



March 24, 2016

To the Honorable County Judge and
Members of the Commissioners' Court of
Polk County, Texas:

The American Institute of Certified Public Accountants Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit* (SAS 115), provides guidance to auditors on communicating internal control matters to management and the governing body, board of directors, or equivalent body.

It is important to note when reviewing findings reported within this letter that classification of the findings is based on the definitions required by SAS 115 as further discussed below. Please note that these classifications are based on the potential impact to the financial statements, not necessarily the likelihood of actual loss to Polk County, Texas (the "County"). Accordingly, the County's assessment of the "significance" or ranking of severity will likely be substantially different based on a number of factors including, but not limited to, its assessment of risk and the cost benefit of making the change.

Our report is as follows:

In planning and performing our audit of the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of and for the year ended September 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion 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 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 discussed below, we identified certain deficiencies in internal control that we consider to be other matters.

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.

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Our findings and additional comments are as follows:

CURRENT YEAR MATTERS:

Other Matters:

2015-001. ESCHEAT PAYABLE

Criteria

Under *Texas State Property Code Chapter 72, Subchapter B. § 72.101*, property is presumed abandoned if the owner of the property does not claim the property within three years. Under *Texas State Property Code Chapter 74, Subchapter D. § 74.301*, each holder who on March 1 holds property that is presumed abandoned under Chapter 72 shall deliver the property to the Comptroller on or before the following July 1 accompanied by the report required to be filed under Section 74.101. Under *Texas State Property Code Chapter 74, Subchapter B. § 74.101*, each holder who on March 1 holds property that is presumed abandoned under Chapter 72 of this code shall file a report of that property on or before the following July 1.

Condition

The Tax Assessor Collector has a significant number of checks outstanding at year end, some of which are more than three years old.

Cause

The Tax Assessor Collector does not have a procedure in place to review and remit outstanding checks more than three years old to the State Comptroller.

Effect

Outstanding checks that are more than three years old that are held by the Tax Assessor Collector result in an overstatement of liabilities for the County.

Recommendation

All outstanding checks that are more than three years old from March 1 of the current year should be reported and delivered to the State no later than July 1. The Tax Assessor Collector should monitor all outstanding checks and record escheat payable in accordance with the Texas State Property Code noted above.

PRIOR YEAR MATTERS:

2014-003. DISTRICT CLERK BANK RECONCILIATIONS

Background

During the prior year audit we presented information to the County Judge, who schedule an Executive Session with the Commissioners Court, in which we reported a pattern of activity within the District Clerk's accounts which raised the fraud risk assessment to maximum. There has been a long history going back over eight years of prior audit findings regarding the District's Clerk's office, including

substantial delays in responding to both the independent and County Auditors' request for information. In addition, during the 2014 fiscal year, the school districts within county threatened to file suit regarding alleged delays in processing tax sales monies. In July 2014, we requested additional information from the District Clerk's office to follow up on various allegations, by the completion of the audit in March 2015, approximately 9 months later, the District Clerk had not supplied the information requested. During 2015, the County Auditor gained access through the Net Data software to view activity being posted by the District's clerks' office. The activity observed by the County Auditor indicated the District Clerk was recording and depositing receipts a year or more after the fact. It appeared highly probable that a lapping scheme was being used, but at a minimum cash was not being deposited in a timely manner exposing the County to unnecessary risk. The District Attorney, County Auditor and our firm discussed the matter with Commissioners Court and the course of action that was decided would be that the Attorney General's office would be contacted as they were the jurisdiction best suited to follow up on the matter.

To our knowledge the Attorney General Office has completed it's investigation. The District Clerk resigned the day following the seizure of records and new a District Clerk was subsequently appointed.

Criteria

Based on County policy, the District Clerk's office is responsible for balancing and reconciling bank statements and accurately accounting for District Clerk trust funds. A copy of the reconciliation report, applicable monthly bank statement, and other supporting documentation must be forwarded to the County Auditor by the 20th of the following month

Condition

During the 2014 fiscal yearend audit, certain reports, bank statements and reconciliations were requested from the District Clerk's office but not received until conclusion of our on-site audit.

As of the conclusion of the 2015 fiscal year, bank reconciliations were completed, however the reconciliation of all records and accounts held within the District Clerks office were ongoing and the County hired an independent CPA, to assist with the reconciliations. As of the date of this report, the District Clerks office has reconciled most of these funds leaving a remaining balance of approximately \$79,000 to be reconciled.

Effect

The District Clerk's office is at high risk for loss from fire or theft of funds due to lack of accounting for cash and not reconciling bank statements.

Cause

The District Clerk's office has not reconciled bank statements in a timely manner in previous years.

Recommendation

The District Clerk's office should continue to reconcile accounts held by the District Clerk on a monthly basis.

Polk County, Texas
Management Letter
September 30, 2015
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We would like to thank the members of Commissioners' Court, the County Judge, and the County's management for their cooperation during the course of our audit. Please feel free to contact us at your convenience to discuss this report or any other concerns that you may have.

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