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INTRODUCTION TO MANAGEMENT LETTER COMMENTS

To the Honorable County Judge
and Commissioners' Court
Trinity County, Texas

In planning and performing our audit of the financial statements of Trinity County, Texas (the County) as of and for the year ended September 30, 2011, 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*, 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 our 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.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The information that accompanies this letter summarizes our comments and suggestions regarding those matters.

We previously reported on the County's internal control in our report dated March 31, 2012. That report did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. This letter does not affect that report or our audit report dated March 31, 2012 on the financial statements of the County.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Todd, Hamaker & Johnson, LLP

Todd, Hamaker & Johnson, LLP
Lufkin, Texas

March 31, 2012

MANAGEMENT LETTER POINTS

PRIOR YEAR COMMENTS/STATUS

1) Fund balances

When we began our audit this year, there were four funds (R&B #2, FEMA funds, Records Management, and the DARE fund) whose fund balances did not reflect the prior year ending fund balance amounts. Two of the funds had been adjusted to appropriate prior year fund balances to an income account per budget amendment. One fund had been adjusted to reclassify the fund balance to a liability to accurately reflect the amount due to FEMA (Ike grant funds). The remaining fund had been adjusted to reflect the closing of the fund and the transfer back to the General fund.

Prior year “problems” that may have existed appear to be corrected. After current year audit adjustments are posted, the County Auditor will reconcile the opening fund balances with the September 30, 2011 audit report and make any necessary corrections.

2) Recording of short-term debt

All short-term debt was properly accounted for in fiscal year 2011.

3) Fixed assets

The County Auditor’s office is currently utilizing the fixed asset program within its accounting software. During our audit, we were able to reconcile totals per this system with that of the general ledger.

We have discussed the need to add “capital outlay” accounts on the general ledger to assist with easier identification of fixed assets.

CURRENT YEAR COMMENTS

1) Bank accounts

The County has a significant number of bank accounts in its name. During our audit, it was discovered that the County Auditor’s office was not made aware of all new bank accounts that were opened during the period. Most of these accounts are funds held by the County as an agent for individuals, private organizations, other governments and other funds.

The County Auditor should be made aware of any and all bank accounts that are opened and/or closed. All department heads and County officials are responsible to notify the County Auditor of any new and/or closed accounts. All bank accounts that are “in the County’s name” must be tracked by the County Auditor and monthly bank statements forwarded to her office for review.

The County Auditor’s office compiled a listing of all bank accounts at September 30, 2012 and is using the listing as a mechanism to insure that they receive all bank statements.

2) Payroll fund

The County's uses a payroll fund to account for the payment of payroll, taxes and any other payroll related liabilities. These expenses are allocated to other funds within the County and transfers are made from these funds to reimburse the payroll fund. As such, the payroll fund is a "clearing" fund and should not accumulate balances.

At September 30, 2011, the payroll fund had immaterial balances and audit adjustments were required to properly allocate expenses.

This fund should be reviewed on a monthly basis to see that expenses are properly allocated and that the fund is "clearing".

3) Review of fund balance sheets

During the audit, we identified a number of funds that reflected unsubstantiated receivables and payables. Many of these balances had been on the books for a number of years. It should be noted that some of these balances were the result of system problems that have now been corrected. Audit adjustments were posted to "write-off" these balances.

We recommend that the balance sheets, as well as income statements, of all funds be reviewed for accuracy on a monthly basis.

4) Transfers between funds

Transfers between funds, that are not to be repaid, should be accounted for through the profit and loss statements. Previous instructions given to the County Auditor regarding this was incorrect. New accounts will be added to the general ledger to reflect these transfers correctly in 2012.