

COLLIN COUNTY, TEXAS

SINGLE AUDIT REPORT

**YEAR ENDED
SEPTEMBER 30, 2010**

COLLIN COUNTY, TEXAS

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**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 County Judge
and Commissioners' Court
Collin County, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Collin County, Texas (the "County") as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 31, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 misstatements on a timely basis. *A material weakness* is a deficiency, or 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 deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness, Item 2010-1.

A significant deficiency is a deficiency, or 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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 determination of financial statement amounts. 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 to be required to be reported under *Government Auditing Standards*.

The County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the County, and appropriate federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

March 31, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS**

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

Compliance

We have audited the compliance of Collin County, Texas, (the "County") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal and state programs for the year ended September 30, 2010. The County's major federal and state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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; Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and the *State of Texas Uniform Grant Management Standards* ("UGMS"). Those standards, and OMB Circular A-133 and UGMS, 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 or state 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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2010.

Internal Control Over Compliance

The management of Collin County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and UGMS, 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 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 or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate 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, 2010, and have issued our report thereon dated March 31, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Collin County, Texas' basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and UGMS, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as whole.

This report is intended solely for the information and use of the audit committee, management, others within the County, and appropriate federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

March 31, 2011

COLLIN COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grantor's Pass-through Number	Federal Expenditures
FEDERAL AWARDS			
<u>U. S. Department of Agriculture</u>			
Passed through the Texas Department of State Health Services:			
Women, Infants and Children	10.557	2010-033287	\$ 1,541,716
Total Passed through the Texas Department of Health			<u>1,541,716</u>
Total U. S. Department of Agriculture			<u>1,541,716</u>
<u>U. S. Department of Transportation: National Traffic Safety Administration</u>			
Passed through the Texas Department of Transportation:			
DWI No-Refusal Mandatory Blood Draw Program	10.557	10-CollinDA-G-MYG-YR1-01	35,890
Total Passed through the Texas Department of Transportation			<u>35,890</u>
Total U. S. Department of Transportation: National Traffic Safety Administration			<u>35,890</u>
<u>U. S. Department of Justice</u>			
Passed through the Bureau of Justice Assistance:			
Bulletproof Vest Partnership Program	16.607	2007-2010	11,505
Total Passed through the Bureau of Justice Assistance			<u>11,505</u>
Passed through the City of Plano:			
Justice Assistance Grant 2007	16.738	2007-DJ-BX-0167	50
Justice Assistance Grant 2008	16.738	2008-DJ-BX-0685	8,984
Justice Assistance Grant 2009	16.738	2009-DJ-BX-0586	5,345
FY 09 Recovery Act JAG Program	16.738	2009-SB-B9-1417	21,959
Total Passed through the City of Plano			<u>36,338</u>
Passed through the Office of the Governor's Criminal Justice Division:			
Stimulus (2009 ARRA) - Edward Byrne Memorial JAG Program	16.803	SU-09-A10-22619-01	91,960
Total Passed through the Office of the Governor's Criminal Justice Division			<u>91,960</u>
Total U. S. Department of Justice			<u>139,803</u>
<u>U. S. Center for Disease Control</u>			
Passed through Department of State Health Services:			
Tuberculosis 2009	93.116	2010-032858	144,992
Tuberculosis 2010	93.116	2011-035288	17,882
Tuberculosis Federal 2010	93.116	2010-034506	54,027
Immunization Outreach 2009	93.268	2010-031619	301,866
Immunization Outreach 2010	93.268	2011-035955	41,687
Preventive Health and Health Services Block Grant	93.991	2010-024481	19,843
Preventive Health and Health Services Block Grant	93.991	2011-035416	5,460
Total Passed through Department of State Health Services			<u>585,757</u>
Total U. S. Center for Disease Control			<u>585,757</u>

(continued)

COLLIN COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

(Continued)

YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grantor's Pass-through Number	Federal Expenditures
<u>U. S. Department of Health and Human Services</u>			
Passed through U. S. Department of Health and Human Services:			
Public Health Emergency Response FY 10	93.070	2010-033502	\$ 363,775
Bioterrorism FY 10	93.283	2009-031670-001	526,434
Bioterrorism Discretionary FY 10	93.283	2010-035021-001	1,303
Bioterrorism FY 11	93.283	2010-035446	118,296
City Readiness Initiative 10	93.283	2009-031670-001	132,350
City Readiness Initiative 11	93.283	2010-035576	29,203
Total Passed through U. S. Department of Health and Human Services			<u>1,171,361</u>
Passed through Texas Department of Protective and Regulatory Services:			
Title IV-E Foster Care (CPS) 2010	93.658	TJPC-E-043-09	2,886
Title IV-E Foster Care - Legal	93.658	2003033314	53,203
Total Passed through Texas Department of Protective and Regulatory Services			<u>56,089</u>
Total U. S. Department of Health and Human Services			<u>1,227,450</u>
<u>U. S. Department of Homeland Security</u>			
Passed through GDEM:			
Urban Area Security Initiative II 2007	97.008	2007-GE-T7-0024	86,123
Urban Area Security Initiative II 2008	97.008	2008-GE-T8-0034	145,648
State Homeland Security Program 2008	97.008	2008-GE-T8-0034	10,177
State Homeland Security Program 2009	97.008	2009-SS-T9-0064	27,905
CCP 2009	97.008	2009-SS-T9-0064	3,750
EMPG 2010	97.008	10TX-EMPG-0082	30,000
LETPP 2007	97.008	2007-GE-T7-0024	125,245
Total Passed through GDEM			<u>428,848</u>
Total U. S. Department of Homeland Security			<u>428,848</u>
Total Federal Awards			<u>\$ 3,959,464</u>

(continued)

COLLIN COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued) YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grantor's Pass-through Number	Federal Expenditures
STATE AWARDS			
<u>Texas Task Force on Indigent Defense</u>			
Indigent Defense Formula Grant	N/A	212-08-043	\$ 566,832
Indigent Defense Formula Grant	N/A	212-09-043	<u>338,664</u>
Total Texas Task Force on Indigent Defense			<u>905,496</u>
<u>State Comptroller of Public Accounts</u>			
Chapter 19 Election	N/A	N/A	85,243
Tobacco Compliance Grant	N/A	N/A	<u>16,186</u>
Total State Comptroller of Public Accounts			<u>101,429</u>
<u>Office of the Attorney General</u>			
Texas VINE Program	N/A	1011907	<u>30,108</u>
Total Office of the Attorney General			<u>30,108</u>
<u>Texas Commission on Environmental Quality</u>			
Passed through North Central Texas Council of Governments			
Solid Waste Implementation Project	N/A	10-04-G21	15,463
LIRAP	N/A	582-8-89950	<u>131,110</u>
Total Passed through North Central Texas Council of Governments			<u>146,573</u>
Total Texas Commission on Environmental Quality			<u>146,573</u>
<u>Texas Department of Transportation</u>			
RTR-Wylie Project	N/A	0918-24-171	<u>3,233,598</u>
Total Texas Department of Transportation			<u>3,233,598</u>
Total State Awards			<u>4,417,204</u>
Total Expenditures of Federal and State Awards			<u>\$ 8,376,668</u>

COLLIN COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

SEPTEMBER 30, 2010

1. GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all applicable federal and state awards programs of Collin County, Texas. The County's reporting entity is defined in Note 1 of the basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal and State Awards.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements.

COLLIN COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	2010-1
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	None
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Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster:
#10.557	U. S. Department of Agriculture - WIC
#93.070	U. S. Department of Health and Human Services - PHER
#93.268	U. S. Center for Disease Control - Immunization Outreach

Dollar threshold used to distinguish between type A and type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

Findings and Questioned Costs Related to Federal and State Awards

None

(continued)

COLLIN COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
SEPTEMBER 30, 2010

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

Item 2010-01:

Condition: While reviewing inventory, we noted that the inventory count and valuation performed by a third party did not agree to the general ledger.

Cause: The County performs their own counts of inventory as well as having a third party conduct counts. However, the County does not follow the inventory valuations all the way to the general ledger. In switching to a new procedure to adjust inventory on the general ledger that took effect on October 1, 2009, the County did not adjust the values as of September 30, 2010.

Effect: The general ledger was misstated by a material amount.

Recommendation: The final step to counting and valuing inventory should be to agree it to the general ledger. Management should review the test counts and valuations performed at year-end and make sure that the general ledger accurately reflects the inventory on hand within an immaterial amount.

Management's Response: A change in the inventory processes occurred in the prior year which required an adjustment to the beginning balance. This adjustment was not carried over in the general ledger in FY 2010 as it should have been, so an adjustment needed to be made. Procedures have been established to audit the inventory balance at the end of year to ensure that it is recorded properly in the future. This issue had no impact on grant funds.

Contact Person Responsible
for Corrective Action: Jeff May, County Auditor

Anticipated Completion
Date: October 1, 2010

COLLIN COUNTY, TEXAS

**SUMMARY SCHEDULE OF PRIOR YEAR
FINDINGS AND QUESTIONED COSTS**

SEPTEMBER 30, 2010

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

Item 2009-1:

Condition: While reviewing inventory, we noted that the inventory count and valuation performed by a third party did not agree to the general ledger.

Cause: The County performs their own counts of inventory as well as having a third party conduct counts. However, the County does not follow the inventory valuations all the way to the general ledger. In switching to a new procedure to adjust inventory on the general ledger that took effect on October 1, 2009, the County did not adjust the values as of September 30, 2009.

Effect: The general ledger was misstated by a material amount.

Recommendation: The final step to counting and valuing inventory should be to agree it to the general ledger. Management should review the test counts and valuations performed at year-end and make sure that the general ledger accurately reflects the inventory on hand within an immaterial amount.

Management's Response: Inventory control procedures for road materials were changed and improved effective October 1, 2009; however, an automated journal entry from the old procedures was not accrued. A journal entry was promptly entered during the audit and our new processes should prevent this from reoccurring.

Contact Person Responsible
for Corrective Action: Jeff May, County Auditor

Anticipated Completion
Date: October 1, 2009

Current Status: The County had the same issue for the year ended September 30, 2010.

(continued)

COLLIN COUNTY, TEXAS

**SUMMARY SCHEDULE OF PRIOR YEAR
FINDINGS AND QUESTIONED COSTS
(Continued)
SEPTEMBER 30, 2010**

Findings and Questioned Costs for Federal and State Awards

Item 2009-2: State of Texas Commission on Environmental Quality
Air Check Texas

Condition: The County did not perform its required duties as a pass-through entity.

Criteria: Per the State of Texas Uniform Grant Management Standards (UGMS), a pass-through entity shall perform the following for the state awards it makes:

1) Identify state awards made by informing each subrecipient of the state program name and state program number (if a number is used), CFDA title and number (if used to identify the state program), other relevant identifier, award name and number, award year, and name of state agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the state award.

(2) Advise subrecipients of requirements imposed on them by state laws, regulations, and the provisions of contracts or grant agreements, as well as any supplemental requirements imposed by the pass-through entity. The requirements shall either be stated in the contracts or grant agreements, or be included by specific reference in the contracts or grant agreements.

(3) Monitor the activities of subrecipients as necessary to ensure that state awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

(4) Ensure that subrecipients expending \$500,000 (for fiscal years ending after December 31, 2003) or more in state awards during the subrecipient's fiscal year have met the audit requirements of this audit circular for that fiscal year.

(5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

(continued)

COLLIN COUNTY, TEXAS

**SUMMARY SCHEDULE OF PRIOR YEAR
FINDINGS AND QUESTIONED COSTS
(Continued)
SEPTEMBER 30, 2010**

Findings and Questioned Costs for Federal and State Awards (Continued)

Item 2009-2: (Continued)

Criteria: (Continued)

(6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.

(7) Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this audit circular.

(8) When state awards are made with federal awards to a subrecipient, as required match, inform the subrecipient of the proportion of federal and state funds disbursed to the subrecipient to facilitate the subrecipient's separate calculations of expenditures of federal awards and state awards for its fiscal year.

(9) When state awards are made to a subrecipient to supplement federal awards, the state awards are not used to meet a federal matching requirement, and requirements of the state award differ from the requirements of the federal award (e.g., different activities are allowed or disallowed, or different allowable costs or cost principles are used), the pass-through entity shall also provide information as to the amount of each award to the recipient at the time the award is made to facilitate the subrecipient's accounting for and compliance with the requirements of each award during the term of such award.

(10) Identify, at the time of award, any state awards made which are part of a state cluster of programs.

Cause:

The County was not aware that the award passed through the County to North Central Texas Council of Governments (NCTCOG) was a grant from the State of Texas.

Effect:

The County did not perform their duties and responsibilities described above.

(continued)

COLLIN COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (Continued) SEPTEMBER 30, 2010

Findings and Questioned Costs for Federal and State Awards (Continued)

Item 2009-2: (Continued)

Recommendation:

We recommend the County review all contracts and awards coming from another governmental agency to determine if it is a grant. The County should also review all agreements funded by federal or state grants to ensure that all subrecipients of the County are properly notified of the origination of the grant funds, the requirements of the grants, and that they are properly monitored by the County.

Management's Response:

The Air Check Texas program has been monitored by the County as a contractual agreement in the past. All expenditures by the subrecipient, North Central Texas Council of Governments (NCTCOG), regarding the Air Check Texas program have been accounted for. In the future, the County will ensure that NCTCOG and any other subrecipients have met audit requirements of UGMS. We will immediately contact NCTCOG and obtain a copy of their most recent audit to ensure compliance with UGMS. The County will also monitor all future contracts and awards coming from other governmental agencies to determine if they are grants.

Contact Person Responsible
for Corrective Action:

Jeff May, County Auditor

Anticipated Completion
Date:

August 1, 2010

Current Status:

This matter has been resolved.

Item 2009-3:

U. S. Center for Disease Control
Immunization Outreach, CFDA #93.268

Condition:

The County was receiving reimbursement prior to making a payment to a vendor.

Criteria:

Per the A-133 Compliance Supplement under the Cash Management requirement, "When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government."

(continued)

COLLIN COUNTY, TEXAS

**SUMMARY SCHEDULE OF PRIOR YEAR
FINDINGS AND QUESTIONED COSTS**

(Continued)

SEPTEMBER 30, 2010

Findings and Questioned Costs for Federal and State Awards (Continued)

Item 2009-3: (Continued)

Cause: The County has a contract with a vendor stipulating that the County will reimburse the vendor a specified dollar amount for each immunization given. The vendor sends the County documentation on the immunizations given monthly. The County requests reimbursement from the Federal Government based on this documentation. The vendor only asks for payment from the County on a quarterly basis.

Effect: The County is being reimbursed on a monthly basis for expenditures that will not be paid until the end of the quarter.

Recommendation: We recommend that the County either ask the vendor to invoice them monthly or to request reimbursement from the Federal Government quarterly. In either scenario, the County should send a check to the vendor prior to submitting their reimbursement request to the Federal Government.

Management's Response: The pass-through agency, Department of State Health Services (DSHS), is notified on the Financial Statement Reimbursement Request (FSR) that the reimbursement for immunization services is being requested on a modified accrual basis of accounting. The County has been paying the vendor quarterly as stipulated in the contract with the vendor; however, the vendor has been invoicing the County monthly. The County will work with the vendor to revise the contract so that payments will be made monthly, and the County will no longer request reimbursement until payment has been made.

Contact Person Responsible
for Corrective Action: Jeff May, County Auditor

Anticipated Completion
Date: We will immediately cease requesting reimbursements on a modified accrual basis of accounting, and we will modify the contract effective September 1, 2010.

Current Status: This matter has been resolved.

(continued)

COLLIN COUNTY, TEXAS

**SUMMARY SCHEDULE OF PRIOR YEAR
FINDINGS AND QUESTIONED COSTS
(Continued)
SEPTEMBER 30, 2010**

Findings and Questioned Costs for Federal and State Awards (Continued)

Item 2009-4:

<u>Condition:</u>	While reviewing bank reconciliations, we noted that several agency fund reconciliations were not accurately completed and did not agree to the account balances on the general ledger.
<u>Effect:</u>	By not preparing bank reconciliations correctly, the County may not have an accurate picture of its cash balances at the end of each month. Also, a bank reconciliation that does not agree to the general ledger may indicate that funds are being misappropriated.
<u>Cause:</u>	The primary cause of this condition is poorly designed procedures. Department heads complete bank reconciliations and some of them may not have adequate training on how to reconcile bank balances to general ledger balances. Also, their work is not normally reviewed by the Internal Audit Department.
<u>Recommendation:</u>	We recommend bank reconciliations be initially prepared by an employee lower than the department head and then reviewed by the department head for accuracy. Employees charged with preparing bank reconciliations should be properly trained and should prepare the reconciliation as soon after the end of each month as possible. Also, the Internal Audit Department should review bank reconciliations on a sample basis and review all bank reconciliations at fiscal year-end.
<u>Management's Response:</u>	The County has changed its audit procedures to include a required review of all agency bank statements and reconciliations as part of its quarterly statutory required audits. This change has been assigned by the County Auditor, Jeff May, to Internal Audit. All quarterly audits are anticipated to be completed by September 30, 2010, including completion of bank reconciliations.
<u>Contact Person Responsible for Corrective Action:</u>	Jeff May, County Auditor
<u>Anticipated Completion Date:</u>	September 30, 2010
<u>Current Status:</u>	This matter has been resolved.