



MARTINEZ, ROSARIO & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MAVERICK COUNTY, TEXAS

**FINANCIAL AND COMPLIANCE REPORTS ON
FEDERAL GRANTS**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2013**

MAVERICK COUNTY, TEXAS

TABLE OF CONTENTS

FOR THE YEAR ENDED

SEPTEMBER 30, 2013

	<u>Page</u>
Independent Auditors' Report	1 – 2
Schedule of Expenditures of Federal Awards	3
Notes to Schedule of Expenditures of Federal Awards	4 – 5
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	6 – 7
Independent Auditors' Report on Compliance with Each Major Program and on Internal Control over Compliance Required By OMB Circular A-133	8 – 10
Schedule of Findings and Questioned Costs	11 – 27
Summary Schedule of Prior Audit Findings.....	28 – 35



INDEPENDENT AUDITORS' REPORT

Honorable County Judge and
Members of Commissioners' Court
Maverick County, Texas

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards for Maverick County, Texas (the "County") for the year ended September 30, 2013 and related notes to the Schedule of Expenditures of Federal Awards.

Management's Responsibility for the Schedule of Expenditures of Federal Awards

Management is responsible for the preparation and fair presentation of financial statements on the basis described in Note 1; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the schedule of expenditures of federal awards based on our audit. We conducted our audit 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards for the County for the year ended September 30, 2013 in accordance with the basis of presentation described in Note 1.

Emphasis of Matter

As discussed in Note 3 to the schedule of expenditures of federal awards, a total of eight current and former governing board members and employees of the Solid Waste Authority and the County including the former Landfill Manager, were indicted and arrested, on varying criminal charges including charges involving Solid Waste Authority and County Business. Of the eight individuals, one had all charges dropped during April 2013, two pled guilty during January 2013 and one pled guilty during May 2013. The former landfill manager pled guilty during June 2013. Our opinion is not modified with respect to these matters.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Martinez, Rosario & Company, LLP

Martinez, Rosario & Company, LLP
Certified Public Accountants
San Antonio, Texas

March 18, 2015

MAVERICK COUNTY, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

Federal/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Award Amount	Total Expenditures by Program
FEDERAL ASSISTANCE:					
U.S. DEPARTMENT OF JUSTICE					
Organized Crime Drug Enforcement Task Forces (OCDETF)	16.111	SW-TXW-0457	10/01/2012 to 09/30/2013	3,000	482
Organized Crime Drug Enforcement Task Forces (OCDETF)	16.111	SW-TXW-0564	06/01/2012 to 09/30/2012	2,000	164
Organized Crime Drug Enforcement Task Forces (OCDETF)	16.111	SW-TXW-0564	10/01/2012 to 09/30/2013	5,000	549
Organized Crime Drug Enforcement Task Forces (OCDETF)	16.111	SW-TXW-0631	06/01/2013 to 09/30/2013	1,500	-
					1,195
Passed-Through Criminal Justice Division of The State of Texas:					
Juvenile Justice and Delinquency Prevention Allocation to State (Border Hope)	16.540	2715101	09/01/2013 to 08/31/2014	35,000	1,975
Edward Byrne Memorial Justice Assistance Grant - BorderStar JAG	16.738	1983106	10/01/2012 to 09/30/2013	231,418	184,742
					186,717
Total for U.S. Department of Justice					187,912
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
High Intensity Drug Trafficking Areas Program (HIDTA)	95.001	G12SS0013A	01/01/2012 to 12/31/2013	48,494	37,510
High Intensity Drug Trafficking Areas Program (HIDTA)	95.001	G13SS0013A	01/01/2013 to 12/31/2014	23,277	7,289
					44,799
Passed-Through Middle Rio Grande Development Council Area Agency:					
Special programs for the Aging Title III, Part B Grants for Supportive Services and Senior Citizens - Elderly Nutrition Title III	93.044	AAA-2012-024-03	10/01/2012 to 09/30/13	215,468	215,468
					215,468
Passed-Through Texas Department of Aging and Disability Services:					
Social Services Block Grant Title XXXIX	93.667	001001465	10/01/2012 to 09/30/2013	197,010	174,849
					174,849
Total for U.S. Department of Health and Human Services					435,116
U.S. DEPARTMENT OF HOMELAND SECURITY					
Passed-Through Texas Department of Public Safety:					
Operation Stone Garden 2010	97.067	2010-SS-TD-0008	08/01/2010 to 4/30/2013	683,798	45,056
Operation Stone Garden 2011	97.067	EMW-2011-SS-0019	09/01/2011 to 5/31/2014	646,211	223,011
					268,067
Total for U.S. Department of Homeland Security					268,067
TOTAL FEDERAL ASSISTANCE					\$ 891,095

See notes to schedule of expenditures of federal awards.

MAVERICK COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County under programs of the federal governments for the year ended September 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County, it is not intended to, and does not present, the financial position, changes in net assets, or cash flows of the County.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

Revenue Recognition - Federal awards programs are reported in the County's financial statements as follows:

	<u>Amount</u>
Intergovernmental Revenue and Grants	\$ 1,209,526
Less:	
State Grants	(361,401)
Other	(3,024)
Add:	
Grants Recorded in Fiduciary Funds	<u>45,994</u>
Total Expenditures of Federal Awards	\$ <u>891,095</u>

Relationship to Federal Financial Reports - Amounts reported in the accompanying schedule may not agree with the amounts reported in the related Federal financial reports filed with grantor agencies because of different program year-ends, different methods of accounting (cash versus accrual basis), and estimates made by management.

MAVERICK COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – Continued
For the Year Ended September 30, 2013

NOTE 3: CONTINGENCIES

Federal Grants

The County received significant financial assistance from federal agencies in the form of grants and contracts. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant and/or contract agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of the County's Management, liabilities resulting from disallowed claims, if any, will not have a material adverse effect on the County's financial position at September 30, 2013.

Other Matters

The following are indictments against former and current County employees and vendors doing business with the County. These matters are part of an ongoing law enforcement investigation and the outcome or impact to the County is not currently determinable.

- A total of eight current and former governing board members and employees of the Solid Waste Authority and the County including the former County Commissioners for Precinct 1, Precinct 2, Precinct 4, and the former Landfill Manager, were indicted and arrested, on varying criminal charges including charges involving Solid Waste Authority and County Business. Of the eight individuals, one had all charges dropped during April 2013, two pled guilty during January 2013 and one pled guilty during May 2013. The former landfill manager pled guilty during June 2013. In late February 2015, he was sentenced to 65 months in federal prison followed by 3 years of supervised release. The former Assistant County Auditor was sentenced to nine years in federal prison followed by 3 years of supervised release. Former Precinct 1 Commissioner was sentenced to 10 years in federal prison followed by 3 years of supervised release. Former Precinct 2 Commissioner was also sentenced to 10 year in federal prison followed by 3 years of supervised release. Former Precinct 4 Commissioner was sentenced to 10 years in federal prison followed by 3 years of supervised release.
- The current County Commissioner for Precinct 3 was arrested in February 2015 and charged with four counts of receiving bribes.



**INDEPENDENT AUDITORS' 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 County Judge and
Members of Commissioners Court
Maverick County, Texas

We 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, the business-type activities, each major fund, and the aggregate remaining fund information of Maverick County, Texas (the "County") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 18, 2015. The County does not have adequate accounting records for cash accounts, accounts receivable, and accounts payable all internal due to/due from amounts, capital assets, debt transactions, and self-insurance liabilities as of September 30, 2013, and the related revenues, expenditures, expenses and transfers in and out for the year then ended. The County's financial statements do not report and disclose sufficient information in regards to capital assets and related depreciation expense, its debt transactions, and self-insurance liabilities. Furthermore, we were unable to obtain written representations from management of the County as required by generally accepted auditing standards. Since the County's accounting records are inadequate, and we were not able to apply other auditing procedures to satisfy ourselves as to its cash accounts, accounts receivable, accounts payable, capital assets, all of its internal due to/due from amounts, its debt transactions, and self-insurance liabilities and related revenues, expenditures, expenses and transfers in and out, and since we were unable to obtain written representations from management of the County the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on these financial statements.

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) to determine 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.

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 described in the accompanying

schedule of findings and questioned costs, we identified certain deficiencies in internal control 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 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. We consider the deficiencies described in Findings 2013-01, 2013-02, 2013-03, 2013-04 and 2013-05 in the accompanying schedule of findings and questioned costs to be material weaknesses. 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.

Compliance and Other Matters

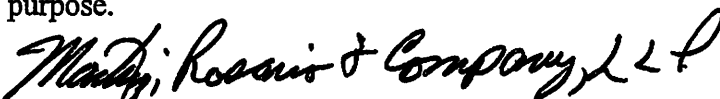
As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 2013-01, 2013-03, 2013-04, 2013-05 and 2013-06.

County's Response to Findings

The County did not provide us with responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Questioned Costs.

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.



Martinez, Rosario & Company, LLP
Certified Public Accountants
San Antonio, Texas

March 18, 2015



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

Honorable County Judge and
Members of Commissioners Court
Maverick County, Texas

Report on Compliance for Each Major Federal Program

We have audited Maverick 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 programs for the year ended September 30, 2013. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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 on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with those requirements.

Basis for Qualified Opinion on Major Programs

As described in Findings 2013-07 and 2013-08 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with the requirements denoted below:

Finding #	CFDA#	Program (or Cluster) Name	Compliance Requirement
2013-07	97.067	Operation Stone Garden	Equipment and Real Property Management
2013-08	93.044	Special Programs for the Aging Title III, Part B Grants	Reporting

Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

Qualified Opinion on Major Programs

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the compliance requirements referred to above that could have direct and material effect on to each of its major federal programs for the year ended September 30, 2013.

Other Matters

The results of our auditing procedures also disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2013-09. Our opinion on each major federal program is not modified with respect to these matters.

County's Response to Findings

The County did not provide us with responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Questioned Costs.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 over compliance that we consider to be material weaknesses.

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 the 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2013-07 and 2013-08 to be material weaknesses.

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.

County's Response to Findings

The County did not provide us with responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Questioned Costs.

Purpose of this Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martinez, Rosario & Company, LLP

Martinez, Rosario & Company, LLP
Certified Public Accountants
San Antonio, Texas

March 18, 2015

**MAVERICK COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2013**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statement:

Type of auditors' reports:

Disclaimer of Opinion – Governmental and business activities, each major governmental fund, the aggregate remaining governmental funds information, the major proprietary fund for the Water Utility Operations, the aggregate remaining non-major proprietary funds information, and the Agency Funds.

Qualified Opinions – Proprietary Major Funds Maverick County Public Facility Corporation (MCPFC), and MCPFC Detention Center

Unmodified Opinions – Proprietary Major Fund Maverick County Solid Waste Authority and the Schedule of Expenditures of Federal Awards.

Internal control over financial reporting:

- Material weakness(es) identified? _____ ✓ _____ Yes _____ No
- Significant deficiency(ies) identified? _____ Yes _____ ✓ _____ None Reported
- Noncompliance material to financial statements noted? _____ ✓ _____ Yes _____ No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? _____ ✓ _____ Yes _____ No
- Significant deficiency(ies) identified? _____ Yes _____ ✓ _____ None Reported

Type of auditors' report issued on compliance for major programs:

Qualified – Operation Stonegarden

Qualified – Special Programs for the Aging Title III, Part B Grants

**MAVERICK COUNTY, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS – Continued
 For the Year Ended September 30, 2013**

SECTION I - SUMMARY OF AUDITORS' RESULTS - Continued

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

Yes No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.044	Special Programs for the Aging Title III, Part B Grants
97.067	Operation Stonegarden

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

MAVERICK COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended September 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2013-01

County-wide Accounting, Internal Controls and Financial Reporting Deficiencies

Type of Finding: Material Weakness and Material Non-Compliance

Condition and Context:

1. **Deficient Accounting Records** -- During our audit, we noted significant errors in cash, interfund receivable and payables, accounts receivable, capital assets, accounts payable, self-insured liabilities, and related revenues, expenditures, expenses and transfers in and out, and journal entries that caused the financial statements to be materially misstated.

During our testing of Bank Reconciliations, we noted the County did not review and reconcile bank accounts timely, nor had proper supervisory approvals as of September 30, 2013.

During our testing of journal entries, MRC noted the County generated many journal entries during the fiscal year 2013 that evidence or supervisory reviews and approvals was not determinable.

Interfund receivables and payables between funds should be short-term in nature. During our audit, we noted that the interfund receivable and payable balances, for the most part, were not short-term, but were the resulting balance of several transactions that had occurred over time and had not been settled between the borrowing and the lending funds. As of September 30, 2012, the County had approximately \$29,000,000 of interfund balances which had not been adjusted in several years and had not be funded or liquidated. During the fiscal year ended September 30, 2013, the County Auditor wrote off approximately \$18,000,000 of interfund balances. These write-offs were not approved by the Commissioners Court, which is necessary, as they are the originators of the transfers.

MAVERICK COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended September 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

Finding 2013-01 – Continued

2. **Materially Weak Financial Reporting Process** - During our audit, we noted that no period-end closing procedures existed to ensure that transactions were recorded in the appropriate accounting period resulting in prior period restatements of \$90,740 for governmental activities and \$428,921 for business type activities and \$91,643 for total governmental funds and \$428,921 for total proprietary funds. We also noted that no review and approval process existed as part of the financial statement preparation process to ensure the accuracy of journal entries, account reconciliations and financial statements and related disclosures. In addition, the County has consistently failed to close their books in a timely manner a clear indication of a materially weak period end and closing process. The County failed to close the books for fiscal year 2013 in a timely manner. The industry norm is to close the books within 2 to 3 months of year end. The County finally closed their books on September 23, 2014, almost one year after the year end. Also the County continued to propose material adjustments as late as March 18, 2015.
3. **Budget Monitoring Process is Not Effective** – For the year ended September 30, 2013, expenditures exceed revenues by \$1,433,065
4. **Poor Cash Controls** - During our audit of the County, we noted that there was no evidence indicating whether bank reconciliations were prepared on a timely basis and there was no evidence of supervisory review or approval of the bank reconciliations. We also noted that formal bank reconciliations were not prepared for many Agency cash accounts held by elected officials.
5. **No Monitoring and Reporting of County's Risk Financing Liabilities** - The County has three self-insurance programs including workers compensation, general and auto liability and health. During our audit, we noted that no process existed to track or record the liability associated with the County's self-insurance programs. We also noted that the County was unable to provide sufficient information to disclose the County's risk financing in accordance with accounting principles generally accepted in the United States of America.

**MAVERICK COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended September 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

Finding 2013-01 – Continued

6. **Improper Capital Asset Financial Reporting** - We noted that the assets referred to above were not properly placed into service and depreciated accordingly. No detail was provided for fixed assets nor any records available at the time audit occurred. Capital assets acquired with prior year and current year grant funds are not being properly maintained in an inventory list or physically inventoried on a periodic basis, by the County.

Criteria:

1. **Deficient Accounting Records** - Adequate accounting records should be kept to ensure the accurate reporting of financial statement information. In addition, interfund receivables and payables are short term in nature, the receivable and payable balances should be settled at the end of each month. Also, interfund receivables and payables should be reconciled as of the end of each month so that all payable amounts agree to corresponding receivable amounts. Maverick County should have a policy in place to write off old receivables. All journal entries should be reviewed and approved prior to general ledger posting. Month-end and year-end closing procedures should be maintained and followed to ensure proper and accurate reporting of financial statements.
2. **Materially Weak Financial Reporting Process** - The County must have procedures in place to ensure that transactions are recorded in the appropriate accounting period. The County must also have procedures in place to ensure appropriate review and approval of all journal entries, account reconciliations, financial statements and related notes that are prepared in connection with the month and year-end closing process on a timely basis.
3. **Budget Monitoring Process is Not Effective** - County budget policies and procedures should be adhered to.
4. **Poor Cash Controls** - The County is required to prepare bank reconciliations for all cash accounts on a monthly basis. This includes Agency cash accounts held in the name of the County or by any County official. This responsibility is held by the County Treasurer. Maverick County should have a policy in place to escheat stale dated checks for outstanding checks. The County is required to properly put internal controls on cash accounts in place. The County must have policies whereby only County authorized and empowered officials and employees open and close bank accounts.

**MAVERICK COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended September 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

Finding 2013-01 – Continued

5. **No Monitoring and Reporting of County's Risk Financing Liabilities** - In accordance with GASB Codification Section C50.145, the County is required to track its self-insurance liability in order to estimate its liability for unpaid claims. The County should also provide sufficient information to disclose required information in accordance with accounting principles generally accepted in the United States of America.
6. **Improper Capital Asset Financial Reporting** - Capital assets should be presented in the appropriate section of the Government-Wide Statement of Net Assets to which they relate, and should be presented in the appropriate funds to which they relate. Additionally, capital assets, once placed into service, should be classified as such in the County's financial statements and depreciation expense incurred during the year should be presented in the Government-Wide Statement of Activities as well as the Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Assets. The County is required to maintain a capital asset inventory list which includes capital assets purchased with grant funds.

Effect:

1. **Deficient Accounting Records** - The County's financial statements could not be audited and may be misstated. Also, if interfund receivable and payable balances are not settled on a monthly basis, the interfund balances will continue to grow, calling into question the borrowing funds' ability to repay the amount that it received. Also, failure to reconcile payable and receivable amounts could result in interfund receivable or payable amounts being misstated. Lack of journal entry supervisory reviews and approval materially weakens internal controls. The County failure to close their books in a timely manner could and has resulted in noncompliance of grant and other funding sources requirements.
2. **Materially Weak Financial Reporting Process** - Failure to record transactions in the appropriate accounting period and failure to review accounting transactions could result in misstated financial statements as well as financial statements that cannot be audited.
3. **Budget Monitoring Process is Not Effective** - Failure to monitor the appropriated budget on a regular basis will cause poor or no budget management and control and leads to the severe budget deficits as have been recurring annually.

MAVERICK COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended September 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

Finding 2013-01 – Continued

4. **Poor Cash Controls** - Failure to prepare and review bank reconciliations on a timely basis could result in the misstatement or misappropriation of cash. Also, cash account balances are not fairly stated if the outstanding checks consist of checks and deposits with stale dates. Unauthorized open and closing of bank accounts could result in fraud or abuse in regards to the County's cash accounts.
5. **No Monitoring and Reporting of County's Risk Financing Liabilities** - Liabilities and expenses associated with unpaid self-insurance claims may not be recorded properly in the County's financial statements. Also, without proper monitoring tools and processes for managing its risk financing, the County risks incurring significant liabilities or contingencies without its knowledge or control. In addition, the County's risk financing may not be properly disclosed which will cause a GAAP departure.
6. **Improper Capital Asset Financial Reporting** - Failure to present capital assets in the proper activity or fund of the County's financial statements will result in the financial statements being misstated. Failure to record depreciation will result in an understatement of expense and an overstatement of assets. County operating results will also be misstated. Failure to maintain a list of capital assets purchased with prior year grant funds expended may result in material noncompliance with grant requirements.

Cause:

1. **Deficient Accounting Records** -- Deteriorating operating results are restricting the ability of funds to pay interfund borrowings. Errors in certain accounts receivable, accounts payable and failure to prepare reconciliations are results of inadequate supervision and review of finance staff by the County Auditor as well as lack of finance staff training.
2. **Materially Weak Financial Reporting Process** - Inadequate supervision and review of finance staff by the County Auditor as well as the lack of finance staff training.
3. **Budget Monitoring Process is Not Effective** -- Failure of the County Auditor to produce materially accurate monthly financial reporting results in an ineffective budget to actual monitoring process.
4. **Poor Cash Controls** -- The County Treasurer did not performing this function for the year ended September 30, 2013, as is required. The County Auditor's office is performing this function; however, there is a lack of finance staff training and related supervisory review in the County Auditor's office.

**MAVERICK COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended September 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

Finding 2013-01 – Continued

5. **No Monitoring and Reporting of County's Risk Financing Liabilities - Failure of the County Auditor to design and implement a process for tracking and recording the self-insurance liabilities in accordance with business practices and the County has a GAAP departure.**
6. **Improper Capital Asset Financial Reporting - Inadequate review of financial statements by the County Auditor. Prior County Auditor lost the detailed capital assets records for inventory control and depreciation expense. Current County Auditor has not corrected this matter during his term from September 2012 through March 18, 2015.**

Recommendation:

1. **Deficient Accounting Records - The County should revise all of its fiscal management, financial reporting and fiscal operation to correct all material weaknesses noted in the "Condition and Context" section. Also, the County should analyze all interfund receivables and payables to identify balances that will be repaid and then implement a plan to settle those amounts. For any balances that will not be repaid, the County should reclassify the interfund balances as permanent transfers of equity. Also, on a monthly basis, the County should reconcile all interfund receivable and payable accounts. The reconciliation should be prepared within 30 days of the end of each month, signed, and dated by the preparer. The reconciliation should also be reviewed by the supervisor of the preparer who should also sign and date the reconciliation to indicate review and approval. In addition, the County should also provide more training for finance staff in the area of interfund payables and receivables as well as interfund transfers. MRC recommends that the County establishes a policy that ensure Receivables to be collected or written off during a monthly closing process and a policy of correctly expensing items in the proper period during the monthly closing process. All journal entries must have a documented supervisory review and approval process. The County must implement a proactive strategy to close the books monthly and yearly in a timely manner.**
2. **Materially Weak Financial Reporting Process - The County should design and put into place procedures to ensure that all transactions are recorded in the appropriate accounting period. The County should also ensure that journal entries, account reconciliations, financial statements and related notes are properly reviewed and approved in connection with the month and year-end closing process.**

**MAVERICK COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended September 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

Finding 2013-01 – Continued

3. **Budget Monitoring Process is Not Effective** – The County must develop and implement a process whereby on a monthly basis, budget to materially correct actual results are presented to the Commissioners' Court and District Judges for review. Significant variances should be investigated and any expected budget overages should be approved.
4. **Poor Cash Controls** - The County must ensure that bank reconciliations are prepared for all cash accounts within 45 days of the end of the month and that the reconciliations are signed and dated by the preparer. The reconciliations must be reviewed by the supervisor of the preparer and they must be signed and dated by the reviewer to provide evidence of supervisory review. In addition, the County should provide more training for finance staff regarding bank reconciliation procedures. Also, the County should establish a policy to review outstanding checks and deposits periodically; especially to determine whether the check needs to be escheated to the state. All voided checks should have proper supporting documentation showing the reason why the check was voided and who authorized to void the check. The County should establish a policy to close the bank account and ensure the ending balance is transferred to another account and properly recorded in the book. The County should implement the necessary policies and procedures in regards to the establishment and closure of bank accounts to prevent fraud or abuse.
5. **Monitoring and Reporting of County's Risk Financing Liabilities** - The County should implement a process to monitor and track the liabilities and expenses for unpaid claims associated with its self-insurance programs and ensure that they are managed and correctly recorded on a timely basis throughout the year. The County should also obtain all the required information needed to disclose the County's risk financing properly in its financial statements.
6. **Improper Capital Asset Financial Reporting** – The County should review its policies and procedures to ensure that capital assets are properly classified in the appropriate categories for the financial statement reporting. The County should ensure that capital assets are presented appropriately in the Government-Wide and Fund financial statements. The County should also ensure that capital assets, once placed into service, are appropriately classified as such in the Government-Wide and Fund financial statements and that depreciation expense is appropriately calculated and reflected in the financial statements. Also, the County must develop detailed capital asset records for the purpose of inventory control for financial reporting and grant compliance purposes. In addition, the County should generate detailed capital assets depreciation records.

**MAVERICK COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended September 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

Finding 2013-02

Expenditures, Expenses and Accounts Payable

Type of Finding: Material Weakness

Condition and Context:

During our testing of accounts payable, we noted the County did not record their accounts payable expenditures properly. The County recorded a payable in excess of \$150,000 in the incorrect period. An adjustment was made to increase accounts payable and increase expenses.

Criteria:

The County is required to properly record accounts payable in the proper period.

Effect:

Lack of effective internal controls over the expenditure process could lead to unauthorized and unbudgeted expenditures.

Cause:

Lack of adequate policies, procedures and internal control practices. Also, the County Auditor did not perform adequate supervision and review.

Recommendation:

The County should establish a policy that will be utilized to generate, review and approve all accounts payable in the correct period. All expenditures must have a properly approved purchase order and invoice support. Stronger controls over properly recording expenses in the correct period must be developed and implemented.

**MAVERICK COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended September 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

Finding 2013-03

Lack of Debt Monitoring and Compliance

Type of Finding: Material Weakness and Material Non-Compliance

Condition and Context:

We were unable to test the County's compliance with the debt covenants for Series 2011B and Series 2012 Tax Notes due to a lack of adequate accounting records for the County debt transactions. The monies for 2012 Tax Notes are being utilized as loans to other County funds.

Criteria:

In accordance with the Series 2011B and Series 2012 Tax Notes Bond Covenants, the County was restricted as to the use of the those bond proceeds.

Effect:

The County will not be in compliance with debt covenants and could be considered in default of the debt.

Cause:

Lack of knowledge of staff regarding bond requirements. No bond compliance monitoring. Poor financial reporting and accounting processes and the lack of internal controls as noted in Finding 2013-01.

Recommendation:

We recommend the County develop and implement policies and procedures for the adequate maintenance of accounting records, appropriate financial reporting and overall debt compliance monitoring to ensure compliance with all requisite bond covenants

**MAVERICK COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended September 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

Finding 2013-04

Gas Cards

Type of Finding: Material Weakness and Material Non-Compliance

Condition and Context:

During our audit of County expenditures and expenses, we noted the lack of utilization of gas card invoices for payment support. All payments for gas card usage is based on gas card statements without the corresponding detailed invoices and appropriate supervisory and review approvals by department heads prior to payment. Currently if the gas usage is budgeted it is paid for without any supervisory reviews and approvals as to reasonableness and propriety.

Criteria:

All County officials and employees must comply with County policies.

Effect:

The County's failure to properly monitor gas cards has led to misuse and abuse of gas cards.

Cause:

Lack of enforcement of County's policy and lack of internal controls.

Recommendation:

We recommend the County review its policies to strengthen internal controls over gas cards and credit cards. The policy should be revised to include the process of obtaining approval from the department manager or supervisor prior to payment of the gas card invoices. Also, the County should develop a method to track all gas cards issued to employees to ensure cards are only in the hands of active and authorized County employees. We also recommend the County revise its policies to include the process of obtaining from the employee and deactivating gas cards upon termination of employment.

**MAVERICK COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended September 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS – Continued

Finding 2013-05

Pledged Collateral

Type of Finding: Material Weakness and Material Non-Compliance

Condition and Context:

The County is required to comply with the Public Funds Collateral Act (the Act). The County was not in compliance since the following requirements of the Act were not followed:

1. As a State of Texas local government entity, the County must secure its deposits of its public funds with a financial institution and collateralized in accordance with the Act.
2. Its funds should be collateralized with eligible securities the total value of which equals at least 102 percent of the amount of the deposits of public funds covered by a security agreement.
3. The County must monitor its activities for compliance with the Act, periodically.

Criteria:

The County must comply with all requisite State of Texas laws.

Effect:

The County's public funds are at risk should there financial institutions fail.

Cause:

The County does not have an ongoing process to monitor compliance with the Act.

Recommendation:

The County should develop and implement a policy to ensure compliance and monitoring with the Act.

**MAVERICK COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended September 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

Finding 2013-06

Compliance and Other Matters

Condition and Context:

1. A total of eight current and former governing board members and employees of the Solid Waste Authority and the County including the former County Commissioners for Precinct 1, Precinct 2, Precinct 4, and the former Landfill Manager, were indicted and arrested, on varying criminal charges including charges involving Solid Waste Authority and County Business. Of the eight individuals, one had all charges dropped during April 2013, two pled guilty during January 2013 and one pled guilty during May 2013. The former landfill manager pled guilty during June 2013. In late February 2015, he was sentenced to 65 months in federal prison followed by 3 years of supervised release. The former Assistant County Auditor was sentenced to nine years in federal prison followed by 3 years of supervised release. Former Precinct 1 Commissioner was sentenced to 10 years in federal prison followed by 3 years of supervised release. Former Precinct 2 Commissioner was also sentenced to 10 year in federal prison followed by 3 years of supervised release. Former Precinct 4 Commissioner was sentenced to 10 years in federal prison followed by 3 years of supervised release.
2. The current County Commissioner for Precinct 3 was arrested in February 2015 and charged with four counts of receiving bribes.

The above investigations by law enforcement officials are currently ongoing and their effect or impact on the County is not determinable.

Criteria:

All County officials and employees must comply with requisite laws.

Effect:

Materially weak internal controls led to numerous instances of material noncompliance.

Cause:

The collusion by County elected officials, management and employees for their personal benefit and to conduct illegal practices.

Recommendation:

The County should develop and implement stronger policies and procedures to prevent and detect any future misconduct.

**MAVERICK COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended September 30, 2013**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2013-07

Equipment and Real Property Management

CFDA Number: 97.067 - Operation Stone Garden

Federal Award Number: Various

Federal Award Year: Various

Federal Agency: U.S. Department of Homeland Security

Pass-through entity – Texas Department of Public Safety

Type of Finding: Material Weakness and Material Noncompliance

Criteria or Specific Requirement:

Per OMB Circular A-110, Section 34, recipients of grant funds should maintain accurate equipment records for equipment purchased with grant funds. Also, a physical inventory of equipment shall be taken and the results reconciled with equipment records at least once every two years.

Condition and Context:

During our testing of Single Audit, we inquired with the staff and were informed that the County did perform a periodic equipment and real property management physical inventory; however, the County does not maintain sufficient detailed inventory records of their capital assets. We did note that the County maintains a subsidiary inventory ledger for purchases made with the Operation Stone Garden grant; however, due to the lack of adequate historical capital asset records this has not been properly reconciled.

Questioned Costs: N/A

Effect:

By not complying with the requirements, the County is at risk of losing its future grant funding.

Cause:

Failure to maintain historical and accurate detailed capital assets records.

Recommendation:

We recommend that the County provide additional training to its staff regarding federal grant management regulations to ensure the County is complying with the Operation Stone Garden requirements regarding equipment and real property management. Also, the County must rebuild its historical capital asset records details and have these details verified for accuracy with detailed historical grant expenditures records.

**MAVERICK COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended September 30, 2013**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – Continued

Finding 2013-08

Reporting

CFDA Number: 93.044 – Special programs for the Aging Title III, Part B Grants

Federal Award Number: AAA-2012-024-03

Federal Award Year: 2013

Federal Agency: U.S. Department of Health and Human Services

Pass-through entity – Middle Rio Grande Development Council

Type of Finding: Material Weakness and Material Noncompliance

Criteria or Specific Requirement:

Per OMB Circular A-133, the Special programs for the Aging Title III, Part B Grants programs are required to complete the SF-425, Federal Financial Report on a quarterly basis,

Condition:

There was no evidence that SF-425 quarterly reports were submitted or prepared.

Questioned Costs: \$215,468

Context:

During our testing of Special programs for the Aging Title III, Part B Grants, we noted that the County did not submit SF-425 quarterly reports during the fiscal year ended September 30, 2013.

Effect:

The County violated grant requirements by failing to prepare and file the quarterly *Federal Financial Reports* in a timely manner.

Cause:

Inadequate controls over compliance related to the preparation and monitoring of reporting requirements. Also the condition noted in Finding 2013-08 below contributed to this material weakness and noncompliance.

Recommendation:

We recommend that the County monitor the process to ensure that required reports are completed and submitted timely for the Special programs for the Aging Title III, Part B Grants program. This should include monitoring of reporting requirements to ensure the program requirements are met.

**MAVERICK COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended September 30, 2013**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – Continued

Finding 2013-09

Financial Reporting and Accounting

Type of Finding: Material Weakness

Condition:

All findings from 2013-01 – 2013-06, as described above, are conditions causing material weaknesses in internal control over compliance. See Section II Financial Statement Findings for a detailed discussion of the above findings.

Criteria:

The County should have strong financial reporting, accounting procedures and internal controls in order to ensure compliance with grant requirements.

Effect:

By failing to establish proper financial reporting, accounting procedures and internal controls, the County could fail to comply with grant requirements. See Finding 2013-06 and 2013-07 for material noncompliance with grant requirements.

Cause:

Weak oversight and ineffective performance of duties by the County Auditor. Lack of overall adherence to the County's policies and procedures. Inadequate supervision and review of fiscal staff, as well as, the lack of fiscal staff training.

Recommendation:

The County should review and revise their accounting policies and procedures and controls to ensure financial reporting and accounting related records maintenance and internal controls are sufficient to enable material compliance with grant requirements.

**MAVERICK COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2012-01

Monthly Financial Reporting

Type of Finding: Material Weakness and Material Non-Compliance

Condition and Context:

During our audit of the County, we noted that the County Auditor was not presenting monthly financial reports to the Commissioners' Court in accordance with Texas Local Government Code sections 114.024 and 114.025.

Status: This finding was cleared in the current audit.

Finding 2012-02

County-wide Accounting, Internal Controls and Financial Reporting Deficiencies

Type of Finding: Material Weakness and Material Non-Compliance

Condition and Context:

1. **Deficient Accounting Records** – During our audit, we noted errors in cash, certain intergovernmental receivable, interfund receivable and payables, accounts receivable, accounts payable, inventory and journal entries that caused the financial statements to be misstated.

During our testing of Intergovernmental Receivables, MRC noted 3 accounts which contain receivables dating back to 2008 in the amount of \$441,743. These amounts were written off and adjusted as a prior period restatement as of September 30, 2011.

During our testing of Accounts Receivable, MRC noted 1 transaction in the amount of \$152,004 that was posted to the wrong account. These amounts were reclassified to the correct account. MRC also noted 1 account which contains receivables dating back to 2010 in the amount of \$32,665. These amounts were written off and adjusted as a prior period restatement as of September 30, 2011.

During our testing of Journal Entries, MRC noted 14 out of 25 journal entries did not have proper supervisory review and approval. In addition, the County generated another

**MAVERICK COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS – Continued

Finding 2012-02 – Continued

5,426 journal entries totaling to \$325,954,207 during the fiscal year 2012 that evidence or supervisory reviews and approvals was not determinable.

Interfund receivables and payables between funds should be short-term in nature. During our audit, we noted that the interfund receivable and payable balances, for the most part, were not short-term, but were the resulting balance of several transactions that had occurred over time and had not been settled between the borrowing and the lending funds. We also noted that reconciliations of interfund payables to interfund receivables were not prepared in order to ensure that the two amounts properly nets to zero in the County's financial statements. During our testing of the Interfund Accounts, MRC noted 452 Interfund Accounts in which 225 Due from Accounts and 227 Due to Accounts. Analysis shows large interfund balances which have not been adjusted in several years and will not be funded or liquidated.

2. **No Financial Reporting Process** - During our audit, we noted that no period-end closing procedures existed to ensure that transactions were recorded in the appropriate accounting period resulting in prior period restatements of \$1,449,923 for governmental activities and \$2,640 for business type activities and \$1,449,923 for total governmental funds and \$2,640 for total proprietary funds. We also noted that no review and approval process existed as part of the financial statement process to ensure the accuracy of journal entries, account reconciliations and financial statements and related disclosures.
3. **No Budget Monitoring** - During the course of our audit, we noted that actual expenditures exceeded budgeted expenditures by \$1,402,623. We also noted that accurate and timely budget reporting is not occurring, that budget to actual results do not appear to be monitored by anyone, and that amended budgets are not prepared and approved when it is determined actual expenditure amounts will exceed budgeted amounts.
4. **Poor Cash Controls** - During our audit of the County, we noted that there was no evidence indicating whether bank reconciliations were prepared on a timely basis and there was no evidence of supervisory review or approval of the bank reconciliations. We also noted that formal bank reconciliations were not prepared for any Agency cash accounts held by elected officials.

**MAVERICK COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

Finding 2012-02 – Continued

During our testing of bank reconciliations, MRC noted that there were a total of 343 outstanding checks dated over 90 days old, with a cumulative amount of \$309,932 as of September 30, 2012. The oldest check dated 01/21/1994. MRC also noted there were a total of 31 outstanding deposits over 90 days old, dated 9/30/2010 with a cumulative amount of \$14,900 as of September 30, 2012.

MRC also noted there were 24 bank accounts were closed. An adjustment of \$39,625 was needed to appropriately close the accounts. In addition, there were differences between bank reconciliation book balance and general ledger amounted to \$34,604.

During the audit, it was noted that the payroll department is printing blank payroll checks that have been pre-signed. In addition, the County has no controls or processes for opening or closing bank accounts. MRC noticed clerical personnel were opening and closing accounts with no supervision.

5. **No Monitoring and Reporting of County's Risk Financing Liabilities** - The County has three self-insurance programs including workers compensation, general and auto liability and health. During our audit, we noted that no process existed to track or record the liability associated with the County's self-insurance programs. We also noted that the County was unable to provide sufficient information to disclose the County's risk financing in accordance with accounting principles generally accepted in the United States of America. MRC made adjustments to properly record self-insurance liabilities which consisted of a current year adjustment of \$793,701 to adjust expenditures to current year claims.
6. **Improper Capital Asset Financial Reporting** - We noted that the assets referred to above were not properly placed into service and depreciated accordingly. No detail was provided for fixed assets nor any records available at the time audit occurred. Capital assets acquired with prior year and current year grant funds are not being properly maintained in an inventory list or physically inventoried on a periodic basis, by the County.

Status: This finding was repeated in the current audit with Finding 2013-01.

**MAVERICK COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

Finding 2012-03

Expenditures, Expenses and Accounts Payable

Type of Finding: Material Weakness and Material Non-compliance

Condition and Context:

During our testing of expenditures, we noted 5 did not agree to the supporting documentation, 25 had no proper approval, and 8 (part of) expenditure was not for an obligation incurred during the fiscal year. We also noted no proper approval for the use of gas card.

Status: This finding was repeated in the current audit with Finding 2013-02.

Finding 2012-04

Lack of Debt Monitoring and Compliance

Type of Finding: Material Weakness and Material Non-Compliance

Condition and Context:

We were unable to test the County's compliance with the debt covenants for Series 2011B and Series 2012 Tax Notes due to a lack of adequate accounting records for the County debt transactions.

Status: This finding was repeated in the current audit with Finding 2013-03.

Finding 2012-05

Gas Cards

Type of Finding: Material Weakness and Material Non-Compliance

Condition and Context:

During our audit of County expenditures and expenses, we noted the lack of utilization of gas card invoices for payment support. All payments for gas card usage is based on gas card statements without the corresponding detailed invoices and appropriate supervisory and review approvals by department heads prior to payment. Currently if the gas usage is budgeted it is paid for without any supervisory reviews and approvals as to reasonableness and propriety.

Status: This finding was repeated in the current audit with Finding 2013-04.

**MAVERICK COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

Finding 2012-06

Compliance and Other Matters

Condition and Context:

1. The former County Purchasing Agent and the current Precinct 1 Foreman were arrested October 11, 2012. The Foreman is related to the County Commissioner for Precinct 4. They were charged with two counts of wire fraud and one count of theft concerning programs receiving federal funds. These charges involved their work with County. The Foreman pled guilty on January 24, 2013. Charges against the County Purchasing Agent were dropped on April 11, 2013.
2. A vendor was arrested October 11, 2012. The vendor is charged with two counts of wire fraud and one count of theft concerning programs receiving federal funds.
3. The County Commissioner for Precinct 2 was arrested on October 18, 2012, on cash smuggling and money laundering charges. None of the charges appear to involve his work with the County. On January 23, 2013, the County Commissioner was indicted in connection with an alleged bribery, kickback and bid-rigging scheme involving his work with the County.
4. The former Assistant County Auditor was arrested on November 2, 2012, in connection with an alleged bribery scheme involving her work with the County. She pled guilty on January 24, 2013 and will be sentenced on March 31, 2014.
5. A current employee was arrested on November 8, 2012, on a charge of receiving bribes in his role as a liaison between the County and private contractors hired to perform work for the County. He pled guilty on January 24, 2013.
6. A contractor pled guilty on November 29, 2012 to a theft charge related to a scheme to steal more than \$17,000 in Maverick County funds.
7. The County Commissioner for Precinct 1 was arrested on December 6, 2012, in connection with an alleged bribery, kickback and bid-rigging scheme involving his work with the County. He resigned his position on March 1, 2013 and pled guilty on May 2, 2013. He will be sentenced on April 8, 2014.
8. A probation officer who also works as a general contractor was arrested December 12, 2012, on a charge of fraud and bribery. He pled guilty on May 2, 2013.

**MAVERICK COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

Finding 2012-06 – Continued

9. A general contractor was arrested on December 20, 2012 on three counts of paying bribes to get contract work. He pled guilty on March 12, 2013.
10. The Justice of the Peace of Precinct 2 was arrested on January 11, 2013, in connection with engaging in original criminal activity and theft by a public servant.
11. The County Commissioner for Precinct 4 was arrested on January 17, 2013, in connection with an alleged bribery, kickback and bid-rigging scheme involving his work with the County. He resigned his position on March 15, 2013 and pled guilty on September 5, 2013.
12. A contractor was arrested on April 11, 2013, on two counts of bribery.
13. The former Landfill manager, who tendered his resignation on January 8, 2013, was arrested on April 11, 2013, on one count of possessing forged securities and one count of theft. The indictment alleges the former Landfill Manager forged County checks to himself worth \$62,000.
14. A contractor was arrested on April 18, 2013 on one count of bribery.
15. A contractor was indicted on June 13, 2013 and pled guilty on December 5, 2013 for paying Maverick County Precinct 2 Commissioner approximately \$57,000 in return awarding the contract.
16. Seco Mines Community Center Director was arrested on October 22, 2013 after state authorities executed a warrant for his arrest on one charge of credit card abuse. He is being accused of using Maverick County fuel cards to re-fuel his personal vehicle(s).
17. Three Eagle Pass businessmen indicted in connection with Maverick County Bribery, Kickback, and Bid –Rigging Scheme on November 21, 2013. Two businessmen charged with one count of paying bribe and one businessman charged with one count of aiding and abetting theft concerning programs with one count of aiding and abetting theft concerning programs receiving federal funds.

**MAVERICK COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

Finding 2012-06 – Continued

The above investigations by law enforcement officials are currently ongoing and their effect or impact on the County is not determinable.

Status: This finding was repeated in the current audit with Finding 2013-06.

Finding 2012-07

Equipment and Real Property Management

CFDA Number: 16.753 - Congressionally Recommended Awards
Federal Award Number: Various
Federal Award Year: Various
Federal Agency: U.S. Department of Justice
Pass-through entity - Criminal Justice Division of The State of Texas

CFDA Number: 97.067 - Operation Stone Garden
Federal Award Number: Various
Federal Award Year: Various
Federal Agency: U.S. Department of Homeland Security
Pass-through entity - N/A

Type of Finding: Material Weakness and Material Noncompliance

Criteria or Specific Requirement:

Per OMB Circular A-110, Section 34, recipients of grant funds should maintain accurate equipment records for equipment purchased with grant funds. Also, a physical inventory of equipment shall be taken and the results reconciled with equipment records at least once every two years.

Condition:

During our testing of Single Audit, we inquired with the staff and were informed that the County does not perform periodic equipment and real property management physical inventories nor maintain detailed inventory records of their equipment purchased with grant funds.

Status: This finding was repeated in the current audit with Finding 2013-07.

**MAVERICK COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

Finding 2012-08

Allowable Costs

CFDA Number: 97.067- Operation Stone Garden
Federal Award Number: Various
Federal Award Year: Various
Federal Agency: U.S. Department of Homeland Security
Pass-through entity – N/A
CFDA Title: Operation Stone Garden

Type of Finding: Material Weakness and Material Noncompliance

Expenditures

Criteria or Specific Requirement:

The Grant award contains an authorized budget. In order to adhere to a budget, a system for purchase order must be maintained.

Condition:

During our testing of expenditures, 3 out of 20 expenditures did not have a properly approved purchase orders.

Status: This was not a recurring issue in the current year.

Finding 2012-09

Financial Reporting and Accounting

Type of Finding: Material Weaknesses

Condition and Context:

All findings from 2012-01 – 2012-06, as described above, are conditions causing material weaknesses in internal control over compliance. See Section II Financial Statement Findings for a detailed discussion of the above findings.

Status: This finding was repeated in the current year with Finding 2013-09.