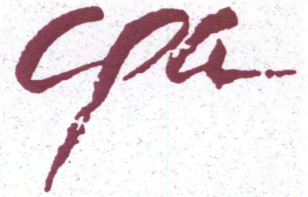


COUNTY OF NUECES, TEXAS

MANAGEMENT LETTER

SEPTEMBER 30, 2014



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MEMBER
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Texas Society of Certified Public Accountants

March 27, 2015

The Honorable Judge and Commissioner's Court
County of Nueces, Texas

We have audited the accompanying financial statements of the County of Nueces, Texas, for the year ending September 30, 2014 of which our report was dated March 27, 2015, thereon. As part of our examination, we made a study and evaluation of the county's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The administration of the County of Nueces, Texas, is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

In addition, our study and evaluation made for the limited purpose described in the first paragraph, would not disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the County of Nueces, Texas, taken as a whole.

Our study and evaluation disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements of the County of Nueces, Texas, may occur and not be detected within a timely period.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our examination of the September 30, 2014 accompanying financial statements, and this letter does not affect our report on these financial statements issued March 27, 2015.

**MONTHLY CLOSE-OUT PROCEDURES/OUTSTANDING CHECKS/TIMELY DEPOSITS
COMPUTERIZED RECEIPTS**

Finding No. ML2014-001. As mentioned in the prior audits, various county departments had outstanding checks over one year old, some checks were up to several years old. The following departments had outstanding checks during the year:

	1 year	2 years	4 years
1. County Sheriff: Jail Trust Acct	x		
2. District Clerk: Registry, Non Interest Trust, Child Support	x	x	x
3. County Treasury: Payroll Clearing Acct, Expense Clearing Acct	x	x	x

Recommendation No. ML2013-001.

For accountability purposes, we recommend that all outstanding checks be reviewed and outstanding checks should be voided or reissued according to Nueces County Escheating Policy and/or analyze the appropriate action for those funds.

Management Response ML2014-001:

Auditors office response: We agree with this recommendation. We will continue to work with all departments that have stale dated checks and get them to remit to treasury in a timely manner. We will prioritize departments which have checks that are over three years and now reportable to the state.

Finding No. ML2014-002. During our review of the monthly reports, we noted various monthly revenue reports were submitted late to the County Auditor. List as follows:

	1 – 15 days late	16 – 30	over 30
1. County Clerk, Fee Account – late once	x		
2. District Attorney, Hot Check – late 8 times	x	x	
3. District Attorney, Victim Restitution – late once		x	
4. County Sheriff, Inmate Trust Account – late four times	x		x
5. County Sheriff, Bond Account – late once	x		
6. Constable Precinct 4 – late once	x		
7. Constable Precinct 5 – late twice	x		
8. Justice of the Peace, Precinct 1, Place 1 – late once			x
9. Justice of the Peace, Precinct 2, Place 2 – late 5 times	x		
10. Justice of the Peace, Precinct 4 – late 3 times	x		
11. Justice of the Peace, Precinct 5-1 – late twice	x		x
12. Justice of the Peace, Precinct 5-2 – late 3 times	x		
13. District Clerk, Registry Accounts I & II – late once	x		
14. District Clerk, Criminal Bond Registry – late once	x		
15. District Clerk, Invested Trust Accounts – late twice	x		
16. District Clerk, Child Support – late once	x		
17. District Clerk, Fee Operating Account – late twelve times	x	x	x

Recommendation No. ML2014-002. For internal control and accountability purposes, monthly revenue reports should be submitted on a timely basis.

Management Response ML2014-002:

Auditors office response: We will continue to keep close communication with the departments to ensure reports are submitted timely. Monthly Reporting status will continue to be reported to the commissioner court.

Finding No. ML 2014-003. As mentioned in prior audits, during our expenditure testing, we noted a sample of our invoices were 1. not stamped “paid”, and 2. purchase orders were dated after the invoice date.

Recommendation No. ML2014-003. For accountability and internal control purposes, purchase orders must first be obtained in order to insure sufficient funds are available and expenditures are within budget. Invoices should be stamped “Paid”, even when paid with a Pcard. Blanket purchase orders should be issued for utility bills and reoccurring expenditures but monitored during the year.

Management Response ML2014-003:

Auditors office response to invoices not stamped “paid”: We will continue to work as a paperless environment by scanning invoices into our financial system as they arrive and no longer forwarding most of the paper invoices to process for payment. Therefore, the item sampled was an imaged copy not paper and cannot be marked by accounts payable staff. Also our financial system does not currently carry any resources to mark images “paid” after posting payments.

Auditors office response to purchase orders dated after the invoice date: We will continue to address this issue annually with the responsible departments. A memorandum will be sent out again to the departments with their instances cited explaining the proper procedures and the county purchasing policy with acquisitions.

Finding No. ML2014-004. As mentioned in the prior audits, we noted a lack of internal controls for the reconciling and/or verifying the accuracy of daily/monthly sales. During our testing, there were 9 instances where no daily “Send Report” was able to be located in the supporting documentation provided and 3 instances where no Oracle invoice by inmate was located. When reports were obtained, there were differences between invoices and reports.

Recommendation No. ML2014-004. For internal controls and accountability purposes, we recommend that the Sheriff’s Office personnel obtain and reconcile the following reports for every invoice received: 1. Keefe invoice spreadsheet, 2. Keefe Oracle invoice by inmate by item and 4. Daily “Send Report” generated by onsite Keefe commissary personnel. Sheriff’s Office personnel should report any variance to management.

Management Response ML2014-004:

Auditors office response: Sheriff’s office has agreed to follow recommended procedures.

Finding No. ML2014-005. As mentioned in the prior audit, during our testing of the County Sheriff’s bank accounts, we noted disbursement checks were paid via a single signature. In the post audit period, we noted this had been rectified.

Recommendation No. ML2014-005. For accountability and internal control purposes, it is recommended that disbursement checks obtain two signatures before being disbursed.

Management Response ML2014-005:

Auditors office response: We agree with this recommendation. Sheriff is adhering to recommendation.

Finding No. ML2014-006. During our audit testing of cash, we noted that the following departments had a different ending monthly reconciliation balance, than they had for the following month's beginning reconciliation balance. This occurred in February and March in the County Treasury payroll clearing account, January and February in the County Treasury purchasing card account, July and August in the Justice of the Peace, Precinct 2-2 criminal fees account, which is reconciled by the County Clerk, and July and August in the Sheriff Department's Federal Narcotics account.

Recommendation No. ML2014-006. For internal controls and accountability purposes, reconciliations should be reviewed by management to ensure accurate beginning and ending balances are being maintained.

Management Response ML2014-006:

Auditors office response: We agree with this recommendation. In most cases, the departments were immediately notified and reports were immediately revised and resubmitted.

Finding No. ML2014-007. As mentioned in prior audits, we noted that the District Clerk's Office was not current in the reconciliation of the Operating Account. In the post audit period, the month of Sept 2014 was reconciled in Dec. 2014.

Recommendation No. ML2014-007. For internal controls and accountability purposes, reconciliations should be done on a timely basis to ensure accurate balances.

Management Response ML2014-007:

Auditors office response: We will continue to keep in communication with District Clerks office in order to determine a more efficient way to submit their monthly report.

Finding No. ML2014-008. During our audit testing of cash, we noted that the Tax Assessor Collector's Office had three accounts; the General Service account, the Motor Vehicle account, and the Satellite Port Aransas account where they were not posting all items in the QuickBooks system, and therefore not included in the QuickBooks bank reconciliation that was submitted to the internal auditor's office.

Recommendation No. 2014-008. For internal controls and accountability purposes, reconciliations should be reviewed by management to ensure complete and accurate reconciliations are being submitted to the internal auditor's office.

Management Response ML2014-008:

Auditors office response: We agree with recommendation. Motor Vehicle and General Services accounts have been updated. We will work with Tax office staff to resolve pending items in the Satellite Port Aransas account.

Finding No. ML2014-009. During our audit testing of cash, we noted that the Sheriff Cash Bond account receipt books had receipt numbers that were not posted into QuickBooks, and therefore were not included in the Cash Bonds & Fines Receipt Report.

Recommendation No. ML2014-009. For internal controls and accountability purposes, all receipts should be entered into QuickBooks, whether used, missing or voided. Voided receipts should be signed by individual voiding the receipt, and then confirmed and signed off by management.

Management Response ML2014-009:

Auditors office response: We will work with Sheriff Cash Bond account staff to establish the proper controls on receipts.

Finding No. ML2014-010. During our audit testing of cash, we noted that the Sheriff's Federal Narcotics account had invoices dated June, 2014, which were not paid until September, 2014. We, also, noted that a check was issued on July 31, 2014, and four checks were voided in July, of which none were entered into the accounting software in July.

Recommendation No. ML2014-010. For internal controls and accountability purposes, it is recommended that invoices be paid on a timely basis. We, also, recommend all checks issued or voided be entered into the accounting software in the proper month to ensure accurate financials and to demonstrate accountability in ledgers and reports.

Management Response ML2014-010:

Auditors office response: We will review monthly reports for any untimely payments. We will communicate any untimely paid invoices to management.

Finding No. ML2014-011. During our audit testing of unrecorded liabilities, we noted 21 invoices dated in the fiscal year ended September 30, 2014, that were not recorded in the correct fiscal year. Of the 21 invoices there were 10 different departments, of which 9 departments had 1 or 2 invoices addressed to them, with the other 9 invoices being addressed to the Department of Human Services.

Recommendation No. ML2014-011. For internal controls and accountability purposes, we recommend a strict adherence to the purchase order system, as well as timely submission of all invoices to the internal auditor's office to ensure all expenditures are taken to the correct fiscal year and necessary budget amendments are made on a timely basis.

Management Response ML2014-011:

Auditors office response: We agree with the recommendation. We currently have a purchase order system restriction of no prior year purchase order can be created after October 1. We will continue to remind departments to timely submit purchase order requests for any anticipated expenditures within a certain timeframe. This will ensure proper reporting for the year end financial statements.

Finding No. ML2014-012. During our audit testing of the County's vendor listings, we noted 3 W-9's could not be found, as well as 3 addresses on the W-9's did not match the vendor list.

Recommendation No. ML2014-012. For internal controls and accountability purposes, we recommend that the vendor list and W-9's be reviewed for accuracy before the 1099's are created and submitted to the vendors and IRS.

Management Response ML2014-012:

Auditors office response: We agree with the recommendation. We will perform random self-audits to compare vendor list to W-9s to ensure information is accurate.

Finding No. ML2014-013. During our audit of the employee files, we noted not all files included an Employee Handbook Acknowledgement Form.

Recommendation No. ML2014-013. For internal controls and accountability purposes, we recommend all payroll documentation be maintained in each applicable employee file.

Management Response ML2014-013:

Auditors office response: We agree with the recommendation. We have requested the CSCD department to include the Employee Handbook Acknowledgement Form with the New Hire paperwork submitted to the Auditor's office for processing.

Finding No. ML2014-014. As mentioned in prior audits, the County had adopted a Fraud Policy for compliance purposes on September 28, 2011. It was noted that County-wide and compliance procedures were not fully established.

Recommendation No. ML2014-014. For compliance purposes, the County's various departments should continue with its individual compliance procedures to adhere to the Fraud Policy. It is also recommended the County Auditor's office perform compliance testing of that Policy. Post audit activity is being implemented.

Management Response ML2014-014:

Auditors office response: We agree with the recommendation. Internal Control System Questionnaires were sent to all county departments to be filled out, signed, and returned; however, only 38.8% responded. Continued efforts will be taken to obtain completed questionnaires from all departments.

Finding No. ML2014-015. As mentioned in the prior audit, we noted that a request for reimbursement of expenditures for Homeland Security Grant Programs were being processed late and that proper and timely information regarding expenditures, as well as requests for reimbursement to the grantor are not being submitted to the auditor's office in a timely manner for processing.

Recommendation No. ML2014-015. For internal control and accountability purposes, we recommend that information regarding grant activities be submitted to the County Auditor's office on a timely basis in order for the grant ledgers to properly reflect accurate balances at any given time. We also recommend the submission of requests for reimbursement to funding sources to be submitted on a timely basis as well.

Management Response ML2014-015:

Auditors office response: We agree with the recommendation. We will work with the department managing the grant in effort to get the necessary documents submitted to our department on a timelier manner.

Finding No. ML2014-016. During the audit, it was, also, noted that the ledgers were not posted timely for the Stonegarden Grant Program, Funds 2411, 2412, and 2413, due to late submission of documentation by sub grantors to the County Auditor's office. It was, also, noted that the sub recipients were not monitored during the fiscal year. Requests for reimbursement are being submitted late to grantor.

Recommendation No. ML2014-016. For internal control and accountability purposes, we recommend that documentation from all sub-recipients be obtained on a monthly basis so the grant ledgers can reflect accurately, transactions incurred. Sub-recipients should be monitored at least quarterly to ensure that grant operations are being conducted properly, and that reimbursement for expenditures are being submitted to funding sources timely and accurately.

Management Response ML2014-016:

Auditors office response: We agree with the recommendation. We will work with the department managing the grant in effort to get the necessary documents submitted to our department on a timelier manner.

Finding No. ML2014-017. During our audit, we noted that expenditures for the HIV Prevention Grant, Fund 2594, as posted in the ledger, are not in agreement with amounts reported in the Financial Reports submitted to the grantor.

Recommendation No. ML2014-017. For accountability and internal control purposes, it is recommended that Financial Reports submitted to grantor be carefully reviewed to ensure that amounts reported, as well as budgeted categories are in agreement with grant ledger.

Management Response ML2014-017:

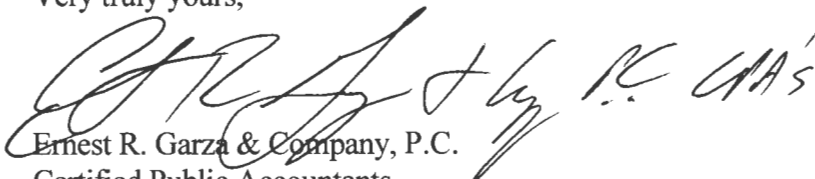
Auditors office response: We agree with recommendation. We will double check the figures and review more carefully the Financial Reports prior to submitting to the Grantor.

As our normal practice following an audit, we are presenting our findings and recommendations to assist management in fulfilling its responsibility to maintain an adequate system of internal accounting controls, your principal safeguard against irregularities.

Although our comments have been reviewed with the County's management, we are pleased to provide further information or discuss any questions you might have regarding the contents of this letter.

We would like to take this opportunity to express our appreciation for the courtesy and cooperation extended to us by the public officials and the employees of the County of Nueces, Texas, during this audit.

Very truly yours,


Ernest R. Garza & Company, P.C.
Certified Public Accountants