



Ector County, Texas



Supplemental Grant Audit Reports
For the Year Ended September 30, 2016

ECTOR COUNTY, TEXAS
SUPPLEMENTAL GRANT AUDIT REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable County Judge and Members
of the Commissioners' Court
Ector 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Ector County, Texas as of and for the year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and we have issued our report thereon dated March 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ector County, Texas' (the "County") 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as item 2016-1.

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, including the Public Funds Investment Act, 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-1.

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.

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Odessa, Texas
March 13, 2017



**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH THE PROVISIONS
OF THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

The Honorable County Judge and Members
of the Commissioners' Court
Ector County, Texas

Report on Compliance for Each Major State Program

We have audited Ector County, Texas, (the "County") compliance with the types of compliance requirements described in the *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, 2016. 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.

Auditors' 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; and the State of Texas Single Audit Circular. Those 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.

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, 2016.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 the *State of Texas Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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.

SCHEDULE OF EXPENDITURES OF FEDERAL/STATE FINANCIAL AWARDS

We have audited the basic financial statements of the governmental activities, business-type activities, each major fund and the remaining fund information of the County as of and for the year ended September 30, 2016 and have issued our report thereon dated March 13, 2017. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal/state awards is presented for purposes of additional analysis as required by the State of Texas Single Audit Circular and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Johnson Miller & Co., CPAs PC". The signature is written in a cursive, flowing style.

Odessa, Texas
March 13, 2017

ECTOR COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL/STATE FINANCIAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Federal Grantor/Pass-Through Grantor Program Title	Period	CFDA Number	Grant Number	Expenditures
U. S. Department of Health and Human Services				
Pass-Through Permian Basin Regional Planning Commission Senior Citizen Title III C-1 and C-2	10/01/15 - 09/30/16	93.045	N/A	\$ 136,295
Pass-Through Department of State Health Services CDC Prevention Investigations and Technical Assistance (Bio-Terrorism)	07/01/15-06/30/16	93.283	2016-001093-000	66,132
U. S. Department of Justice				
Pass-Through Office of the Governor Criminal Justice Division State Criminal Alien Assistance Program	07/01/15-06/30/16	16.606	N/A	36,776
Pass-Through City of Odessa Justice Assistance Grant	10/01/13-09/30/17	16.738	2006DJBX0184	6,046
Department of Family and Protective Services IV-E Legal Co Atty	10/01/15-09/30/16	93.658	23939985	38,157
U. S. Department of Transportation				
Texas Department of Transportation Routine Airport Maintenance Program FAA Reimbursement	09/01/15-08/31/16	20.106	1606ODESA	50,000
U. S. Department of Housing and Urban Development				
Pass-through Texas Department of Agriculture CDBG Grant #7214065	11/24/14-11/23/16	14.228	7214065	256,799
GENERAL SERVICES ADMINISTRATION				
Texas Department of Agriculture National School Lunch / Breakfast Program	07/01/15-06/30/16	10.555	1346	76,886
High Intensity Drug Trafficking Areas Program	01/01/14-12/31/15	95.001	G15SW0016A	2,943
High Intensity Drug Trafficking Areas Program	01/01/15-12/31/16	95.001	G16SW0016A	13,700
Total Federal Financial Assistance				<u>683,734</u>
STATE FINANCIAL AWARDS				
Pass-Through State of Texas Attorney General				
Victim Assistance – Attorney General	09/01/15-08/31/16		1661594	42,000
Victim Assistance –Attorney General-County Attorney	09/01/16-08/31/17		1772052	5,039
Victim Assistance –District Attorney Criminal Justice Division	09/01/15-08/31/17		2101307	41,564
Mobile Data Terminals (JAG)	10/01/16-03/31/16		2872101	25,000
Texas Department of Criminal Justice				
Texas Juvenile Justice Department (“TJJD”)				
TJJD “A” Basic Supervision	09/01/16-08/31/17		Basic Supervision	24,759
TJJD “A” Basic Supervision	09/01/15-08/31/16		Basic Supervision	811,018
TJJD “C” Community Programs	09/01/16-08/31/17		Community Program Pre & Post	8,801
TJJD “A” Adjudication	09/01/16-08/31/17		Adjudication	5,218
TJJD “A” Community Diversion	09/01/16-08/31/17		Community Diversion	21,150
TJJD “A” Mental Health	09/01/14-08/31/15		Mental Health Prevention and Intervention	4,810
TJJD “S” Prevention and Intervention	09/01/16-08/31/17		Intervention Prevention and Intervention	5,130
TJJD “S” Prevention and Intervention	09/01/15-08/31/16		Intervention	72,307

ECTOR COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL/STATE FINANCIAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016 (Continued)

Federal Grantor/Pass-Through Grantor Program Title	Period	CFDA Number	Grant Number	Expenditures
The State of Texas Pass-through Texas Task Force On Indigent Defense	08/31/16		N/A	118,406
Texas Department of Transportation CERTZ Grant	07/28/14		RFQF14-05-02-02	6,009,757
Department of State Health Services Special Immunization Grant	09/01/15-08/31/17		2016-0000019-00	13,648
Special Immunization Grant	09/01/15-08/31/16		2016-0000019-00	178,945
RL SS/LPHS	09/01/15-08/31/16		2016-000033-00	31,310
Epidemiology	09/01/15-08/31/17		2016-003822-00	87,922
Ebola	05/15/15-09/30/16		2015-003615-00	1,800
Unique	11/05/15-06/30/16		2016-004039-00	14,903
Texas Health and Human Services Commission Medicaid Administrative Claim	10/01/15-09/30/16		N/A	<u>19,336</u>
Total State Financial Expenditures				<u>7,542,823</u>
Total Federal and State Financial Expenditures				<u>8,226,557</u>

ECTOR COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL/STATE FINANCIAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE 1: GENERAL

The accompanying Schedule of Expenditures of Federal/State Financial Awards presents the activity of all federal/state financial assistance programs of Ector County, Texas. Ector County's reporting entity is defined in Note 1 to the County's basic financial statements. Federal/state financial assistance expended from funds received from federal agencies as well as federal/state financial assistance passed through other government agencies is included on the schedule. The value of federal/state awards expended in the form of non-cash assistance is zero. The value of loans or loan guarantees outstanding at the year ended September 30, 2016 is zero.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal/State Financial Awards is presented using the modified accrual basis of accounting.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal/State financial assistance revenues are reported as intergovernmental revenues in the County's basic financial statements. The federal/state financial assistance revenues and expenditures are reported in the General Fund, Capital Projects Fund, and in Special Revenue Funds.

NOTE 4: STATE SINGLE AUDIT

For the purpose of determining state awards subject to the single audit, TJJD funds are excluded because they are audited separately for the state regulatory agency. For the fiscal year ended 2016, state awards subject to single audit requirements totaled \$6,589,630.

Reconciliation of state single audit expenditures:	
Total state financial expenditures	\$ 7,542,823
Less: TJJD funds subject to state program specific regulatory requirements	<u>953,193</u>
Total state expenditures subject to single audit	<u>\$ 6,589,630</u>

**ECTOR COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies(s) identified that are not considered to be material weaknesses? _____ X Yes _____ None Reported
- Noncompliance material to financial statements noted? _____ X Yes _____ No

State Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies(s) identified that are not considered to be material weaknesses? _____ Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with State of Texas Single Audit Circular? _____ Yes X No

Any questioned costs? _____ Yes X No

Identification of major programs:

<u>Grant Number(s)</u>	<u>Name of State Program or Cluster</u>
RFQF14-05-02-02	Texas Department of Transportation: CERTZ Grant
	Department of State Health Services:
2016-0000019-00	Special Immunization Grant
2016-0000019-00	Special Immunization Grant

Dollar threshold used to distinguish
Between type A and type B state programs: \$ 750,000

Auditee qualified as state low-risk auditee? _____ X Yes _____ No

**ECTOR COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2016-1

Criteria or specific requirement:

Under Government Accountability Office (GAO) Government Auditing Standards chapter 6 Ector County, Texas (the "County") is required to establish and maintain a system of internal control designed to provide reasonable assurance regarding compliance with applicable laws, regulations, contracts and grant agreements

Condition

The County has established and implemented a system of internal control over the payroll cycle designed to provide assurance consistent with GAO Government Auditing Standards chapter 6 and compliance over payroll reporting. However, during September 2015, December 2015 and March of 2016, the internal controls over the electronic payment of payroll taxes reporting system did not function effectively.

Effect

Due to failure to remit timely payroll tax deposits, the County incurred penalties and interest of approximately \$90,000 associated with these late filings.

Cause

The County had hired a new payroll administrator in early 2015. During this time of training, tax payments were not remitted timely.

Recommendation

We recommend that the County implement and maintain procedures to ensure all payroll tax deposits are submitted within the time frame prescribed by law.

Views of responsible officials and planned corrective actions

The County concurs with the finding, and as recommended has established procedures for the proper and timely payment of all payroll liabilities. Additional training was also conducted for employees having responsibilities with payroll.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR STATE AWARDS

No matters were reported.

ECTOR COUNTY, TEXAS
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL/STATE AWARDS

No matters were reported.