

COUNTY OF HIDALGO, TEXAS

**INDEPENDENT AUDITORS'
REPORT**

SINGLE AUDIT

December 31, 2006



Burton McCumber & Cortez, L.L.P.
Certified Public Accountants & Management Consultants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Commissioners' Court
and Honorable District Judges
County of Hidalgo, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of County of Hidalgo, Texas, (the County), as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items 06-1, 06-2 and 06-03.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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 also noted certain other matters that we reported to the management of the County in a separate letter dated June 19, 2007.

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

This report is intended solely for the information and use of the management of the County, 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.

Barton McClure & Cooney, LLP

McAllen, Texas
June 19, 2007



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Commissioners' Court
and Honorable District Judge
County of Hidalgo, Texas

Compliance

We have audited the compliance of the County of Hidalgo, 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 are applicable to each of its major federal programs for the year ended December 31, 2006. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the 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 the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended December 31, 2006, and have issued our report thereon dated June 19, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial

statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of the County, 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.

Burton Mc Cabe & Coats, L.L.P.

McAllen, Texas
June 19, 2007



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH THE STATE OF TEXAS
SINGLE AUDIT CIRCULAR**

The Honorable Commissioners' Court
and Honorable District Judges
County of Hidalgo, Texas

Compliance

We have audited the compliance of the County of Hidalgo, Texas (the County) with the types of compliance requirements described in *the State of Texas Single Audit Circular* that are applicable to each of its major state programs for the year ended December 31, 2006. The County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *the State of Texas Single Audit Circular* and Those standards and *the State of Texas Single Audit Circular* 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 state program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

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The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

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Benton McAllen & Co., LLP

McAllen, Texas
June 19, 2007

COUNTY OF HIDALGO, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2006

GRANT NUMBER	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ STATE GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/STATE EXPENDITURES	PASS THROUGH AMOUNT TO SUBRECIPIENTS
<u>FEDERAL AWARDS</u>				
<u>PRIMARY GOVERNMENT</u>				
<u>U.S. Department of Agriculture</u>				
<u>Passed Through the Texas Department of State Health Services</u>				
7460007176-2006-07	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 5,946,598	\$ -
2007-020869-01	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	1,914,119	-
746007176-2006-07	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	218,649	-
2007-020869-01	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	72,563	-
			<u>8,151,929</u>	<u>-</u>
	Total Passed Through Texas Department of State Health Services		<u>8,151,929</u>	<u>-</u>
	Total U.S. Department of Agriculture		<u>\$ 8,151,929</u>	<u>\$ -</u>
<u>U.S. Department of Justice</u>				
<u>Direct Programs</u>				
2003-LB-BX-0501	Local Law Enforcement Block Grant	16.592	\$ 8,673	\$ -
			<u>8,673</u>	<u>-</u>
2006-AP-BX-0698	State Criminal Alien Assistance Program	16.606	-	-
			<u>-</u>	<u>-</u>
2005-DJ-BX-0284	Bulletproof Vest Partnership Program	16.607	14,473	-
			<u>14,473</u>	<u>-</u>
2001SHWX0636	COPS in School (14)	16.710	69,439	-
2004ULWX0008	COPS Universal Hiring (15)	16.710	563,408	-
			<u>632,847</u>	<u>-</u>
2005-DJ-BX-0284	Edward Byrne Memorial Justice Assistance Grant Period	16.738	98,089	-
DJ-05-A10-18148-01	Edward Byrne Memorial Justice Assistance Program	16.738	296,314	-
			<u>394,403</u>	<u>-</u>
	Total U.S. Department of Justice Direct Programs		<u>1,050,396</u>	<u>-</u>
<u>Passed Through Texas Office of Criminal Justice</u>				
JB-04-J20-13378-07	Juvenile Accountability Incentive Block Grant	16.523	28,866	-
JB-07-J20-13378-08	Juvenile Accountability Incentive Block Grant	16.523	20,794	-
SF-06-J20-16304-04	Juvenile Accountability Incentive Block Grant	16.523	94,514	-
			<u>144,174</u>	<u>-</u>
JA-05-J21-14716-07	Juvenile Justice and Delinquency Prevention Allocation to State	16.540	25,300	-
			<u>25,300</u>	<u>-</u>
0717-2006-DD-BX-05	Texas Border Sheriff's Coalition (Federal Portion)	16.580	8,137	-
			<u>8,137</u>	<u>-</u>
	Total Passed Through Texas Office of Criminal Justice		<u>177,611</u>	<u>-</u>
<u>Passed Through Texas Department of Family and Protective Services</u>				
9901-0424	Local Law Enforcement Block Grant Program	16.592	641	-
			<u>641</u>	<u>-</u>
	Total Passed Through Texas Department of Family and Protective Services		<u>641</u>	<u>-</u>
	Total U.S. Department of Justice		<u>\$ 1,228,648</u>	<u>\$ -</u>

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006

GRANT NUMBER	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ STATE GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/STATE EXPENDITURES	PASS THROUGH AMOUNT TO SUBRECIPIENTS
<u>Executive Office of the President for National Drug Control Policy</u>				
I4PSSP573Z	Edward Byrne Memorial Formula Grant Program	16.579	\$ 6,500	\$ -
I5PSSP573Z	Edward Byrne Memorial Formula Grant Program	16.579	425,412	-
I6PSSP573Z	Edward Byrne Memorial Formula Grant Program	16.579	317,676	-
N/A	Edward Byrne Memorial Formula Grant Program	N/A	176,740	-
			926,328	-
	Total Executive Office of the President for National Drug Control Policy		\$ 926,328	\$ -
<u>U.S. Department of Health and Human Services Passed Through Texas Department of State Health Services</u>				
7460007176-2006-01	Project Grants and Cooperative Agreements for Tuberculosis Control Program	93.116	\$ 325,236	\$ -
			325,236	-
7460007176-2006-03	Immunization Grants	93.268	258,722	-
2007-021278-02A	Immunization Grants	93.268	85,785	-
			344,507	-
7460007176-2006-06	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	93.283	793,548	-
7460007176-2006-09	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	93.283	145,749	-
			939,297	-
N/A	Child Support Enforcement	93.563	291,613	-
04-C0118	Child Support Enforcement	93.563	332	-
			291,945	-
7460007176-2006-02	Preventive Health and Health Services - Block Grant	93.991	75,917	-
7460007176A-2007-01	Preventive Health and Health Services - Block Grant	93.991	28,597	-
7460007176-2006-08	Preventive Health and Health Services - Block Grant	93.991	3,553	-
			108,067	-
7460007176-2006-05	Maternal and Child Health Services Block Grant to the States	93.994	531,425	-
2007-020494-01	Maternal and Child Health Services Block Grant to the States	93.994	151,361	-
			682,786	-
N/A	Medical Assistance Program	93.778	51,794	-
N/A	Medical Assistance Program	93.778	9,031	-
N/A	Medical Assistance Program	93.778	5,764	-
N/A	Medical Assistance Program	93.778	-	-
			66,589	-
	Total Passed Through Texas Department of State Health Services		2,758,427	-
<u>Passed Through Texas Juvenile Probation Commission</u>				
TJPC-E-2006-108	Foster Care Title IV-E	93.658	680,909	-
TJPC-E-2007-108	Foster Care Title IV-E	93.658	124,932	-
TJPC-E-2006-108	Foster Care Title IV-E	93.658	616,853	-
TJPC-E-2007-108	Foster Care Title IV-E	93.658	255,576	-
			1,678,270	-
	Total Passed Through Texas Juvenile Probation Commission		1,678,270	-
<u>Passed Through Texas Department of Family & Protective Services</u>				
2003113060	Foster Care Title IV - E	93.658	2,980	-
2003113060	Foster Care Title IV - E	93.658	471	-
2003113134	Foster Care Title IV - E	93.658	44,276	-
2003113134	Foster Care Title IV - E	93.658	11,526	-
			59,253	-
	Total Passed Through Texas Department of Family & Protective Services		59,253	-
	Total U.S. Department of Health and Human Services		\$ 4,495,950	\$ -

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006

GRANT NUMBER	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ STATE GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/STATE EXPENDITURES	PASS THROUGH AMOUNT TO SUBRECIPIENTS
<u>U.S. Department of Homeland Security</u>				
<u>Direct Programs</u>				
EMT-2005-CA-0113	Cooperating Technical Partners	97.045	\$ 185,514	\$ -
			185,514	-
	Total U.S. Department of Homeland Security Direct Programs		185,514	-
<u>Passed Through Division of Emergency Management</u>				
<u>Office of the Governor</u>				
Fema 1624	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	21,060	-
			21,060	-
2003-SHSP-48215	Interoperable Communications Equipment	97.055	325,825	-
			325,825	-
2004-HSGP-48215	State Homeland Security Program (SHSP)	97.073	202,949	-
2005-HSGP-48215	State Homeland Security Program (SHSP)	97.073	111,451	-
			314,400	-
2004-HSGP-48215	Law Enforcement Terrorism Prevention Program (LETPP)	97.074	1,831	-
2005-HSGP-48215	Law Enforcement Terrorism Prevention Program (LETPP)	97.074	-	-
			1,831	-
2005 BZPP-48215	Buffer Zone Protection Plan (BZPP)	97.078	45,415	-
			45,415	-
	Total Passed Through Division of Emergency Management Office of the Governor		708,531	-
	Total U.S. Department of Homeland Security		\$ 894,045	\$ -
<u>U.S. Elections Assistance Commission</u>				
<u>Passed Through Office of the Secretary of State</u>				
N/A	HAVA County Education Fund	39.011	\$ 9,000	\$ -
			9,000	-
N/A	HAVA Voting System Accessibility	90.401	3,470	-
N/A	HAVA General Compliance	90.401	17,145	-
N/A	HAVA General Compliance- Additional	90.401	797,589	-
			818,204	-
	Total Passed Through Office of the Secretary of State		827,204	-
	Total U.S. Elections Assistance Commission		\$ 827,204	\$ -
<u>U.S. Department of Transportation</u>				
<u>Passed Through the Texas Department of Transportation</u>				
586XF5006	State and Community Highway Safety	20.600	\$ 25,194	\$ -
			25,194	-
N/A	Alcohol Traffic Safety & Drunk Driving Prevention Incentive Grant	20.601	3,576	-
			3,576	-
	Total Passed Through the Texas Department of Transportation		28,770	-
	Total U.S. Department of Transportation		\$ 28,770	\$ -
	TOTAL PRIMARY GOVERNMENT		\$ 16,552,874	\$ -

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006

GRANT NUMBER	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ STATE GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/STATE EXPENDITURES	PASS THROUGH AMOUNT TO SUBRECIPIENTS
<u>URBAN COUNTY</u>				
<u>U.S. Department of Housing and Urban Development (HUD)</u>				
<u>Direct Programs</u>				
B-98-UC48-0501	Community Development Block Grant - 24th Year	14.218	\$ 122	\$ 122
B-99-UC48-0501	Community Development Block Grant - 25th Year	14.218	1,250	1,250
B-00-UC48-0501	Community Development Block Grant - 26th Year	14.218	4,654	4,654
B-01-UC48-0501	Community Development Block Grant - 27th Year	14.218	25,600	25,600
B-02-UC48-0501	Community Development Block Grant - 28th Year	14.218	308,978	290,558
B-03-UC48-0501	Community Development Block Grant - 29th Year	14.218	1,488,584	1,488,584
B-04-UC48-0501	Community Development Block Grant - 30th Year	14.218	2,053,172	2,030,942
B-05-UC48-0501	Community Development Block Grant - 31st Year	14.218	4,959,997	4,145,551
B-06-UC48-0501	Community Development Block Grant - 31st Year	14.218	998,925	632,734
	Total CFDA Number 14.218		9,841,283	8,619,997
M-96-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	110	110
M-99-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	12,913	12,913
M-01-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	28,037	28,037
M-02-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	10,800	10,800
M-03-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	301,736	301,736
M-04-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	1,602,852	1,602,852
M-05-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	890,363	687,313
M-06-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	139,484	-
	Total CFDA Number 14.239		2,986,295	2,643,762
S-04-UC-48-0501	Emergency Shelter	14.231	144,624	144,624
S-05-UC-48-0501	Emergency Shelter	14.231	255,958	244,444
S-06-UC-48-0501	Emergency Shelter	14.231	12,715	5,534
	Total CFDA Number 14.231		413,297	394,603
	Total U.S. Department of Housing and Urban Development (HUD) Direct Programs		13,240,875	11,658,361
<u>Passed Through Texas Department of Housing and Community Affairs</u>				
723013	Colonia XVIII	14.228	278,461	270,500
	Total CFDA Number 14.228		278,461	270,500
<u>Passed Through Office of Rural Community Affairs</u>				
723225	Colonia XX	14.228	3,856	-
724205	Colonia XXI	14.228	439,190	415,471
724065	Colonia XXIII	14.228	435,506	435,506
725305	Colonia XXIV	14.228	10,927	-
726155	Colonia XXVI	14.228	3,462	-
	Total CFDA Number 14.228		892,941	850,976
	Total Passed through Texas Department of Housing and Community Affairs		1,171,402	1,121,476
	Total U.S. Department of Housing and Urban Development (HUD)		\$ 14,412,277	\$ 12,779,837
TOTAL URBAN COUNTY			\$ 14,412,277	\$ 12,779,837

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006

GRANT NUMBER	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ STATE GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/STATE EXPENDITURES	PASS THROUGH AMOUNT TO SUBRECIPIENTS
<u>HEAD START</u>				
<u>U.S. Department of Health and Human Services</u>				
<u>Direct Programs</u>				
06CH0183-24	Head Start Program	93.600	\$ 35,342,754	\$ -
	Total CFDA Number 93.600		35,342,754	-
	Total Direct Programs		35,342,754	-
	Total U.S. Department of Health and Human Services		\$ 35,342,754	\$ -
<u>U.S. Department of Agriculture</u>				
<u>Passed Through Texas Department of Human Services</u>				
TX-1080006	Child and Adult Care Food Program	10.558	\$ 1,639,992	\$ -
TX-1080006	Child and Adult Care Food Program	10.558	780,802	-
	Total CFDA Number 10.558		2,420,794	-
	Total Passed Through Texas Department of Human Services		2,420,794	-
	Total U.S. Department of Agriculture		\$ 2,420,794	-
	TOTAL HEAD START		\$ 37,763,548	-
<u>COMMUNITY SERVICE AGENCY</u>				
<u>U.S. Department of Health and Human Services and Community Affairs</u>				
<u>Passed Through Texas Department of Housing</u>				
587042-586	Low-Income Home Energy Assistance	93.568	\$ 2,648,731	\$ -
	Total CFDA Number 93.568		2,648,731	-
616042-615	Community Services Block Grant	93.569	142,981	-
616042-616	Community Services Block Grant	93.569	1,171,665	-
	Total CFDA Number 93.569		1,314,646	-
	Total Passed Through Texas Department of Housing and Community Affairs		3,963,377	-
	Total U.S. Department of Health and Human Services		\$ 3,963,377	\$ -
<u>Corporation For National and Community Services</u>				
<u>Direct Programs</u>				
05SRWTX019	Retired Senior Volunteer Program	94.002	\$ 26,723	\$ -
05SRWTX019	Retired Senior Volunteer Program	94.002	78,064	-
	Total CFDA Number 94.002		104,787	-
	Total Direct Programs		104,787	-
<u>Passed Through Texas Department of Aging and Disability Services</u>				
05SRWTX038	Retired Senior Volunteer Program	94.002	6,913	-
05SRWTX003	Retired Senior Volunteer Program	94.002	29,657	-
	Total CFDA Number 94.002		36,570	-
	Total Passed Through Texas Department of Aging and Disability Services		36,570	-
	Total Corporation For National and Community Services		\$ 141,357	\$ -
<u>Federal Emergency Management Agency</u>				
<u>Direct Programs</u>				
24-8128-00	Emergency Management Assistance	83.523	\$ 28,296	\$ -
	Total CFDA Number 83.523		28,296	-
	Total Direct Programs		28,296	-
	Total Federal Emergency Management Agency		\$ 28,296	\$ -
	TOTAL COMMUNITY SERVICES AGENCY		\$ 4,133,030	\$ -
	TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 72,861,729	\$ 12,779,837

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006

GRANT NUMBER	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ STATE GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/STATE EXPENDITURES	PASS THROUGH AMOUNT TO SUBRECIPIENTS
<u>STATE AWARDS</u>				
<u>PRIMARY GOVERNMENT</u>				
<u>Texas Department of State Health Services</u>				
N/A	Health Department - Administration	N/A	\$ 178,831	\$ -
7460007176-2006-04	Infectious Disease Intervention and Control Branch	N/A	48,932	-
7460007176B-2007-01	Infectious Disease Intervention and Control Branch	N/A	23,578	-
	Total Texas Department of State Health Services		\$ 251,341	\$ -
<u>Texas Adult Probation Commission</u>				
108-900	Basic Supervision	N/A	\$ 4,373,229	\$ -
108-900	Basic Supervision	N/A	2,150,595	-
108-002	Community Corrections (Boot Camp)	N/A	948,068	-
108-002	Community Corrections (Boot Camp)	N/A	454,488	-
108-005	Restitution Center	N/A	704,827	-
108-005	Restitution Center	N/A	339,651	-
108-006	Treatment Alternatives to Incarceration Program	N/A	90,618	-
108-006	Treatment Alternatives to Incarceration Program	N/A	57,144	-
108-007	Sex Offender Caseload	N/A	158,332	-
108-007	Sex Offender Caseload	N/A	73,883	-
108-013	Mentally Impaired Caseload	N/A	86,984	-
108-013	Mentally Impaired Caseload	N/A	44,168	-
108-014	Drug Court	N/A	33,856	-
108-014	Drug Court	N/A	18,530	-
108-016	Caseload Reduction Program	N/A	266,476	-
108-016	Caseload Reduction Program	N/A	260,012	-
	Total Texas Adult Probation Commission		\$ 10,060,861	\$ -
<u>Texas Juvenile Probation Commission</u>				
TJPC-A-2006-108	State Aid	N/A	\$ 184,428	\$ -
TJPC-A-2007-108	State Aid	N/A	218,398	-
TJPC-F-2006-108	Progressive Sanctions JPO	N/A	191,131	-
TJPC-F-2007-108	Progressive Sanctions JPO	N/A	94,258	-
TJPC-G-2006-108	Progressive Sanctions Level 1, 2, 3	N/A	56,938	-
TJPC-G-2007-108	Progressive Sanctions Level 1, 2, 3	N/A	-	-
TJPC-M-2006-108	Special Needs (TCOMI) Funding	N/A	65,833	-
TJPC-M-2007-108	Special Needs (TCOMI) Funding	N/A	32,413	-
TJPC-O-2006-108	Progressive Sanctions ISJPO	N/A	93,577	-
TJPC-O-2007-108	Progressive Sanctions ISJPO	N/A	45,883	-
TJPC-P-2006-108	Juvenile Justice Alternative Education	N/A	249,924	-
TJPC-P-2007-108	Juvenile Justice Alternative Education	N/A	155,229	-
TJPC-V-2006-108	Facility Operating Costs	N/A	172,423	-
TJPC-V-2007-108	Facility Operating Costs	N/A	-	-
TJPC-Y-2006-108	Community Corrections	N/A	276,379	-
TJPC-Y-2007-108	Community Corrections	N/A	555,123	-
TJPC-Z-2006-108	Salary Adjustment Funding	N/A	117,228	-
TJPC-Z-2007-108	Salary Adjustment Funding	N/A	53,073	-
N/A	Level 5 Progressive Sanctions	N/A	106,881	-
N/A	Level 5 Progressive Sanctions	N/A	-	-
N/A	Computerization (Interest Earnings on Fund 1294)	N/A	13,416	-
N/A	JJAEF Discretionary (Derived from School Districts)	N/A	12,862	-
N/A	JJAEF Discretionary (Derived from School Districts)	N/A	12,685	-
	Total Texas Juvenile Probation Commission		\$ 2,708,082	\$ -
<u>Texas Department of Criminal Justice</u>				
0717-2006-DD-BX-0504	Texas Border Sheriffs Coalition (State Portion)	N/A	\$ -	\$ -
N/A	Offender Transportation Program	N/A	-	-
N/A	AFDC/Food Stamp Prosecution	N/A	5,040	-
	Total Texas Department of Criminal Justice		\$ 5,040	\$ -
<u>Texas State Comptroller's Office</u>				
N/A	District Attorney State Supplement	N/A	\$ 23,308	\$ -
N/A	District Attorney State Supplement	N/A	10,200	-
N/A	STEP-Tobacco Compliance	N/A	4,440	-
N/A	Juror Reimbursement	N/A	601,052	-
N/A	Voter Registration Reimbursement	N/A	29,402	-
	Total Texas State Comptroller's Office		\$ 668,402	\$ -

COUNTY OF HIDALGO, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2006

GRANT NUMBER	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ STATE GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/STATE EXPENDITURES	PASS THROUGH AMOUNT TO SUBRECIPIENTS
<u>Independent School Districts/STOP- Stop Truancy on Patrol</u>				
N/A	La Joya, Mission, and Sharyland ISD's Total ISD's/ STOP- Stop Truancy on Patrol	N/A	\$ 54,786 \$ 54,786	\$ - \$ -
<u>McAllen Independent School District</u>				
FY2006	STAR Project	N/A	\$ 121,190	\$ -
FY2007	STAR Project McAllen Independent School District	N/A	53,198 \$ 174,388	- \$ -
<u>Lower Rio Grande Valley Development Board dba Workforce Solutions</u>				
05-WIA-YS-023	GED Workforce Solutions Total Lower RGVOB dba Workforce Solutions	N/A	\$ 131,090 \$ 131,090	\$ - \$ -
<u>Lower Rio Grande Valley Development Council</u>				
N/A	911 Program Total Lower Rio Grande Valley Development Council	N/A	\$ 17,395 \$ 17,395	\$ - \$ -
<u>Texas State Office of the Attorney General</u>				
06-01589	Victim Coordinator and Liaison Grant - District Attorney	N/A	\$ 25,470	\$ -
07-01498	Victim Coordinator and Liaison Grant - District Attorney	N/A	13,039	-
06-01598	Victim Coordinator and Liaison Grant - Sheriff	N/A	25,537	-
07-00382	Victim Coordinator and Liaison Grant - Sheriff Total Texas State Office of the Attorney General	N/A	12,480 \$ 76,526	- \$ -
<u>Texas Parks and Wildlife</u>				
50-00308	North San Juan Park Total Texas Parks and Wildlife	N/A	\$ 456,807 \$ 456,807	\$ - \$ -
TOTAL EXPENDITURES OF STATE AWARDS			\$ 19,926,434	\$ -
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			\$ 92,788,163	\$ 12,779,837

**COUNTY OF HIDALGO, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED December 31, 2006**

General

The accompanying Schedule of Expenditures of Federal and State Awards presents the federal and state grant activity for the County of Hidalgo, Texas (the County). The reporting entity is defined in Note 1 to the County's financial statements.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting, which is described in Note 1 of the County's notes to the financial statements. 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* and the *State of Texas Single Audit Circular*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedule may not agree with the amounts reported in the related Federal and State financial reports filed with the grantor agencies because of accruals made in the schedule which will be included in future reports filed with agencies.

**COUNTY OF HIDALGO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Section I - Summary of Auditors' Results	Description												
Financial Statements													
Type of auditors' report issued:	Unqualified												
Internal control over financial reporting:													
• Material weakness(es) Identified?	No												
• Reportable condition(s) identified not considered to be material weaknesses?	Yes												
Noncompliance material to the financial statements?	No												
Federal Awards													
Internal control of major programs:													
• Material weakness(es) Identified?	No												
• Reportable condition(s) identified not considered to be material weaknesses?	No												
Type of auditors' report issued on compliance for major programs:	Unqualified												
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No												
Dollar threshold used to distinguish between Type A and Type B programs:	\$2,185,852												
Auditee qualified as low-risk auditee?	No												
Identification of Major Federal Programs:	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)</td> <td style="text-align: right; vertical-align: bottom;">10.557</td> </tr> <tr> <td style="padding-left: 20px;">Community Development Block Grant (CDBG)</td> <td style="text-align: right; vertical-align: bottom;">14.218</td> </tr> <tr> <td style="padding-left: 20px;">HOME Investment Partnership Program</td> <td style="text-align: right; vertical-align: bottom;">14.239</td> </tr> <tr> <td style="padding-left: 20px;">Head Start Program</td> <td style="text-align: right; vertical-align: bottom;">93.600</td> </tr> <tr> <td style="padding-left: 20px;">Child and Adult Care Food Program</td> <td style="text-align: right; vertical-align: bottom;">10.558</td> </tr> <tr> <td style="padding-left: 20px;">Low-Income Home Energy Assistance</td> <td style="text-align: right; vertical-align: bottom;">93.568</td> </tr> </table>	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	Community Development Block Grant (CDBG)	14.218	HOME Investment Partnership Program	14.239	Head Start Program	93.600	Child and Adult Care Food Program	10.558	Low-Income Home Energy Assistance	93.568
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557												
Community Development Block Grant (CDBG)	14.218												
HOME Investment Partnership Program	14.239												
Head Start Program	93.600												
Child and Adult Care Food Program	10.558												
Low-Income Home Energy Assistance	93.568												

**COUNTY OF HIDALGO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Section I - Summary of Auditors' Results	Description
State Awards	
Internal control of major programs: <ul style="list-style-type: none"> • Material weakness(es) identified? • Reportable condition(s) identified not considered to be material weaknesses? 	No No
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with the <i>State of Texas Single Audit Circular</i> ?	No
Dollar threshold used to distinguish between Type A and Type B programs:	\$605,393
Auditee qualified as low-risk auditee?	No
Identification of Major State Programs:	<p style="margin-left: 40px;">Texas Adult Probation Commission Basic Supervision Community Corrections (Boot Camp) Restitution Center Treatment Alternatives to Incarceration Program Sex Offender Caseload Mentally Impaired Caseload Drug Court Caseload Reduction Program</p> <p style="margin-left: 40px;">Texas Juvenile Probation Commission State Aid Progressive Sanctions JPO Progressive Sanctions Level 1,2,3 Special Needs (TCOMI) Funding Progressive Sanctions ISJPO Juvenile Justice Alternative Education Facility Operating Costs Community Corrections Salary Adjustment Funding Level 5 Progressive Sanctions Computerization (Interest Earnings on Fund 1294) JJAEP Discretionary (derived from school districts)</p> <p style="margin-left: 40px;">Border Colonia Access Program</p> <p style="margin-left: 40px;">Texas Task Force on Indigent Defense Hidalgo County Indigent Defense Public Defender Formula Grant</p>

**COUNTY OF HIDALGO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Section II – Findings and Questioned Costs Financial Statement	Description
<p>06-1 Cash Account (Primary Government)</p>	<p>Criteria and Condition: In December 2006, the County opened a bank account at First National Bank styled "Medicaid Supplemental Program". As of December 31, 2006, the bank account was not recorded in the County's general ledger and had not been reconciled since its inception.</p> <p>Cause and Effect: Cash account not recorded in general ledger. Unreconciled amounts between general ledgers and bank cash accounts for extended periods of time increase the risk of material misstatement.</p> <p>Questioned Cost: \$0</p> <p>Recommendation: Proper general ledger maintenance and timely bank account reconciliation is an important control over cash. We recommend that all bank accounts be reconciled timely.</p> <p>Auditee's Response: Management concurs. Account has been reconciled and will continue to have all accounts under the County Treasury reconciled on a timely basis.</p>
<p>06-2 District Clerk Investments Held in Trust- County of Hidalgo (Primary Government)</p>	<p>Criteria and Condition: The District Clerk maintains deposits with local banks as directed by court order, primarily in the form of certificates of deposit. During our review of District Clerk Investments held in trust we noted that subsidiary ledgers were not initially reconciled to the general ledger.</p> <p>Cause and Effect: Subsidiary ledgers are not reconciled monthly. Unreconciled amounts between general ledgers and subsidiary ledgers for extended periods of time increase the risk of material misstatement.</p> <p>Questioned Costs: \$0</p> <p>Recommendation: We recommend that the subsidiary ledger be reconciled monthly. Additionally, a process should be developed to ensure that funds entrusted to the District Clerk's office are included in the subsidiary ledger and once released to the beneficiary, removed from the ledger.</p>

**COUNTY OF HIDALGO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Section II – Findings and Questioned Costs Financial Statement	Description
06-2 District Clerk Investments Held in Trust- County of Hidalgo (Primary Government) - continued	<p><u>Auditee's Response:</u> Subsidiary ledgers at the district clerk's office are reconciled upon receipt of bank balances. Ledgers resulting in multiple trial balances during the audit were due to human error as well as a delay in the receipt of balances from our bank affiliates. The district clerk's office will make every effort to secure bank balances in a timely manner through formal requests and ongoing correspondence. A formal procedure has also been implemented to ensure that all reports and balance sheets are reviewed and authorized by district clerk administration and to make certain that beneficiaries are removed from the ledger upon the release of entrusted funds.</p>
06-3 Account Payable (Drainage District No. 1)	<p><u>Criteria and Condition:</u> Our review of accounts payable revealed the following exceptions:</p> <ul style="list-style-type: none"> • Various payroll liability accounts totaling \$3,968 that remain unchanged from prior years' balances. • Payable to Precinct #4 totaling \$18,093 was outstanding since January 2005. <p><u>Cause and Effect:</u> Amounts recorded may not represent valid payables.</p> <p><u>Questioned Cost:</u> \$0</p> <p><u>Recommendation:</u> We recommend that management investigate the balances to determine whether or not they represent valid payables.</p> <p><u>Auditee's Response:</u> Management concurs. These amounts will be investigated and it will be determined whether these amounts are valid. In reference to the Precinct #4 payable, amount will be paid out.</p>

**COUNTY OF HIDALGO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Section III – Findings and Questioned Costs	
Federal and State Awards	Description
None	

**COUNTY OF HIDALGO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Section IV – Contact Persons Regarding Findings and Questioned Costs	Description
Primary Government	Raymundo Eufrazio, County Auditor Hidalgo County Auditor's Office 100 East Cano, 3 rd Floor, Adm. Bldg. Edinburg, Texas 78539-3587 (956) 383-2511 (956) 383-2577(fax)
Drainage District No. 1	Godfrey Garza Jr., District Manager Hidalgo County Drainage District No. 1 902 N. Doolittle Edinburg, Texas 78541 (956) 292-7080 (956) 292-7089

**COUNTY OF HIDALGO, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2006**

REFERENCE NUMBER	
Program	Description
<p>00 – 3 District Clerk Cost Deposits – County of Hidalgo (Primary Government)</p>	<p><u>Criteria and Condition:</u> The District Clerk maintains an account to record "court cost deposits." The subsidiary ledger for court cost deposits is incomplete; certain amounts are lacking information to determine the depositor.</p> <p><u>Cause and Effect:</u> The County has not been able to update the subsidiary ledger to include all deposits. The District Clerk's Costs Deposits liability account has an unreconciled balance at December 31, 2006, \$1,986,503.</p> <p><u>Questioned Cost:</u> \$0</p> <p><u>Recommendation:</u> We recommend that amounts be identified to specific depositors and unidentified deposits be escheated in accordance with state statutes as unclaimed funds, after approval by legal counsel.</p> <p><u>Status:</u> The District Clerk's Office continues its efforts in identifying all amounts on the subsidiary listing. The account balance was \$1,986,503 and \$1,986,368 at December 31, 2006 and 2005, respectively.</p>
<p>01 – 1 Data Processing - County of Hidalgo (Primary Government and all Agencies)</p>	<p><u>Criteria and Condition:</u> The County does not have a formal disaster recovery plan to prevent the complete loss of financial information. A written disaster recovery plan should document emergency procedures for the procurement, recovery and implementation of key financial equipment and financial information.</p> <p><u>Cause and Effect:</u> The County has not delegated or assigned the task of formalizing such plan. Risk of complete financial data loss and increased turnover time required to become fully operational.</p> <p><u>Questioned Cost:</u> \$0</p> <p><u>Recommendation:</u> A comprehensive contingency plan should be developed, documented and tested to ensure the continuity of data processing services in the event of a disaster.</p> <p><u>Status:</u> A disaster recovery plan for the Auditor's office has been implemented as of March 1, 2007. A county-wide disaster recovery plan was developed and approved by Commissioner's Court on June 5, 2007.</p>

**COUNTY OF HIDALGO, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2006**

REFERENCE NUMBER	
Program	Description
<p>02 – 2 County Clerk Bond Funds Held Pending Judgment (Primary Government)</p>	<p><u>Criteria and Condition:</u> The County Clerk does not maintain a listing that designates the current status of court cases for which bond monies have been received and held pending final outcome. Bond Funds Held Pending Judgment are held long after court cases have been tried and are not disposed of timely.</p> <p><u>Cause and Effect:</u> The County does not have a policy to monitor the status of court cases for which bond funds have been received. Amounts not accounted for nor resolved timely are at a higher risk for misappropriation.</p> <p><u>Questioned Cost:</u> \$0.</p> <p><u>Recommendation:</u> We recommend that the County Clerk maintain a current status on all cases for which bond money has been collected and held pending final outcome of the case. The County Clerk should research the status of all cases for which bond money is held. Forfeited bonds should be transferred to the County Treasurer's Office. Bond funds that should have been released to individuals should be held pending notification of that individual. If no response is received from the individual, the County should send bond funds to the State Comptrollers Office in accordance with State Escheat Laws.</p> <p><u>Status:</u> During 2006, County staff reviewed all pending cases and verified if final judgments were paid or the case dismissed. As a result, a more complete and accurate list was derived</p>
<p>04 – 5 Equipment Management – Texas Juvenile Probation Commission (Primary Government)</p>	<p><u>Criteria and Condition:</u> Provisions of the grant require the Hidalgo County Juvenile Probation maintain equipment records, take a physical inventory at least once every two years and reconcile to equipment records, implement an appropriate control system to safeguard equipment and maintain equipment adequately. The Hidalgo County Juvenile Probation has not performed a 100% physical inventory within the past two years.</p> <p><u>Cause and Effect:</u> Procedures in place to inventory all fixed assets at least once every 2 years were not performed. Lack of physical inventory on equipment gives rise to the risk of misappropriation of assets.</p> <p><u>Questioned Cost:</u> \$0</p> <p><u>Recommendation:</u> Hidalgo County Juvenile Probation should perform inventory of equipment at least once every two years.</p> <p><u>Status:</u> The Juvenile Probation Department did not perform a physical inventory count of its equipment during 2005 and 2006. A physical inventory is scheduled in 2007.</p>

**COUNTY OF HIDALGO, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2006**

REFERENCE NUMBER Program	Description
<p>05-1 County Clerk Investments Held in Trust- County of Hidalgo (Primary Government)</p>	<p><u>Criteria and Condition:</u> The County Clerk maintains deposits with local banks as directed by court order, primarily in the form of certificates of deposit. The following exceptions were noted during our review of County Clerk investments held in trust.</p> <ul style="list-style-type: none"> • We noted several instances where subsidiary ledger balances had not been updated to include earned interest. • We noted three accounts totaling \$45,060, which were incorrectly recorded in the subsidiary ledger. Each of the accounts was incorrectly recorded at twice the court award amount. <p><u>Cause and Effect:</u> Subsidiary ledgers are not reconciled monthly. Unreconciled amounts between general ledgers and subsidiary ledgers for extended periods of time increase the risk of material misstatement.</p> <p><u>Questioned Cost:</u> \$0</p> <p><u>Recommendation:</u> We recommend that the subsidiary ledger be reconciled monthly. Additionally, a process should be developed to ensure that funds entrusted to the County Clerk's office are included in the subsidiary ledger and once released to the beneficiary, removed from the ledger.</p> <p><u>Status:</u> Findings noted above were corrected.</p>

**COUNTY OF HIDALGO, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2006**

REFERENCE NUMBER	
Program	Description
<p>05-2 District Clerk Investments Held in Trust- County of Hidalgo (Primary Government)</p>	<p><u>Criteria and Condition:</u> The District Clerk maintains deposits with local banks as directed by court order, primarily in the form of certificates of deposit. The following exceptions were noted during our review of District Clerk investments held in trust:</p> <ul style="list-style-type: none"> • We noted several instances where subsidiary ledger balances had not been updated to include earned interest. • Noted one instance where an account totaling \$22,976 was paid-out; however, the District Clerk did not record the appropriate entry to remove the account from the subsidiary ledger. <p><u>Cause and Effect:</u> Subsidiary ledgers are not reconciled monthly. Unreconciled amounts between general ledgers and subsidiary ledgers for extended periods of time increase the risk of material misstatement.</p> <p><u>Questioned Costs:</u> \$0</p> <p><u>Recommendation:</u> We recommend that the subsidiary ledger be reconciled monthly. Additionally, a process should be developed to ensure that funds entrusted to the District Clerk's office are included in the subsidiary ledger and once released to the beneficiary, removed from the ledger.</p> <p><u>Status:</u> Findings noted above were corrected. However, during our review of District Clerk Investments Held in Trust we noted that subsidiary ledgers were not initially reconciled properly, resulting in multiple trial balances being provided.</p>

**COUNTY OF HIDALGO, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2006**

REFERENCE NUMBER Program	Description
<p>05 – 3 Internal Controls- Disbursement Cycle (Head Start Program)</p>	<p><u>Criteria and Condition:</u> Our testing of compliance with internal control procedures and federal grant guidelines as of December 31, 2005 revealed the following exceptions:</p> <ul style="list-style-type: none"> • Fourteen instances when the invoice was not stamped with the "received <date>". • Seven instances when the invoice was not stamped "Paid" when paid. • One instance where two signatures were not provided on purchase order. <p><u>Cause and Effect:</u> Lack of stamp "received <date>" and/or "PAID" on invoices can lead to double payment of invoices. Lack of approval signatures can lead to unauthorized payments.</p> <p><u>Questioned Cost:</u> \$0</p> <p><u>Recommendation:</u> We recommend stamping invoices with the date the invoice was received and stamped "paid" when the check is issued. This would help insure the timely payment of invoices and decrease the risk of mistakenly paying an invoice twice. Additionally, greater care should be taken when processing invoices for payment.</p> <p><u>Status:</u> Corrective action taken. There were no single audit findings as of December 31, 2006.</p>
<p>05 – 4 Due to/ Due From Accounts (Head Start Program)</p>	<p><u>Criteria and Condition:</u> At December 31, 2005, an unresolved difference of \$1,683 existed between the Program due to\ due from accounts.</p> <p><u>Cause and Effect:</u> Amounts recorded as due to\ due from are intended as short-term borrowings. Due to\ due from accounts should be reviewed periodically to ensure timely repayment and clearance of account balances.</p> <p><u>Questioned Cost:</u> \$0</p> <p><u>Recommendation:</u> We recommend Head Start Program to review Due to\ due from accounts periodically.</p> <p><u>Status:</u> At December 31, 2006, an unresolved difference of \$15 existed between the Program due to\ due from accounts.</p>

**COUNTY OF HIDALGO, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2006**

REFERENCE NUMBER Program	Description
<p>05-5 Conflict of Interest- -HOME Program -CDBG Program (Urban County Program)</p>	<p><u>Criteria and Condition:</u> The Program does not have a written policy requiring the verification of conflicts of interest from vendors or contractors.</p> <p><u>Cause and Effect:</u> Lack of verification increases the risk of unauthorized related party transactions.</p> <p><u>Questioned Cost:</u> \$0</p> <p><u>Recommendation:</u> We recommend that Urban County adopt a policy to ensure that conflicts of interest certification are obtained from vendors or contractors that provide services to Urban County.</p> <p><u>Status:</u> The Urban County Program will implement the current Hidalgo County policy and verification format.</p>
<p>05-6 Davis Bacon Act- HOME Program (Urban County Program)</p>	<p><u>Criteria and Condition:</u> Our testing of compliance with internal control procedures and federal grant guidelines as of December 31, 2005 revealed the following exceptions:</p> <ul style="list-style-type: none"> • Two instances where there was no evidence in the project file to indicate that Urban County verified contractors' compliance with Davis-Bacon Act. <p><u>Cause and Effect:</u> Not adhering to the federal grant guidelines can lead to noncompliance and loss of grant funding.</p> <p><u>Questioned Cost:</u> \$0</p> <p><u>Recommendation:</u> We recommend that Urban County adhere to its established internal control procedures and to Federal grant guidelines in order to safeguard assets and protect itself from possible disallowed costs.</p> <p><u>Status:</u> Corrective action taken. There were no single audit findings as of December 31, 2006.</p>