

*SINGLE AUDIT REPORTS*  
**CHAMBERS COUNTY, TEXAS**

For the Year Ended  
December 31, 2009

# CHAMBERS COUNTY, TEXAS

## *SINGLE AUDIT REPORTS*

For the Year Ended December 31, 2009

### TABLE OF CONTENTS

	<u>Page</u>
<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	3
<b>REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	5
<b>SCHEDULES</b>	
<i>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS</i>	8
<i>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</i>	9
<i>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</i>	12
<i>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</i>	15

**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***

November 4, 2010

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

We have audited 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, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 4, 2010. We conducted our audit in accordance with 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. These findings are items 2009-1, 2009-2, and 2008-1. 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.

**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*.

We noted certain other matters that we reported to management of the County in a separate letter dated November 4, 2010.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
November 4, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT A MATERIAL EFFECT ON  
EACH MAJOR PROGRAM, INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133,  
AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

November 4, 2010

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

**Compliance**

We have audited the compliance of Chambers County, Texas (the "County") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2009. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

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 federal programs for the year ended December 31, 2009. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133.

### **Internal Control Over Compliance**

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

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on the responses.

### **Schedule of Expenditures of Federal Awards**

We have audited 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, 2009, and have issued our report thereon dated November 4, 2010, which contained unqualified opinions on those financial statements. Our audit was performed for the purposes of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
November 4, 2010

**CHAMBERS COUNTY, TEXAS**  
***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***  
**For the Year Ended December 31, 2009**

**A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

No prior year findings.

**CHAMBERS COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2009**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Chambers County, Texas.
2. Significant deficiencies in internal control were disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. Significant deficiencies in internal control over major federal award programs were not disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for the County are reported in Part C of this schedule.
7. The program included as a major program is:

Disaster Grants - Public Assistance	97.036
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8. The threshold for distinguishing Type A and B programs was \$1,221,258.
9. The County did not qualify as a low-risk auditee.

**B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT**

***CURRENT YEAR MATTERS***

***Significant Deficiencies:***

**2009-1. BANK RECONCILIATIONS**

**Criteria**

Bank accounts should be reconciled monthly to ensure there are no discrepancies.

**Condition**

During our review of the County's bank reconciliations, unidentified differences were noted.

**Cause**

When completing the monthly reconciliations, it did not appear the County Treasurer took steps to identify the resulting differences.

**CHAMBERS COUNTY, TEXAS**  
***SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued***  
**For the Year Ended December 31, 2009**

**Effect**

The lack of investigation into reconciliation discrepancies may result in errors in financial data. It also increases the risk of fraudulent transactions occurring and not being detected.

**Recommendation**

The County should ensure that all bank accounts are reconciled to the general ledger balance within 30 days of receipt of the bank statement and any differences should be investigated timely.

**Corrective Action Plan**

The County is currently in the process of investigating the difference at year end. Also, the County will have a new Treasurer beginning with the 2011 fiscal year and procedures will be put in place to ensure that the Treasurer's office investigates any and all discrepancies in a timely manner. These changes will be implemented in the 2011 fiscal year and the contact person is Jerry Sparks at 409-267-2405.

**2009-2. JUSTICE OF THE PEACE COURT - DOCUMENTATION**

**Criteria**

Internal controls for court documents help to ensure that errors are detected when processing and recording citations.

**Condition**

During our testing of Justice of the Peace Court transactions, we noted that several citations were dismissed that did not contain a judge's authorizing signature and also noted a few instances where the amount charged to the defendant did not match the approved amount for the given offense.

**Cause**

The County is covered by six Justice of the Peace Courts and each of the Courts may not all be following the same policies and procedures.

**Effect**

The lack of monitoring increases the risk that clerks collecting payments from defendants may mark the citations dismissed and then pocket the money. Also, defendants could be either overcharged or undercharged when paying fines and fees.

**Recommendation**

The County should ensure that all dismissed citations are reviewed and signed by the appropriate judge and that defendants are being charged the correct fine amount as approved by the Commissioners' Court.

**Corrective Action Plan**

The County will put procedures in place to ensure that all dismissals are signed and will review fine amounts to ensure they coincide with the amounts approved by the Commissioners' Court. These changes will be

**CHAMBERS COUNTY, TEXAS**  
***SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued***  
**For the Year Ended December 31, 2009**

implemented by the end of the 2010 fiscal year and the contact person is Jerry Sparks at 409-267-2405.

***MATTERS PREVIOUSLY REPORTED***

***Significant Deficiencies:***

**2008-1. CAPITAL ASSETS**

**Criteria**

The County must be able to accurately determine capital asset balances, additions, retirements, and depreciation, as well as distinguish between governmental assets and business-type assets, as required by governmental financial reporting standards.

**Condition**

Several discrepancies were found between the County's accounting system, prior year schedule, and various current year reports. In addition, there does not appear to be a way to distinguish between governmental and business-type assets other than manually comparing assets on current year reports to detail schedules used to prepare the financial statements in prior years.

**Cause**

There does not appear to be a way to separate assets into two separate groups for reporting purposes and it also appears that the reports being generated are not reconciled to the audited financial statements.

**Effect**

Having multiple discrepancies increases the risk of material misstatement in the financial statements.

**Recommendation**

The County should contact the software provider and explore the various capital asset reports that can be produced and utilized to consistently report accurate asset balances and accumulated depreciation. These reports should be regularly reconciled to each other and maintained on a separate schedule if warranted.

**Corrective Action Plan**

The County will be working with a qualified public accounting firm to find ways to improve the way capital assets are recorded and tracked, as well as maintaining the records as additional assets are added and others are retired in subsequent years. These changes will be implemented during the 2011 fiscal year and the contact person is Jerry Sparks at 409-267-2405.

**C. FINDINGS - FEDERAL AUDIT AWARDS**

**None.**

**CHAMBERS COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended December 31, 2009 (page 1 of 3)

Federal Grantor/Pass Through Grantor/Program or Cluster Title	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
<b>DEPARTMENT OF AGRICULTURE</b>			
Passed through Texas Department of Health:			
Special Supplemental Food Program for Women, Infants, and Children/2009	7460000361-2009	10.557	\$ 126,493
Special Supplemental Food Program for Women, Infants, and Children/2010	7460000361-2010	10.557	<u>41,527</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>168,020</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through Texas Department of Health:			
Preventative Health and Health Services Grant/2009	7460000361-2009	93.991	13,671
Preventative Health and Health Services Grant/2010	7460000361-2010	93.991	<u>4,557</u>
Subtotal for CFDA Number			18,228
Passed through Brazos Valley Community Action Agency (BVCAA):			
Community Services Block Grant/Jan. - Dec. 2009	N/A	93.569	<u>19,898</u>
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>38,126</u>
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
Pass-through Texas Department of Public Safety's Division of Emergency Management:			
Disaster Grants - Public Assistance	FEMA 1791 DR TX	97.036	39,290,594
State Homeland Security Program 2009 EMPG	09TX-EMPG-0377	97.042	12,643
State Homeland Security Program 2010 EMPG	10TX-EMPG-0377	97.042	<u>37,927</u>
Subtotal for CFDA Number			50,570
State Homeland Security Program 2008 SHSP	2008SHSP-48071	97.073	80,599
State Homeland Security Program 2007 LETPP	2007LETPP-48071	97.074	34,748
State Homeland Security Program 2007 CCP	2007CCP-48071	97.053	1,153
State Homeland Security Program 2008 CCP	2008CCP-48071	97.053	<u>4,950</u>
Subtotal for CFDA Number			6,103

**CHAMBERS COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended December 31, 2009 (page 2 of 3)

Federal Grantor/Pass Through Grantor/Program or Cluster Title	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Passed through Governor's Division of Emergency Management Buffer Zone Protection Program 2007	N/A	97.078	2,021
Passed through Texas Department of Transportation: Emergency Food and Shelter/2009 Phase 27	793800-001	97.114	27,324
Passed through Office of Justice Programs FY 2009 State Criminal Alien Assistance Program	2009-AP-BX-0176	16.606	<u>15,795</u>
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>			<u>39,507,754</u>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through Texas Department of Agriculture Office of Rural Community Affairs: Community Development Block Grant - Smith Point	725169	14.228	345,000
Passed through Texas Department of Housing and Community Affairs: HOME 2006 Hurricane Disaster Project	1000765	14.239	<u>124,887</u>
<b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<u>469,887</u>
<b>DEPARTMENT OF INTERIOR</b>			
Passed through Texas Parks & Wildlife Commission: Sport Fish & Restoration, Boating Access	N/A	15.605	<u>373,762</u>
<b>TOTAL DEPARTMENT OF INTERIOR</b>			<u>373,762</u>
<b>DEPARTMENT OF TRANSPORTATION / FEDERAL AVIATION ADMINISTRATION</b>			
Passed through Texas Department of Transportation: Routine Airport Maintenance Program - Anahuac 2009	M920ANAHC	20.106	13,721
Routine Airport Maintenance Program - Anahuac 2010	M020ANAHC	20.106	22,044
Routine Airport Maintenance Program - Winnie 2009	M920WNNIE	20.106	22,328
Routine Airport Maintenance Program - Winnie 2010	M020WNNIE	20.106	<u>8,500</u>
<b>TOTAL DEPARTMENT OF TRANSPORTATION / FEDERAL AVIATION ADMINISTRATION</b>			<u>66,593</u>

**CHAMBERS COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended December 31, 2009 (page 3 of 3)

Federal Grantor/Pass Through Grantor/Program or Cluster Title	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
<b>DEPARTMENT OF TRANSPORTATION</b>			
Passed through Texas Department of Transportation:			
Texas Traffic Safety Program Grant (2009 STEP-OP)	(09)05-05-A1-AA	20.600	9,954
Texas Traffic Safety Program Grant (2010 STEP-OP)	(10)05-05-A1-AA	20.600	225
<b>TOTAL DEPARTMENT OF TRANSPORTATION</b>			10,179
<b>DEPARTMENT OF JUSTICE</b>			
Passed through Governor's Division of Criminal Justice:			
Crime Victim Assistance	VA-08-V30-19088-02	16.575	21,340
Crime Victim Assistance	VA-09-V30-19088-03	16.575	11,311
<b>TOTAL DEPARTMENT OF JUSTICE</b>			32,651
<b>GENERAL SERVICES ADMINISTRATION</b>			
Passed through Texas General Services Commission:			
Donation of Federal Surplus Personal Property	N/A	39.003	41,627
<b>TOTAL FEDERAL ASSISTANCE</b>			\$ 40,708,599

**CHAMBERS COUNTY, TEXAS**  
***NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***  
**For the Year Ended December 31, 2009**

**NOTE 1: BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Chambers County, Texas, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.