPC-M-2016-079 | 3,925 |
| <i>Mental Health Services - Program N</i> | TJPC-N-2015-079 | 193,005 |
| <i>Prevention and Intervention Demonstration Project</i> | TJPC-S-2015-079 | 58,877 |
| <i>Prevention and Intervention Demonstration Project</i> | TJPC-S-2016-079 | 5,159 |
| Total Texas Juvenile Justice Department | | <u>2,381,978</u> |
| Office of the Governor - Criminal Justice Division | | |
| <u>Direct Programs:</u> | | |
| <i>Felony Drug Court (CARD), Misdemeanor DWI Court (JAG) (CSCD)</i> | SF-1919108 | 117,851 |
| <i>TRANSITIONS Work/Study Program (Juvenile)</i> | SF-2556002 | 51,046 |
| <i>TRANSITIONS Work/Study Program (Juvenile)</i> | SF-2556003 | 3,500 |
| <i>Community Services Division-Youth Programs</i> | SF-2662302 | 102,398 |
| <i>Community Services Division-Youth Programs</i> | SF-2662303 | 6,373 |
| Total Office of the Governor - Criminal Justice Division | | <u>281,168</u> |
| Texas Education Agency | | |
| <u>Direct Programs:</u> | | |
| <i>Juvenile Justice Alternative Education Program (JJAEP)</i> | TJPC P-2015-079 | 209,951 |
| <i>Juvenile Justice Alternative Education Program (JJAEP)</i> | TJPC P-2016-079 | 10,402 |
| Total Texas Education Agency | | <u>\$ 220,353</u> |

FORT BEND COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the year ended September 30, 2015

| <u>State Grantor/Pass-Through Grantor/Program Title</u> | <u>Grantor or Pass-Through Entity Identifying Number</u> | <u>State Expenditures</u> |
|--|--|----------------------------|
| Texas Department of State Health Services | | |
| <u>Direct Programs:</u> | | |
| <i>Tuberculosis Prevention and Control - State</i> | 2015-001413-00 | \$ 136,927 |
| <i>Tuberculosis Prevention and Control - State</i> | 2016-001413-00 | 12,347 |
| <i>Preventive Health Block Grant - RLSS-Local Public Health System</i> | 2015-000034-00 | 20,500 |
| <i>Preventive Health Block Grant - RLSS-Local Public Health System</i> | 2016-000034-00 | 2,366 |
| <i>Infectious Disease Control Unit/Respiratory Virus Surveillance</i> | 2015-045850-001 | 10,000 |
| <i>Infectious Disease Control Unit/Foodborne Associated Infections</i> | 2015-046500-001 | 65,765 |
| <i>Infectious Disease Control Unit/Surveillance Epidemiology</i> | 2016-003776-00 | 5,622 |
| Total Direct Programs | | <u>253,527</u> |
| <u>Passed-Through Texas State University:</u> | | |
| <i>Texas State School Safety Center Tobacco - Const 3</i> | 790000 | 7,661 |
| <i>Texas State School Safety Center Tobacco - Sheriff</i> | 790000 | 132 |
| <i>Texas State School Safety Center Tobacco - Const 3</i> | 790000 | 11,634 |
| <i>Texas State School Safety Center Tobacco - Const 2</i> | 790000 | 3,739 |
| <i>Texas State School Safety Center Tobacco - Sheriff</i> | 790000 | 29,400 |
| Total Passed-Through Texas State University | | <u>52,566</u> |
| Total Texas Department of State Health Services | | <u>306,093</u> |
| Texas Commission on Environmental Quality | | |
| <u>Direct Programs:</u> | | |
| <i>Low Income Vehicle Repair Assistance, Retrofit, and Accelerated</i> | 582-8-89960 | 70,431 |
| <i>Aircheck Texas Repair & Replacement Assistance Program</i> | 582-12-20281 | 172,610 |
| Total Texas Commission on Environmental Quality | | <u>243,041</u> |
| Office of the Attorney General | | |
| <u>Direct Programs:</u> | | |
| <i>Victim Coordinator Liaison Grant</i> | 1662071 | 3,392 |
| <i>Victim Coordinator Liaison Grant</i> | 1553932 | 38,712 |
| <i>Texas VINE Program (SAVNS)</i> | 1554708 | 31,665 |
| Total Office of the Attorney General | | <u>73,769</u> |
| Texas Indigent Defense Commission | | |
| <u>Direct Program:</u> | | |
| <i>Fomula Grant</i> | 212-15-079 | 581,215 |
| Total Texas Indigent Defense Commission | | <u>581,215</u> |
| Texas Department of Family and Protective Services | | |
| <u>Direct Program:</u> | | |
| <i>Concrete Services</i> | 23355842 | 1,000 |
| Total Passed-through Texas Department of Family & Protective Services | | <u>1,000</u> |
| Texas Secretary of State | | |
| <u>Direct Programs:</u> | | |
| <i>Chapter 19 Election Funds - 2013</i> | 079 | 12,337 |
| <i>Chapter 19 Election Funds - 2014</i> | 079 | 29,997 |
| Total Texas Secretary of State | | <u>42,334</u> |
| Total Expenditure of State Awards | | <u>\$ 6,031,346</u> |

FORT BEND COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS

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, 2015. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and *Texas Single Audit Circular (Uniform Grant Management Standards)*. 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 - Summary of Significant Accounting Policies

The County accounts for all state 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 are generally 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.