

**NAVARRO COUNTY, TEXAS**

**SINGLE AUDIT REPORT**

**SEPTEMBER 30, 2023**



**NAVARRO COUNTY, TEXAS**

SINGLE AUDIT REPORT

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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**

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, 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 June 28, 2024.

**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 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 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002 that we considered to be material weaknesses.

**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.

**OFFICE LOCATIONS**

**TEXAS** | Waco | Temple | Hillsboro | Houston  
**NEW MEXICO** | Albuquerque



**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  
June 28, 2024



**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**

***Opinion on 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, 2023. 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.

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, 2023.

***Basis for Opinion on Each Major Federal Programs***

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 each 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 each major federal and state programs 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**

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 were not identified.

*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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit 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 compliance and, accordingly, we express no opinion on the response.



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.

**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, 2023, and the related notes to the financial statements, which collectively comprise Navarro County, Texas' basic financial statements. We issued our report thereon dated June 28, 2024, 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.

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

Waco, Texas  
June 28, 2024

**NAVARRO COUNTY, TEXAS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U. S. Department of Justice</u></b>			
Direct Programs:			
State Criminal Alien Assistance Program	16.606	N/A	\$ 116,110
Equitable Sharing Program	16.922	TX1750000	<u>98,107</u>
Total Direct Programs			<u>214,217</u>
Total U. S. Department of Justice			<u>214,217</u>
<b><u>U. S. Department of Treasury</u></b>			
Direct Program:			
COVID-19 - Local Assistance and Tribal Consistency Funds	21.032	LATCF01936	<u>100,000</u>
Total Direct Programs			<u>100,000</u>
Passed through Texas Division of Emergency Management:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	VA 3968501	<u>2,323,888</u>
Total Passed through Texas Division of Emergency Management:			<u>2,323,888</u>
Total U. S. Department of Treasury			<u>2,423,888</u>
<b><u>U. S. Office of National Drug Control Policy</u></b>			
Direct Programs:			
High Intensity Drug Trafficking Area (HIDTA)	95.001	G20NT0001A	22,283
High Intensity Drug Trafficking Area (HIDTA)	95.001	G21NT0001A	509,720
High Intensity Drug Trafficking Area (HIDTA)	95.001	G22NT0001A	1,561,198
High Intensity Drug Trafficking Area (HIDTA)	95.001	G23NT0001A	<u>905,608</u>
Total 95.001			<u>2,998,809</u>
Total Direct Programs			<u>2,998,809</u>
Total U. S. Office of National Drug Control Policy			<u>2,998,809</u>
Total Expenditures of Federal Awards			\$ <u>5,636,914</u>

**NAVARRO COUNTY, TEXAS**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2023

**1. GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of Navarro County, Texas, for the year ended September 30, 2023. 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	\$ 4,509,857
HIDTA program income	<u>(1,511,048)</u>
HIDTA program federal expenditures on the Schedule of Expenditures of Federal Awards	<u>\$ 2,998,809</u>

**NAVARRO COUNTY, TEXAS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

**Summary of Auditors' Results**

Financial Statements:

Type of auditors' report issued	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	Items 2023-001 and 2023-002
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
Significant deficiency(ies) identified?	None reported
Type of auditors' 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) of Uniform Guidance? None reported

Identification of major federal programs:

Federal Assistance Listing Number: 21.027	Name of Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
95.001	High Intensity Drug Trafficking Areas Program

Dollar threshold used to distinguish between type A and type B federal programs \$750,000

Auditee qualified as low-risk auditee for federal single audit? No

**Findings and Questioned Costs for Federal Awards**

None

**NAVARRO COUNTY, TEXAS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

**Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards**

**Item 2023-001 (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 2023-002 (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.



**NAVARRO COUNTY AUDITOR'S OFFICE**

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**Kaye Martin**, Assistant  
**Patty Wells**, Assistant  
**Lisa Clay**, Assistant  
**Jane Wise**, Administrative Asst.

Terri L. Gillen  
County Auditor

Phone: (903) 654-3095 Fax: (903) 654-3097

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**NAVARRO COUNTY, TEXAS**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

**Findings Relating to the Financial Statements Which Are  
Required to be Reported in Accordance with Generally  
Accepted Government Auditing Standards**

**Item 2022-001 (Recurring):**      **Bank Reconciliations**

Current Status:

Partially corrected. See current year finding 2023-001. The County continues to develop and implement stronger monthly reconciliation procedures between the County Auditor's Office and the County Treasurer's Office. However, Corrective action has been slowed by continued delays to yearly close and management of the related grant funding, and implementation of new accounting standards.

**Item 2022-002 (Recurring):**      **Due to/from Other Funds**

Current Status:

Partially corrected. See current year finding 2023-002. The County continues to develop and implement stronger monthly reconciliation procedures between the County Auditor's Office and the County Treasurer's Office. However, Corrective action has been slowed by continued delays to yearly close and management of the related grant funding, and implementation of new accounting standards.



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**CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Item 2023-001 (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.

Condition: 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.

Cause: Certain transactions are posted to cash general ledger accounts after the bank reconciliation is performed.

Effect: The transactions are posted to cash general ledger.

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, 2024

**Item 2023-002 (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, 2024

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