

NAVARRO COUNTY, TEXAS
SINGLE AUDIT REPORT
SEPTEMBER 30, 2020

NAVARRO COUNTY, TEXAS

SINGLE AUDIT REPORT

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Navarro County Courthouse



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

Honorable Judge and
Members of the Commissioners’ Court
Navarro County, Texas

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Navarro County, Texas (“the County”), as of and for the year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated December 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County’s internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2020-001 and 2020-002 to be material weaknesses.

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 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 financial statements. 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 County’s Response to Findings

The County’s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 23, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Navarro County, Texas' ("the County"), compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2020. The County's major federal 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal 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 federal programs for the year ended September 30, 2020.

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 federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. *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 federal 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Navarro County, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Navarro County, Texas' basic financial statements. We issued our report thereon dated December 23, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on those financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 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 awards is fairly stated in all material respects in relation to the basic financial statements 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 23, 2021

NAVARRO COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U. S. Department of Justice</u>			
Direct Programs:			
Coronavirus Emergency Supplemental Funding - COVID-19	16.034	2020-VD-BX-1760	\$ 24,848
State Criminal Alien Assistance Program	16.606	2020-AP-BX-0747	23,970
Bulletproof Vest Partnership	16.607	n/a	4,675
Equitable Sharing Program	16.922	TX1750000	<u>17,574</u>
Total Direct Programs			<u>71,067</u>
Total U. S. Department of Justice			<u>71,067</u>
<u>U. S. Department of Treasury</u>			
Direct Program:			
Equitable Sharing Program	21.016	TX1750000	<u>463,566</u>
Total Direct Programs			<u>463,566</u>
Passed through Texas Division of Emergency Management:			
Coronavirus Relief Fund - COVID-19	21.019	268	<u>945,230</u>
Total Passed through Texas Division of Emergency Management:			<u>945,230</u>
Total U. S. Department of Treasury			<u>1,408,796</u>
<u>U. S. Elections Assistance Commission</u>			
Passed through Texas Secretary State:			
Help America Vote Act (HAVA) COVID-19	90.404	TX20101CARES-175	48,459
Help America Vote Act (HAVA) Election Security	90.404	TX18101001-01-175	<u>120,000</u>
Total Passed through Texas Secretary State:			<u>168,459</u>
Total U. S. Elections Assistance Commission			<u>168,459</u>
<u>U. S. Office of National Drug Control Policy</u>			
Direct Programs:			
High Intensity Drug Trafficking Area (HIDTA)	95.001	G18NT0001A	554,452
High Intensity Drug Trafficking Area (HIDTA)	95.001	G19NT0001A	2,616,765
High Intensity Drug Trafficking Area (HIDTA)	95.001	G20NT0001A	<u>397,768</u>
Total Direct Programs			<u>3,568,985</u>
Total U. S. Office of National Drug Control Policy			<u>3,568,985</u>
Total Expenditures of Federal Awards			\$ <u>5,217,307</u>

NAVARRO COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2020

1. GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and state financial assistance programs of Navarro County, Texas, for the year ended September 30, 2020. The County's reporting entity is defined in Note 1 to the County's financial statements. Federal financial assistance received directly from federal agencies and other agencies are included in the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's financial statements.

3. PASS-THROUGH EXPENDITURES

None of the federal programs expended by the County were provided to subrecipients.

4. INDIRECT COSTS

The County has elected not to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance.

5. RECONCILIATION OF HIDTA FEDERAL REVENUES AND THE AMOUNT OF PROGRAM EXPENDITURES ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following is the reconciliation of HIDTA federal revenues and the HIDTA expenditures reported on the Schedule of Expenditures of Federal Awards for the fiscal year:

Intergovernmental revenue - HIDTA Fund on the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds	\$ 3,743,517
HIDTA program revenue	(<u>174,532</u>)
HIDTA program federal expenditures on the Schedule of Expenditures of Federal Awards	\$ <u>3,568,985</u>

NAVARRO COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	Items 2020-001 and 2020-002
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

Federal Awards:

Internal control over major programs: Material weakness(es) identified?	None reported
Significant deficiency(ies) identified?	None reported

Type of auditors' report issued on compliance for major federal programs	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of Uniform Guidance?	None reported
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Identification of major federal programs:

CFDA Number: 21.019 95.001	Name of Federal Program: Coronavirus Relief Fund - COVID-19 High Intensity Drug Trafficking Areas Program
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Dollar threshold used to distinguish between type A and type B federal programs	\$750,000
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Auditee qualified as low-risk auditee for federal single audit?	No
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**Findings Relating to the Financial Statements Which are Required to be Reported in
Accordance with Generally Accepted Government Auditing Standards**

Items 2020-001 and 2020-002

Findings and Questioned Costs for Federal Awards

None

NAVARRO COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Item 2020-001 (Recurring):

Bank Reconciliations

- Criteria: Bank reconciliations should be performed for every cash account in order to prepare accurate financial statements. Reconciling cash to the general ledger is an important step in preventing material errors or fraud.
- Cause: During our audit, we noted the County was reconciling its bank accounts to the general ledger, but adjustments were recorded to the general ledger accounts subsequent to the reconciliation.
- Effect: The transactions are posted to cash general ledger.
- Cause: Certain transactions are posted to cash general ledger accounts after the bank reconciliation is performed.
- Recommendation: All bank accounts should be reconciled to the general ledger on a timely basis, and then adjustments to those accounts should be prohibited.
- Management's Response: The County is in the process of implementing controls to ensure adjustments are not posted to cash subsequent to the reconciliation of bank accounts to the general ledger.

Item 2020-002 (Recurring):

Due to/from Other Funds

- Criteria: All interfund balances should be reconciled to detect errors both intentional and unintentional.
- Condition: The County's interfund balances were not reconciled to the general ledger.
- Cause: Internal controls to ensure interfund balances are reconciled properly were not implemented.
- Effect: The lack of controls creates an environment in which errors could go undetected within a timely manner.
- Recommendation: Interfund balances should be reconciled to the general ledger and reviewed on a monthly basis.
- Management's Response: In the future, management will reconcile interfund balances monthly.



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Patty Wells, Assistant
Lisa Clay, Assistant
Jane Wise, Administrative Asst.

Terri L. Gillen
County Auditor

NAVARRO COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>Condition:</u>	The County's interfund balances were not reconciled to the general ledger.
<u>Cause:</u>	Internal controls to ensure interfund balances are reconciled properly were not implemented.
<u>Effect:</u>	The lack of controls creates an environment in which errors could go undetected within a timely manner.
<u>Recommendation:</u>	Interfund balances should be reconciled to the general ledger and reviewed on a monthly basis.
<u>Current Status:</u>	Current year finding



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County Auditor

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CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2020

Item 2020-001 (Recurring): Bank Reconciliations

- Criteria: Bank reconciliations should be performed for every cash account in order to prepare accurate financial statements. Reconciling cash to the general ledger is an important step in preventing material errors or fraud.
- Cause: During our audit, we noted the County was reconciling its bank accounts to the general ledger, but adjustments were recorded to the general ledger accounts subsequent to the procedure was performed.
- Effect: The transactions are posted to cash general ledger.
- Cause: Certain transactions are posted to cash general ledger accounts after the bank reconciliation is performed.
- Recommendation: All bank accounts should be reconciled to the general ledger on a timely basis, and then adjustments to those accounts should be prohibited.

PERSON RESPONSIBLE FOR CORRECTION ACTION: Ryan Douglas, County Treasurer

CORRECTIVE ACTION PLANNED: The County is in the process of implementing controls to ensure adjustments are not posted to cash subsequent to the reconciliation of bank accounts to the general ledger.

ANTICIPATED COMPLETION DATE: September 30, 2021

Item 2020-002 (Recurring): Due to/from Other Funds

- Criteria: All interfund balances should be reconciled to detect errors both intentional and unintentional.
- Condition: The County's interfund balances were not reconciled to the general ledger.
- Cause: Internal controls to ensure interfund balances are reconciled properly were not implemented.
- Effect: The lack of controls creates an environment in which errors could go undetected within a timely manner.
- Recommendation: Interfund balances should be reconciled to the general ledger and reviewed on a monthly basis.

PERSON RESPONSIBLE FOR CORRECTION ACTION: Terri Gillen, County Auditor

CORRECTIVE ACTION PLANNED: In the future, management will reconcile interfund balances monthly.

ANTICIPATED COMPLETION DATE: September 30, 2021