

WICHITA COUNTY, TEXAS

STATE SINGLE AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2016



WICHITA COUNTY, TEXAS

STATE SINGLE AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's 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>	1-2
Independent Auditor's Report on Compliance for Each Major State Program and on Internal Control Over Compliance in Accordance With the State of Texas Uniform Grant Management Standards	3-4
Schedule of Expenditures of State Awards	5
Notes to Schedule of Expenditures of State Awards	6
Schedule of Findings and Questioned Costs	7-8
Summary Schedule of Prior Audit Findings	9



Independent Auditor's 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 Judge Woody Gossom
and County Commissioners
Wichita 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, each major fund, and the aggregate remaining fund information of Wichita County, Texas as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Wichita County, Texas' basic financial statements and have issued our report thereon dated September 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wichita County, Texas' 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 Wichita County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Wichita County, Texas' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See finding 2016-1.

Compliance and Other Matters

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

The Honorable Judge Woody Gossom
and County Commissioners
Wichita County, Texas

Wichita County, Texas' Response to Finding

Wichita County, Texas' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Wichita County, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 County'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.

MWH Group, P.C.

MWH GROUP, P.C.

Wichita Falls, Texas
September 30, 2017



Independent Auditor's Report on Compliance for Each Major
State Program and on Internal Control Over Compliance in Accordance
with the State of Texas Uniform Grant Management Standards

The Honorable Judge Woody Gossom
and County Commissioners
Wichita County, Texas

Report on Compliance for Each Major State Program

We have audited Wichita County, Texas' compliance with the types of compliance requirements described in the State of Texas Uniform Grant Management Standards ("UGMS") that could have a direct and material effect on each of the Wichita County, Texas' major state programs for the year ended December 31, 2016. Wichita County, Texas' 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Wichita County, Texas' 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 audit requirements of the State of Texas Uniform Grant Management Standards. 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 Wichita County, Texas' 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 Wichita County, Texas' compliance.

Opinion on Each Major State Program

In our opinion, Wichita County, Texas 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 December 31, 2016.

Report on Internal Control over Compliance

Management of Wichita County, Texas, 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 Wichita County, Texas' 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 UGMS, but not for the purpose of expressing an opinion on the

The Honorable Judge Woody Gossom
and County Commissioners
Wichita County, Texas

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wichita County, Texas' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of State Awards Required UGMS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wichita County, Texas, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Wichita County, Texas' basic financial statements. We issued our report thereon dated September 30, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by UGMS and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of this Report

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

MWH Group, P.C.

MWH GROUP, P.C.

Wichita Falls, Texas
September 30, 2017

**WICHITA COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

State Grantor/ Pass-Through Agency Program Title	Contract Number	State Expenditures	Passed Through to Subrecipients
STATE GRANTS:			
Texas Indigent Defense Commission			
Direct Program			
Indigent Defense Formula Grant	212-16-243	\$ 172,860	\$ -
Indigent Defense Discretionary Grant FY2016	212-36-D08	8,922	-
Indigent Defense Discretionary Grant FY2017	212-37-D08	1,190	-
Total Texas Indigent Defense Commission		182,972	-
Office of the Governor - Criminal Justice Division			
Direct Program			
Teen Court Grant FY2016	2721703	6,800	-
Teen Court Grant FY2017	2721704	13,600	-
Total Office of the Governor - Criminal Justice Division		20,400	-
Office of the Attorney General - Crime Victim Services Division			
Direct Program			
Victim Identification and Notification Everyday (VINE)	04G00146	31,665	-
Total Office of the Attorney General - Crime Victim Services Division		31,665	-
Texas Department of Transportation			
Direct Program			
County Energy Transportation Reinvestment Zone (CETRZ)			-
Transportation Infrastructure Fund Grant	CTIF-01-243	843,533	-
Total Texas Department of Transportation		843,533	-
TOTAL STATE EXPENDITURES		\$ 1,078,570	\$ -

WICHITA COUNTY, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of state awards (the Schedule) includes the state grant activity of Wichita County, Texas under programs of the state government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of the State of Texas Uniform Grant Management Standards. Because the Schedule presents only a selected portion of the operations of Wichita County, Texas, it is not intended to and does not present the financial position or changes in net assets of Wichita County, Texas.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wichita County, Texas accounts for state funding using the modified accrual method of accounting. 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, claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Equipment purchases for grant purposes are treated as expenditures in the Schedule of Expenditures of State Awards. State grant funds are considered to be earned to the extent of qualifying expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenue until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

**WICHITA COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Part I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiencies identified?	<u>X</u> Yes ___ No
Noncompliance material to financial statements noted?	___ Yes <u>X</u> No

State Awards

Internal control over major programs:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiencies identified?	___ Yes <u>X</u> No
Type of auditor's report issued:	
County Energy Transportation Reinvestment Zone (CERTZ) Transportation Infrastructure Fund Grant	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	___ Yes <u>X</u> No
Major Programs:	
County Energy Transportation Reinvestment Zone (CERTZ) Transportation Infrastructure Fund Grant	
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as a low-risk auditee?	___ Yes <u>X</u> No

Part II. Findings Related to the Financial Statements

2016-1 Justice System-Generated Accounts Receivable

Condition and Criteria: Errors were noted in year-end reports of accounts receivable generated by the County's software company, primarily related to the justice system. Through inquiry of personnel, we noted that the County has encountered problems with the computer software company generating accurate accounts receivable reports which satisfy the Auditor office's needs. There were other discrepancies believed to be the result of data input errors made by County staff. We also noted that periodic accounts receivable reconciliations are not being performed within the individual departments.

Cause: The accounts receivable generated through the justice system is complex and subject to change throughout the defendant's legal proceedings, and the County's software system is not sophisticated enough to properly track the account activities and produce reliable reports.

Effect: It is difficult to perform on-going monitoring of these account balances without reliable reports. Additionally, the County Auditor's Office had to perform a time-consuming reconciliation and testing process to determine appropriate year-end accounts receivable and allowance for doubtful accounts balances for the annual financial statements.

Recommendations: We recommend that the County continue to work with the computer software company towards generating useful and reliable reports. We also recommend the performance of monthly accounts receivable reconciliations in each department between control and detail accounts.

Response: The County is aware of the limitations in the accounts receivable system and performs detailed reviews of these balances to ensure the balances are materially correct for financial statement reporting. We are continuing to work with the software system to develop better reports.

Part III. Findings and Questioned Costs – Major State Award Programs Audit

None

**WICHITA COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

2015-1 Justice System-Generated Accounts Receivable

Uncorrected. This finding was reported in the current year as finding 2016-1.