

FRANKLIN COUNTY, TEXAS

Single Audit Reports Under
OMB Circular A-133

For the year ended December 31, 2012

**FRANKLIN COUNTY, TEXAS
SINGLE AUDIT REPORTS UNDER OMB CIRCULAR A-133
FOR THE YEAR ENDED DECEMBER 31, 2012**

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August 16, 2013

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 Judge and County Commissioners
Franklin County, Texas

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Franklin County, Texas, as of and for the year ended December 31, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 16, 2013. 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 Franklin 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 Franklin 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 was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. As noted below, we identified deficiencies in internal control that we consider to be significant deficiencies or 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 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 found the following material weakness:

Material prior period adjustments were made to the County's financial statements.

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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. We found the following deficiency in the County's internal control to be considered a significant deficiency:

We were not able to complete a full court ticket test in the Justice of the Peace's office due to the lack of documentation.

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 required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Franklin County in a separate letter dated August 16, 2013. This report is intended solely for the information and use of the County Judge, the County's management, the Commissioners' Court, others within the entity, and 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.

Respectfully Submitted,
CONWAY COMPANY CPAs, PC

Conway Company CPAs, P.C.



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August 16, 2013

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

Honorable Judge and Commissioners
Franklin County, Texas

Report on Compliance for Each Major Federal Program

We have audited Franklin County's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Franklin County's major federal programs for the year ended December 31, 2012. Franklin County's major federal programs are identified in the summary of auditor's 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 each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Franklin 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 Franklin 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 of Franklin County's compliance with those requirements.

Opinion

In our opinion, Franklin County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

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Report on Internal Control Over Compliance

Management of Franklin County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Franklin County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, 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 Franklin County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

This report is intended solely for the information and use of management, the County Judge and Commissioners, others within the entity, 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.

Respectfully Submitted,

CONWAY COMPANY CPAs, P.C.

Conway Company CPAs, P.C.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FRANKLIN COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Section I. Summary of Auditors' Results:

Financial Statements

1. Type of auditors' report issued on the financial statements Unqualified
2. Internal control over financial reporting:
- Material weakness(es) identified? ___X___ Yes ___ No
- Reportable condition(s) identified that are not considered to be material weakness(es)? ___ Yes ___X___ No
3. Noncompliance material to financial statements noted? ___ Yes ___X___ No

Federal Awards

4. Internal controls over major program:
- Material weakness(es) identified? ___ Yes ___X___ No
- Reportable condition(s) identified that are not considered to be material weakness(es)? ___ Yes ___X___ No
5. Type of auditors' report compliance for major program Unqualified
6. Did the audit disclose findings that are required to be reported under Sec. 501(a)? ___ Yes ___X___ No

7. Major programs include:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Texas Historic Commission	N/A

8. Dollar Threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as low-risk auditee: ___ Yes ___X___ No

Section II. Financial Statement Findings

- 12-01 Material prior period adjustments were made to the County's financial statements.
- 12-02 Insufficient backup was noted in court ticket test of Justice of the Peace's office. Additional testing was conducted to verify court tickets including dismissed case confirmations and Judge's approval of dismissed cases. No discrepancies were noted in the additional testing.

Section III. Federal Award Findings and Questioned Costs:

None

**FRANKLIN COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding/Recommendation

11-01 Material prior period adjustments were made to the financial statements.

11-02 Not all cash accounts were booked.

Current Status

11-01 Transactions resulting in prior period adjustments were not duplicated.

11-02 All material bank accounts were recorded.

Management Explanation
If Not Implemented

N/A

**FRANKLIN COUNTY, TEXAS
CORRECTIVE ACTION PLAN
DECEMBER 31, 2012**

<u>Finding</u>	<u>Plan</u>
12-01	The County does not anticipate material prior period adjustments for the next fiscal year.
12-02	The County Auditor will review the procedures and policies of the Justice of the Peace's office and make recommendations.

FRANKLIN COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
DECEMBER 31, 2012

Federal Grantor/Pass-Through Grantor Program Title	ARRA	Federal CFDA Number	Pass-Through Grantor's Number	Program Expenditures
FEDERAL AWARDS:				
<u>HOUSING AND URBAN DEVELOPMENT</u>				
<i>Passed through Texas Department of Agriculture</i>				
Texas Community Development Block Grant				
		14.228	CDGM 71200	\$ 217,325
TOTAL DEPARTMENT OF HOMELAND SECURITY				<u>217,325</u>
TOTAL FEDERAL AWARDS				<u>217,325</u>
STATE AWARDS:				
<u>TEXAS HISTORIC COMMISSION</u>				
Courthouse Preservation - Interior				
			N/A	416,395
TOTAL TEXAS HISTORIC COMMISSION				<u>416,395</u>
<u>TEXAS HISTORIC COMMISSION</u>				
Courthouse Preservation - Exterior				
			N/A	592,831
TOTAL TEXAS HISTORIC COMMISSION				<u>592,831</u>
<u>TEXAS TASK FORCE ON INDIGENT DEFENSE</u>				
Indigent Defense				
			N/A	9,750
TOTAL TEXAS TASK FORCE ON INDIGENT DEFENSE				<u>9,750</u>
TOTAL STATE AWARDS				<u>1,018,976</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS				<u>\$ 1,236,301</u>

**FRANKLIN COUNTY, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
DECEMBER 31, 2012**

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal and state financial assistance programs of Franklin County ("County"). The County's reporting is defined in Note A to the basic financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included in the schedule.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.