

WASHINGTON COUNTY, TEXAS

SINGLE AUDIT REPORTS

December 31, 2023

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**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**

To the Honorable Judge and County Commissioners Comprising
the Commissioners' Court of Washington 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 Washington County, Texas (the "County"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 28, 2025.

Report on 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 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 County'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

(Continued)

Report on 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*.

County's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP
Crowe LLP

Houston, Texas
April 28, 2025

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Judge and County Commissioners Comprising
the Commissioners' Court of Washington County, Texas

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited Washington County, Texas' (the "County") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the County's major federal program for the year ended December 31, 2023. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 or 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal controls over compliance. Accordingly, no such opinion is expressed.

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 the County, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated April 28, 2025 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 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 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 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.

Crowe LLP
Crowe LLP

Houston, Texas
April 28, 2025

WASHINGTON COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipient</u>
U.S. DEPARTMENT OF TREASURY				
Direct Award:				
Coronavirus State and Local Fiscal Recovery Funds (ARPA)	21.027	N/A	\$ 888,304	\$ -
Total U.S. Department of Treasury			<u>888,304</u>	<u>-</u>
U.S. DEPARTMENT OF JUSTICE				
Direct Award:				
State Criminal Alien Assistance Program	16.606	N/A	14,775	-
Total U.S. Department of Justice			<u>14,775</u>	<u>-</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through Texas Division of Emergency Management:				
Disaster Grant - Public Assistance - DR4586 (Texas Severe Winter Storms)	97.036	PA-06-TX-4586-PW-60	(8,040)	-
Disaster Grant - Public Assistance - DR4586 (Texas Severe Winter Storms)	97.036	PA-06-TX-4586-PW-127	(1,401)	-
Disaster Grant - Public Assistance - DR4586 (Texas Severe Winter Storms)	97.036	PA-06-TX-4586-PW-542	3,192	-
Disaster Grant - Public Assistance - DR4586 (Texas Severe Winter Storms)	97.036	PA-06-TX-4586-PW-560	4,476	-
Disaster Grant - Public Assistance - DR4485 (Texas COVID-19 Pandemic)	97.036	PA-06-TX-4485-PW-973	274,573	-
Disaster Grant - Public Assistance - DR4485 (Texas COVID-19 Pandemic)	97.036	PA-06-TX-4485-PW-991	18,647	-
Disaster Grant - Public Assistance - DR4485 (Texas COVID-19 Pandemic)	97.036	PA-06-TX-4485-435356	8,239	-
Disaster Grant - Public Assistance - DR4485 (Texas COVID-19 Pandemic)	97.036	PA-06-TX-4485-PW-594	85,943	-
Disaster Grant - Public Assistance - DR4485 (Texas COVID-19 Pandemic)	97.036	PA-06-TX-4485-PW-540	190,912	-
Total passed through Texas Division of Emergency Management			<u>576,541</u>	<u>-</u>
Passed through Office of the Governor:				
HSAC-Homeland Security - ST/CP Road Barriers and Transport Trailer	97.067	HS-4467301	10,747	-
HSAC-Homeland Security - IISC OEM Message Boards	97.067	HS-4475401	38,550	-
HSAC-Homeland Security - Washington County EMS Tactical Equipment	97.067	HS-4503201	46,489	-
Total passed through Office of the Governor			<u>95,786</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>672,327</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Award:				
Medical Assistance Program ASSP	93.778	N/A	32,822	-
Total U.S. Department of Health and Human Services			<u>32,822</u>	<u>-</u>
U.S. DEPARTMENT OF AGRICULTURE				
Passed through Texas Department of Agriculture:				
Community Development Block Grant	14.228	CDV21-0213	332,500	-
Total U.S. Department of Agriculture			<u>332,500</u>	<u>-</u>
Grand total of Federal Awards			<u>\$ 1,940,728</u>	<u>\$ -</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

WASHINGTON COUNTY, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the activity of all federal programs of Washington County, Texas (the "County"), for the year ended December 31, 2023, and is presented on the accrual basis of accounting. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included in the accompanying Schedule.

The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Expenditures are recognized following cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The County has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The County did not receive any non-cash assistance, including Federal Insurance, during the fiscal year.

NOTE 2 - NEGATIVE EXPENDITURES

Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

WASHINGTON COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027 FUNDS	CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY

Dollar threshold used to distinguish between Type A and Type B programs/projects:	
Federal	\$750,000
Auditee qualified as low-risk auditee?	No

(Continued)

WASHINGTON COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2023-001 – Account Reconciliations and Adjustments

Audit Finding: Material Weakness

Criteria: Management is responsible for ensuring that account balances are properly closed, rolled forward, reconciled and adjusted in a timely manner.

Condition: The County lacked a formal process for closing the books at the end of each month and at year-end. During the audit, it was noted that management did not have adequate controls in place to allow for timely and accurate financial reporting, resulting in several audit adjustments. Audit adjustments were due to the following:

- Inventory (for one fund), accounts receivable (for one fund), and retainage payable balances were not properly recognized,
- Grant revenue and deferred grant revenue were not properly recognized in accordance with the period of availability,
- User charges revenue for one fund was incorrectly recorded in the wrong fund.
- Capital assets depreciation did not agree to underlying schedules. And capital asset estimates did not have appropriate support for the balances.

Cause: The County does not have formal procedures in place to reconcile all significant accounts to supporting documents and the general ledger at month and fiscal year end. As a result, amounts do not agree to the underlying financial records and necessary adjustments had not been made.

Context: Audit procedures performed that identified differences that required adjustments included the following:

- Reconciliation of the detailed listing of transactions for inventory (for one fund), accounts receivable (for one fund), and retainage payable did not agree to the trial balance.
- Reconciliation of the schedule of grant expenditures to each grant account identified incorrect amounts recorded in deferred grant revenue and grant revenues.
- Reconciliation of the user charges identified that transactions were reported in the incorrect fund for one type of transaction.

(Continued)

WASHINGTON COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2023

- Reconciliation of the depreciation schedule to the net book value recorded in the general ledger identified incorrect amounts recorded in accumulated depreciation. Furthermore, the absence of a comprehensive methodology for estimating the values related to a labor estimate contributed to an overstatement of capital assets.

Effect:

As a result of the above:

- Inventory (for one fund), accounts receivable (for one fund), and retainage payable amounts were misstated.
- Deferred grant revenue and grant revenue were misstated.
- User chargers were incorrectly applied to the wrong fund, causing a misstatement on the fund level. The overall balance was correct.
- Capital assets and accumulated depreciation were misstated.

Repeat Finding:

No

Recommendation:

Crowe recommends that management:

1. Establish Reconciliation Procedures: Develop and document formal reconciliation procedures for all financially significant account cycles and estimate. These procedures should define the reconciliation process, identify the accounts to be reconciled, specify the frequency of reconciliations, document the methodology for all estimates, and outline the review and approval process.
2. Documentation of Reconciliations: Ensure that all reconciliations are properly documented and maintained, including evidence of who performed and reviewed the reconciliation, the date it was completed, and any discrepancies identified and resolved. As part of the reconciliation process, establish a systematic approach to reviewing estimates, where the estimate is reviewed annually for reasonableness and accuracy.
3. Review and Approval: Implement a process for independent review and approval of reconciliations and estimates by personnel other than those who perform the reconciliations. This review should be documented, indicating the reviewer's name, the date of review, and any follow-up actions taken.

Views of responsible officials: See Corrective Action Plan.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No items noted.

WASHINGTON COUNTY, TEXAS
SUMMARY OF PRIOR AUDIT FINDINGS
Year ended December 31, 2023

SUMMARY OF PRIOR AUDIT FINDINGS

There were no prior audit findings.

WASHINGTON COUNTY, TEXAS
CORRECTIVE ACTION PLAN
Year ended December 31, 2023



Shawna Hollis
Washington County Auditor

WASHINGTON COUNTY, TEXAS

Corrective Action Plan

Year Ended December 31, 2023

Finding Number: 2023-001

Title: Account Reconciliations and

Adjustments Type: Material Weakness

Condition and Cause:

Washington County did not have a formalized month-end and year-end reconciliation process in place, leading to misstatements in inventory, accounts receivable, retainage payable, grant revenue recognition, user charge allocations, and capital asset balances.

Corrective Action Plan:

1. Establishment of Formal Reconciliation Procedures

Responsible Party: County Auditor's Office

Target Completion Date: July 31, 2025

Formal reconciliation procedures will be created for all major account balances including inventory, accounts receivable, payables, grant revenues, and capital assets. Procedures will define frequency (monthly/quarterly/year-end), responsible individuals, reconciliation templates, and required documentation.

2. Staff Training and Assignment of Duties

Responsible Party: County Auditor

Target Completion Date: August 30, 2025

Staff will receive training on the new reconciliation procedures and best practices. Specific staff members will be assigned to complete reconciliations, with roles and responsibilities clearly documented.

**Washington County Courthouse Annex - 105 W. Main, Suite 104
Brenham, Texas 77833-3693
(979) 277-6229**

(Continued)

3. Documentation Standards and Retention

Responsible Party: County Auditor

Target Completion Date: August 30, 2025

All reconciliations will include supporting schedules, documentation of discrepancies, and the actions taken to resolve those discrepancies. Evidence of preparer and reviewer signatures and dates will be required and retained in a centralized location.

4. Independent Review and Approval Process

Responsible Party: Assistant Auditor

Target Completion Date: August 30, 2025

Reconciliations will be reviewed by a staff member independent of the preparer. A formal sign-off process will be implemented to ensure accountability and timely resolution of discrepancies.

5. Capital Asset Review and Support Documentation

Responsible Party: County Auditor's Office with Departmental Coordination

Target Completion Date: August 30, 2025

Capital asset schedules will be reviewed quarterly. All additions, disposals, and depreciation calculations will be supported with documentation. Estimates used in valuations will be clearly documented with justification and methodology.

Contact for CAP Implementation:

Shawna Dyer Hollis, County Auditor

Email: shollis@washingtoncountytexas.gov Phone:

979-277-6229