

Montgomery County, Texas

COMPLIANCE REPORT

FOR THE YEAR ENDED

SEPTEMBER 30, 2011

MONTGOMERY COUNTY, TEXAS
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MONTGOMERY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA # Number | Project Number | Grant Funds Expended | Pass-Through Amount to Subrecipients |
|--|-----------------------------|---------------------|-------------------------|--|
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u> | | | | |
| Passed Through State Division of Emergency Management: | | | | |
| State Homeland Security Program-2010 | 97.008 | 2010-SS-T0-0008 | \$ 1,866,560 | \$ - |
| State Homeland Security Program-2010 | 97.073 | 2010-SS-T0-0008 | 1,050 | - |
| State Homeland Security Program-2009 | 97.008 | 2009-SS-T9-0064 | 587,470 | - |
| State Homeland Security Program-2009 | 97.073 | 2009-SS-T9-0064 | 85,405 | - |
| State Homeland Security Program-2008 | 97.008 | 2008-GE-T8-0034 | 1,413,762 | - |
| Fire Management Program | 97.046 | FMAG-2964-FM | 196,206 | - |
| TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY | | | 4,150,453 | - |
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | |
| Passed Through TX Department of Health Services: | | | | |
| National School Lunch/Breakfast Program | 10.553 | TX 170-2002/75J6006 | 32,503 | - |
| National School Lunch/Breakfast Program | 10.553 | TX 170-2002/75J6006 | 8,590 | - |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | 41,093 | - |
| <u>U.S. ELECTIONS COMMISSION</u> | | | | |
| Passed Through TX Secretary of State: | | | | |
| Help America Vote Act | 90.401 | 78645 | 203,693 | - |
| TOTAL U.S. ELECTIONS COMMISSION | | | 203,693 | - |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | | |
| Passed Through Texas Juvenile Probation Commission: | | | | |
| Foster Care Title IV-E | 93.658 | TJPC-E-2012-170 | 3,323 | - |
| Foster Care Title IV-E | 93.658 | TJPC-E-2011-170 | 20,990 | - |
| Total Passed Through Texas Juvenile Probation Commission | | | 24,313 | - |
| Passed Through Texas Dept of Family and Protective Services: | | | | |
| Foster Care Title IV-E (ADM) | 93.658 | 23379425 | 15,784 | - |
| Foster Care Title IV-E (Concrete Services) | 93.658 | 23617441 | 863 | - |
| Foster Care Title IV-E | 93.658 | 23379429 | 48,136 | - |
| Total Passed Through Texas Dept of Family and Protective Services | | | 64,783 | - |
| Passed Through Department of Health Services: | | | | |
| Local Public Health System | 93.991 | 2011-035480 | 76,354 | - |
| Total Passed Through Department of Health Services | | | 76,354 | - |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | 165,450 | - |
| <u>U.S. DEPARTMENT OF JUSTICE</u> | | | | |
| Direct: | | | | |
| State Criminal Alien Assistance Program | 16.606 | 2010-H5234-TX-AP | 126,060 | - |
| Byrne Memorial Justice Assistance Grant | 16.738 | 2010-DJ-DX-0127 | 86,914 | - |
| Solving Cold Cases With DNA | 16.560 | 2009-DN-BX-K003 | 75,124 | - |
| Total Direct | | | 288,098 | - |
| Passed Through State Criminal Justice Division: | | | | |
| Juvenile Education Compassion & Violence Int. Program | 16.523 | 2319901 | 19,861 | - |
| Drug Court Discretionary Grant-Byrne Formula | 16.738 | DC-09-A10-1604011 | 27,707 | - |
| Drug Court Discretionary Grant-Byrne Formula | 16.585 | DC-06-A10-1604010 | 99,180 | - |
| Law Enforcement Enhancement & Equipment Upgrade | 16.738 | DJ-09-A10-23358-01 | 219,143 | - |
| Montgomery County Law Enforcement Enhancement | 16.738 | 2335802 | 5,891 | - |
| DWI Drug Court | 16.738 | 2196102 | 122,891 | - |
| DWI Drug Court | 16.738 | 2196103 | 14,994 | - |
| Power Recovery Court-Juvenile Drug Court | 16.523 | 1947505 | 8,541 | - |
| Total Passed Through State Criminal Justice Division | | | 518,208 | - |
| Passed Through Office of Attorney General: | | | | |
| Internet Crimes Against Children | 16.543 | 2006-MC-CX-K012 | 10,000 | - |
| TOTAL U.S. DEPARTMENT OF JUSTICE | | | 816,306 | - |

MONTGOMERY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA # Number | Project Number | Grant Funds Expended | Pass-Through Amount to Subrecipients |
|--|-----------------------------|-----------------------------|-------------------------|--|
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | | |
| Passed Through TX Department of Transportation: | | | | |
| State & Community Highway Safety | 20.600 | 2011-MontgoSO-CIOT-00032 | 2,581 | - |
| Alcohol Traffic Safety & Drunk Driving Prevention Incentive | 20.601 | 2011-MCDAO-G-1YG0009 | 98,350 | - |
| Intoxicated Persons | 20.601 | 2011-MontgoSO-STEPIDM-00017 | 11,715 | - |
| Gated Vehicle Access Road | 20.106 | 1112LONES | 132,174 | - |
| Runway 14-32 Extension | 20.106 | 1012CONRO | 436,973 | - |
| ARRA Off-System Rehab Contingency Project Sorters Rd | 20.205 | 0912-37-210 | 562,504 | - |
| ARRA Off-System Rehab Contingency Project Ford Rd | 20.205 | 0912-37-211 | 494,830 | - |
| ARRA Off-System Rehab Contingency Project Hardin Store | 20.205 | 0912-37-214 | 495,192 | - |
| ARRA Off-System Rehab Contingency Project Nichols Sawmill | 20.205 | 0912-37-212 | 98,390 | - |
| ARRA McCaleb Road-FM2854 to SH105-Route and Design Study | 20.205 | 0912-37-157 | 7,000 | - |
| TOTAL U.S. DEPARTMENT OF TRANSPORTATION | | | 2,339,709 | - |
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | | |
| Direct: | | | | |
| Emergency Shelter Grants Program (ESGP) | 16.738 | S-41-UC-48-0006 | 1,285 | 25,153 |
| ARRA CDBG-R Recovery | 14.218 | B09-UY-48-0006 | 75,733 | - |
| ARRA HPRP-Homelessness Prevention/Rapid Re-housing | 14.218 | S09-UY-48-0400 | 6,719 | 269,201 |
| Community Development Block Grant | 14.218 | B-05-UC-48-0006 | 13,264 | - |
| Community Development Block Grant | 14.218 | B-06-UC-48-0006 | 272,760 | - |
| Community Development Block Grant | 14.218 | B-07-UC-48-0006 | 208,030 | - |
| Community Development Block Grant | 14.218 | B-08-UC-48-0006 | 221,199 | - |
| Community Development Block Grant | 14.218 | B-09-UC-48-0006 | 317,864 | 200,000 |
| Community Development Block Grant | 14.218 | B-10-UC-48-0006 | 665,753 | 290,863 |
| Home Program | 14.239 | M-06-UC-48-0235 | 213 | - |
| Home Program | 14.239 | M-07-UC-48-0235 | 145,802 | - |
| Home Program | 14.239 | M-08-UC-48-0235 | 88,774 | - |
| Home Program | 14.239 | M-09-UC-48-0235 | 10,506 | - |
| Home Program | 14.239 | M-10-UC-48-0235 | 278,755 | - |
| Total Direct | | | 2,306,657 | 785,217 |
| Passed Through the General Land Office: | | | | |
| CDBG Disaster Recovery Entitlement | 14.228 | DRS010119 | 6,112 | - |
| Hurricane Ike-Disaster Recovery | 14.218 | 70090005 | 2,146,581 | - |
| Total Passed Through the General Land Office | | | 2,152,693 | - |
| TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | 4,459,350 | 785,217 |
| <u>NATIONAL ENDOWMENT FOR HUMANITIES</u> | | | | |
| Preservation Assistance | 45.149 | PG-50747 | 266 | - |
| TOTAL NATIONAL ENDOWMENT FOR HUMANITIES | | | 266 | - |
| <u>U.S. DEPARTMENT OF ENERGY</u> | | | | |
| ARRA Traffic Signal Synchronization or Replacement | 81.041 | CS0010 | 85,853 | - |
| ARRA Energy Efficiency and Block Grant | 81.128 | DE-EE0000911 | 2,000,297 | - |
| TOTAL U.S. DEPARTMENT OF ENERGY | | | 2,086,150 | - |
| <u>OFFICE OF NATIONAL DRUG CONTROL</u> | | | | |
| High Intensity Drug Trafficking Areas | 95.001 | G11HN0017A | 7,211 | - |
| High Intensity Drug Trafficking Areas | 95.001 | G09HN0017A | 15,500 | - |
| TOTAL OFFICE OF NATIONAL DRUG CONTROL | | | 22,711 | - |
| TOTAL FEDERAL FUNDING | | | 14,285,181 | 785,217 |
| <u>STATE FUNDING:</u> | | | | |
| Texas Department of Motor Vehicles: | | | | |
| Motor Vehicle Salvage/Theft Reduction Inspn-18 | N/A | SA-T01-10059-12 | 29,307 | - |
| Motor Vehicle Salvage/Theft Reduction Inspn-17 | N/A | SA-T01-10059-11 | 328,438 | - |
| Total Texas Department of Motor Vehicles | | | 357,745 | - |
| Texas Department of Transportation | | | | |
| Routine Airport Maintenance Program | N/A | M112CONRO | 49,703 | - |
| Land Reimbursement Related to Runway 14-32 Extension | N/A | 1112CNROE | 692,137 | - |
| Total Texas Department of Transportation | | | 741,840 | - |

MONTGOMERY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA # Number | Project Number | Grant Funds Expended | Pass-Through Amount to Subrecipients |
|--|-----------------------------|-------------------|-------------------------|--|
| Texas Commission on Environmental Quality: | | | | |
| Passed Through Houston Galveston Area Council: | | | | |
| <i>Solid Waste Implementation Grant</i> | N/A | 11-16-G08 | 87,691 | - |
| <i>Local Initiative Project</i> | N/A | 582889963 | 166,585 | - |
| <i>Low Income Repair Assistance Program</i> | N/A | 58299041616 | 1,417,350 | - |
| Total Texas Commission on Environmental Quality | | | <u>1,671,626</u> | <u>-</u> |
| Texas Juvenile Probation Commission: | | | | |
| <i>State Financial Assistance Contract</i> | N/A | TJPC-A-2012-170 | 104,198 | - |
| <i>State Financial Assistance Contract</i> | N/A | TJPC-A-2011-170 | 329,103 | - |
| <i>State Financial Assistance Contract</i> | N/A | TJPC-X-2011-170 | 69,463 | - |
| <i>State Financial Assistance Contract</i> | N/A | TJPC-P-2012-170 | 35,037 | - |
| <i>State Financial Assistance Contract</i> | N/A | TJPC-P-2011-170 | 399,074 | - |
| <i>State Financial Assistance Contract</i> | N/A | TJPC-Y-2011-170 | 446,460 | - |
| <i>State Financial Assistance Contract</i> | N/A | TJPC-F-2011-170 | 81,444 | - |
| <i>State Financial Assistance Contract</i> | N/A | TJPC-O-2011-170 | 21,565 | - |
| <i>State Financial Assistance Contract</i> | N/A | TJPC-Z-2011-170 | 109,725 | - |
| <i>State Financial Assistance Contract</i> | N/A | TJPC-W-2011-170 | 45,014 | - |
| <i>State Financial Assistance Contract</i> | N/A | TJPC-H-2011-170 | 247,938 | - |
| <i>State Financial Assistance Contract</i> | N/A | TJPC-C-2012-170 | 32,385 | - |
| <i>State Financial Assistance Contract</i> | N/A | TJPC-C-2011-170 | 243,075 | - |
| <i>State Financial Assistance Contract</i> | N/A | TJPC-Q-2011-170 | 20,000 | - |
| Total Texas Juvenile Probation Commission | | | <u>2,184,481</u> | <u>-</u> |
| Texas State Office of the Attorney General: | | | | |
| <i>Crime Victim Notification Grant-FY 11</i> | N/A | 1121375 | 30,710 | - |
| Texas State Libraries Archives Commission: | | | | |
| <i>Loan Star Libraries Grant</i> | N/A | 442-11615 | 86,600 | - |
| Texas Commissions on the Arts | | | | |
| <i>Arts Respond Performance Support</i> | N/A | 50544 | 1,125 | - |
| <i>Arts Respond Performance Support</i> | N/A | 51115 | 475 | - |
| <i>Arts Respond Performance Support</i> | N/A | 50543 | 872 | - |
| Total Texas Commissions on the Arts | | | <u>2,472</u> | <u>-</u> |
| Texas Indigent Defense Commission: | | | | |
| <i>Indigent Defense Services - Formula Grant</i> | N/A | TFID 212-11-170 | 888,428 | - |
| <i>Montgomery County Managed Assigned Counsel Program</i> | | | | |
| <i>Discretionary Grant</i> | N/A | TFID 212-11-D04 | 89,519 | - |
| Total Texas Indigent Defense Commission | | | <u>977,947</u> | <u>-</u> |
| Criminal Justice Department: | | | | |
| <i>Power Recovery Court-Juvenile Drug Court</i> | N/A | 1947504 | 118,470 | - |
| General Appropriations Act - "Rider 97": | | | | |
| Department of State Health Services: | | | | |
| <i>Forensic Hospital Services</i> | N/A | 2011-035008-001 | 7,500,000 | - |
| <i>Forensic Hospital Services</i> | N/A | 2012-039639-001 | 1,016,477 | - |
| Total Department of State Health Services | | | <u>8,516,477</u> | <u>-</u> |
| TOTAL STATE FUNDING | | | <u>14,688,368</u> | <u>-</u> |
| GRAND TOTAL ALL FUNDING | | | <u>\$ 28,973,549</u> | <u>\$ 785,217</u> |

See accompanying notes to schedule of expenditures of federal and state awards.

MONTGOMERY COUNTY, TEXAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2011

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Montgomery County, Texas. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. All federal and state grant funds were accounted for in special revenue funds, capital project funds, (components of the governmental fund type), or the general fund. 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 resources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the governmental fund types. 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 fund liability is incurred, if measurable.

Federal and state grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

Note 2. Availability of Federal and State Grant Funds

The period of availability for federal and state grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal or state project period extended 90 days beyond the federal or state project period ending date, in accordance with provisions in Section H. Period of Availability of Federal Funds, Part 3 OMB Circular A-133 Compliance Supplement-March 2012 and Texas Uniform Grant Management Standards.

HLSK

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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 County Judge and
Commissioners' Court
Montgomery County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery County, Texas as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 21, 2012. 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 control deficiency, or 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 and was not designed to identify all deficiencies in internal control over financial reporting that might be 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.

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*.

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

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants

Conroe, Texas
June 4, 2012

HLSK

Hereford, Lynch, Sellars & Kirkham

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

To the Honorable County Judge and
Commissioners' Court
Montgomery County, Texas

Compliance

We have audited the compliance of Montgomery County, Texas with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and Texas Uniform Grant Management Standards that could have direct and material effect on each of Montgomery County's major federal and state programs for the year ended September 30, 2011. The County's major federal and state programs are identified in the summary of auditor's 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 and state 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and *Texas Uniform Grant Management Standards*. 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 or 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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Montgomery County, Texas, 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 and state programs for the year ended September 30, 2011.

Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal and state 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 or state program to determine the 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 and Texas Uniform Grant 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 federal or 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 or state 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.

Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery County, Texas as of and for the year ended September 30, 2011, and have issued our report thereon dated March 21, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Texas Uniform Grant Management Standards, 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 schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the financial statements as a whole.

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 responses and, accordingly, we express no opinion on the responses.

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

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants

Conroe, Texas
June 4, 2012

MONTGOMERY COUNTY, TEXAS**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –FEDERAL PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on the financial statements: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? No

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major federal programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|--|
| 97.008 | Homeland Security Grant |
| 20.205 | Off-System Rehab Contingency Projects |
| 81.128 | Energy Efficiency Block Grant |
| 20.106 | Runway Extension and Gated Vehicle Access Road |

Dollar threshold used to distinguish between type A and type B federal programs \$452,112

Auditee qualified as low-risk auditee? No

MONTGOMERY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

Current Year:

None noted.

Prior Year:

None noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year:

None noted.

Prior Year:

2010-1

Information on the federal program

CFDA No.: 97.073

CFDA Program Title: Public Safety Interoperable Communications Grant

Federal Award Year: October 7, 2007 to July 31, 2010

Name of Pass-Through Entity: Texas Department of Public Safety

Condition

The County was awarded the grant in 2007, but expenditures were not made until September 2009. The expenditures were not reported on the schedule of expenditures of federal and state awards for the year ended 9/30/09.

Criteria or Specific Requirements

All expenditures of grant awards are to be reported in the schedule of expenditures of federal and state awards in the period in which expenditures are made.

Context

The total project cost is \$10 million dollars and is being paid through a lease agreement annually. On September 14, 2009, \$1,235,511 was paid to Motorola, Inc. This expenditure was not reflected on the schedule of expenditures of federal and state awards for the year ended 9/30/09.

Effect

The schedule of expenditures of federal and state awards for the year ended 9/30/09 was incomplete.

Cause

The County lacks specific policies that allow for communication between the parties applying for and receiving grant awards and the parties responsible for reporting grant awards and grant expenditures.

Recommendations

The County should hire additional grant personnel to facilitate the gathering of data and notifications of grants from judges, commissioner's court meetings, departments and others dealing with grants within the county.

Views of responsible officials and planned corrective action

See corrective action plan section.

MONTGOMERY COUNTY, TEXAS

***SCHEDULE OF FINDINGS AND QUESTIONED COSTS –FEDERAL PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2011***

CORRECTIVE ACTION PLAN

Current Year:

None noted.

Prior Year:

2010-1

During the County Auditor budget hearings, scheduled for June 6, 2011, an additional grants accountant will be requested to assist in the coordination and accounting for the increasing number of grants being received by Montgomery County. This individual will help provide more thorough communication between county departments and the auditor's office. The existing grant accountants will attend commissioner's court on a more regular basis in order to identify grant funds as they are requested. Additionally, a grant summary sheet is being developed in cooperation with the Montgomery County attorney's office to provide more consistent information on all funds accepted on behalf of Montgomery County. Individual departments will be provided with instructions to complete the form, which will be required to accompany all grant applications. A copy of the form will be provided to the county auditor's office as well as commissioner's court. This will aid in the identification and reporting of grant funds on a proactive basis.

MONTGOMERY COUNTY, TEXAS**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on the financial statements: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Reportable condition(s) identified that are not considered to be material weakness(es)? No

Noncompliance material to the financial statements noted? No

State Awards

Internal control over major programs:

Material weakness(es) identified? No

Reportable condition(s) identified that are not considered to be material weakness(es)? No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Texas Uniform Grant Management Standards? No

Identification of major state programs:

| <u>CFDA Number(s)</u> | <u>Name of State Program or Cluster</u> |
|-----------------------|---|
| N/A | Low Income Repair Assistance Program |
| N/A | State Financial Assistance Contract |
| N/A | Forensic Hospital Services |

Dollar threshold used to distinguish between type A and type B state programs \$441,302

Auditee qualified as low-risk auditee? No

MONTGOMERY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -- STATE PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

SECTION II -- FINANCIAL STATEMENT FINDINGS

Current Year:

None noted.

Prior Year:

None noted.

SECTION III -- STATE AWARD FINDINGS AND QUESTIONED COSTS

Current Year:

None noted.

Prior Year:

2010-2

Information on the state program

Program Title: Spring Creek Greenway

State Award Year: June 22, 2007 to July 15, 2010

Name of Pass-Through Entity: Texas Parks and Wildlife Department

Condition

The County was awarded the grant in 2007, but expenditures were not made until August 2009. The expenditures were not reported on the schedule of expenditures of federal and state awards for the year ended 9/30/09.

Criteria or Specific Requirements

All expenditures of grant awards are to be reported in the schedule of expenditures of federal and state awards in the period in which expenditures are made.

Context

Montgomery County entered into an interlocal cooperation agreement with Harris County for the purpose of fulfilling and implementing the Spring Creek Greenway Project in the administration of the Land and Water Conservation Fund Program through the Texas Parks and Wildlife Department. For the year ended 9/30/09, \$197,392 of actual expenditures and \$498,190 of donations were not reported on the schedule of expenditures of federal and state awards.

Effect

The schedule of expenditures of federal and state awards for the year ended 9/30/09 was incomplete.

Cause

The County lacks specific policies that allow for communication between the parties applying for and receiving grant awards and the parties responsible for reporting grant awards and grant expenditures.

MONTGOMERY COUNTY, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Recommendations

The County should hire additional grant personnel to facilitate the gathering of data and notifications of grants from judges, commissioner's court meetings, departments and others dealing with grants within the county.

Views of responsible officials and planned corrective action

See corrective action plan section.

CORRECTIVE ACTION PLAN

Current Year:

None noted.

Prior Year:

2010-2

During the County Auditor budget hearings, scheduled for June 6, 2011, an additional grants accountant will be requested to assist in the coordination and accounting for the increasing number of grants being received by Montgomery County. This individual will help provide more thorough communication between county departments and the auditor's office. The existing grant accountants will attend commissioner's court on a more regular basis in order to identify grant funds as they are requested. Additionally, a grant summary sheet is being developed in cooperation with the Montgomery County attorney's office to provide more consistent information on all funds accepted on behalf of Montgomery County. Individual departments will be provided with instructions to complete the form, which will be required to accompany all grant applications. A copy of the form will be provided to the county auditor's office as well as commissioner's court. This will aid in the identification and reporting of grant funds on a proactive basis.