COUNTY OF HIDALGO, TEXAS

INDEPENDENT AUDITORS' REPORT

SINGLE AUDIT

December 31, 2008

BMC

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

205 Pecan Boulevard
McAllen, Texas 78501
Telephone 956/618-2300
Facsimile 956/618-2333
www.bmctexas.com

Offices In:
Brownsville
McAllen
Matamoros
Reynosa

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, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 27, 2009. 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 accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 08-01 and 08-02.

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 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 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 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 item 08-03.

We also noted certain other matters that we reported to the management of the County in a separate letter dated June 5, 2009.

The County's responses 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 responses and, accordingly, we express no opinion on them.

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 McCollum & Co., LLP

McAllen, Texas
June 5, 2009

BMC

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

205 Pecan Boulevard
McAllen, Texas 78501
Telephone 956/618-2300
Facsimile 956/618-2333
www.bmctexas.com

Offices In:
Brownsville
McAllen
Matamoros
Reynosa

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, 2008. 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, 2008.

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 the entity's 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, 2008, and have issued our report thereon dated June 5, 2009. 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.

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 McCall & Cont, L.L.P

McAllen, Texas
June 5, 2009

BMC

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

205 Pecan Boulevard
McAllen, Texas 78501
Telephone 956/618-2300
Facsimile 956/618-2333
www.bmctexas.com

Offices In:
Brownsville
McAllen
Matamoros
Reynosa

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 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 *State of Texas Single Audit Circular* that are applicable to each of its major state programs for the year ended December 31, 2008. 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; and *State of Texas Single Audit Circular, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *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, 2008.

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 major 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.

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 state 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 state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state 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 state 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 the entity's 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, 2008, and have issued our report thereon dated June 5, 2009. 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 the *State of Texas Single Audit Circular* 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.

This report is intended solely for the information and use of the management of the County, others within the entity, and state 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 McCumber & Cortez, L.L.P.

McAllen, Texas
June 5, 2009

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

GRANT NUMBER	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ STATE GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/STATE EXPENDITURES	LOCAL EXPENDITURES	PASS THROUGH AMOUNT TO SUBRECIPIENTS
	FEDERAL AWARDS				
	PRIMARY GOVERNMENT				
	U.S. Department of Agriculture				
	Passed Through the Texas Department of State Health Services				
2008-024628	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	$ 7,799,208	$ -	$ -
2009-030087	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	2,292,148	-	-
2008-024628	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	279,879	-	-
2009-030087	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	90,022	-	-
			10,461,258	-	-
	Total Passed Through Texas Department of State Health Services		10,461,258	-	-
	Passed Through Health & Human Services Commission				
	Office of Inspector General				
N/A	State Administrative Matching Grants fro the Supplemental Nutrition Assistance Program	10.561	4,807	-	-
			4,807	-	-
	Total Passed Through Health & Human Services Commission Office of Inspector General		4,807	-	-
	Total U.S. Department of Agriculture		$ 10,466,065	$ -	$ -
	U.S. Department of Justice				
	Direct Programs				
2008-AP-BX-0306	State Criminal Alien Assistance Program (SCAAP)	16.606	$ 228,148	$ -	$ -
			228,148	-	-
2004ULWX0008	COPS Universal Hiring (15)	16.710	264,700	172,514	-
			264,700	172,514	-
2006-DJ-BX-0246	Edward Byrne Memorial Justice Assistance Grant Program	16.738	35,443	-	-
2007-DJ-BX-1198	Edward Byrne Memorial Justice Assistance Grant Program	16.738	73,411	-	-
			108,854	-	-
	Total U.S. Department of Justice Direct Programs		601,702	172,514	-
	Pass Through the Organized Crime Drug Enforcement Task Forces				
SWTXS-0672	The Deparment of Justice Assets Forfeiture Fund	N/A	111,114	-	-
SWTXS-0672	The Deparment of Justice Assets Forfeiture Fund	N/A	1,084	-	-
SWTXS-0672	The Deparment of Justice Assets Forfeiture Fund	N/A	301	-	-
			112,500	-	-
	Total Passed Through the Organized Crime Drug Enforcement Task Forces		$ 112,500	$ -	$ -

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

GRANT NUMBER	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ STATE GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/STATE EXPENDITURES	LOCAL EXPENDITURES	PASS THROUGH AMOUNT TO SUBRECIPIENTS
	Passed Through the Office of the Governor, Criminal Justice Division				
JB-07-J20-13378-09	Juvenile Accountability Block Grants (JABG)	16.523	$ 16,733	$ 12,357	$ -
1814802	Operation Border Star	16.738	90,971	-	-
			107,704	12,357	-
	Total Passed Through the Office of the Governor, Criminal Justice Division		107,704	12,357	-
	Passed Through the Texas Border Sheriff's Coalition				
0717-2006-DD-BX-0504	Texas Border Sheriff's Coalition (Federal Portion)	16.580	57,784		
2008-DD-BX-0188	Texas Border Sheriff's Coalition (Federal Portion)	16.580	50,123	-	-
			107,907	-	-
	Total Passed Through the Texas Border Sheriff's Coalition		107,907	-	-
	Total U.S. Department of Justice		$ 929,814	$ 184,870	$ -
	Executive Office of the President for National Drug Control Policy				
17PSSP573Z	Edward Byrne Memorial Formula Grant Program	16.579	$ 246,416	$ -	$ -
17PSSP573Z	Edward Byrne Memorial Formula Grant Program	16.579	24,722	-	-
17PSSP573Z	Edward Byrne Memorial Formula Grant Program	16.579	27,200	-	-
18PSSP573Z	Edward Byrne Memorial Formula Grant Program	16.579	484,258	-	-
N/A	Asset Forfeiture Program	N/A	217,236	-	-
			999,832	-	-
	Total Executive Office of the President for National Drug Control Policy		$ 999,832	$ -	$ -
	U.S. Department of Health and Human Services Passed Through Texas Department of State Health Services				
2008-025284	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	$ 331,210	$ -	$ -
			331,210	-	-
2008-028609	Immunization Grants	93.268	353,573	-	-
2009-028609	Immunization Grants	93.268	141,188	-	-
			494,761	-	-
2008-022952-001A	Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	504,810	-	-
2008-027988	Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	192,640	-	-
2008-024696	Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	55,026	-	-
2008-029122	Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	50,299	-	-
			$ 802,774	$ -	$ -

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

GRANT NUMBER	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ STATE GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/STATE EXPENDITURES	LOCAL EXPENDITURES	PASS THROUGH AMOUNT TO SUBRECIPIENTS
2008-024590	Preventive Health and Health Services - Block Grant	93.991	$ 84,147	$ -	$ -
2009-028247	Preventive Health and Health Services - Block Grant	93.991	35,327	-	-
			119,474	-	-
2008-024118 & 2008-024219	Maternal and Child Health Services Block Grant to the States	93.994	362,008	-	-
2009-029541 & 2009-029750	Maternal and Child Health Services Block Grant to the States	93.994	100,137	-	-
			462,145	-	-
	Total Passed Through Texas Department of State Health Services		2,210,363	-	-
	Passed Through Texas Juvenile Probation Commission				
TJPC-E-2008-108	Foster Care Title IV-E	93.658	736,640	-	-
TJPC-E-2008-108	Foster Care Title IV-E	93.658	160,446	-	-
TJPC-E-2009-108	Foster Care Title IV-E	93.658	90,111	-	-
			987,198	-	-
	Total Passed Through Texas Juvenile Probation Commission		987,198	-	-
	Passed Through Texas Department of Family & Protective Services				
23357398	Foster Care Title IV - E	93.658	133	-	-
			133	-	-
	Total Passed Through Texas Department of Family & Protective Services		133	-	-
	Passed Through the Office of the Attorney General of Texas				
N/A	Child Support Enforcement	93.563	375,104	-	-
N/A	Child Support Enforcement	93.563	1,231	-	-
			376,336	-	-
	Total Passed Through the Office of the Attorney General of Texas		376,336	-	-
	Passed Through Health & Human Services Commission Office of Inspector General				
N/A	Temporary Assistance for Needy Families	93.558	187	-	-
N/A	Medical Assistance Program	93.778	887	-	-
			1,073	-	-
	Total Passed Through Health & Human Services Commission Office of Inspector General		1,073	-	-
	Total U.S. Department of Health and Human Services		$ 3,575,103	$ -	$ -

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

GRANT NUMBER	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ STATE GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/STATE EXPENDITURES	LOCAL EXPENDITURES	PASS THROUGH AMOUNT TO SUBRECIPIENTS
	U.S. Department of Homeland Security				
	Passed Through Division of Emergency Management				
	Office of the Governor				
2005-HSGP-48215	State Homeland Security Program (SHSP)	97.073	$ 297	$ -	$ -
2006-GE-T6-0068	State Homeland Security Program (SHSP)	97.073	6,425	-	-
2007-GE-T7-0024	State Homeland Security Program (SHSP)	97.073	23,123	-	-
			29,845	-	-
FEMA 1780 DR TX	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	10,081,600	3,360,533	-
			10,081,600	3,360,533	-
	Total Passed Through Division of Emergency Management Office of the Governor		10,111,444	3,360,533	-
	Total U.S. Department of Homeland Security		$ 10,111,444	$ 3,360,533	$ -
	U.S. Elections Assistance Commission				
	Passed Through Office of the Secretary of State				
78583	HAVA General Compliance- Additional	90.401	$ 203,138	$ -	$ -
			203,138	-	-
77953	HAVA Polling Place Accessibility	93.617	500	-	-
			500	-	-
	Total Passed Through Office of the Secretary of State		203,638	-	-
	Total U.S. Elections Assistance Commission		$ 203,638	$ -	$ -
	U.S. Department of Transportation				
	Passed Through the Texas Department of Transportation				
2009-HidalgoCOSO STEP IDM-00042	Alcohol Traffic Safety & Drunk Driving Prevention	20.601	$ 199	$ -	$ -
			199	-	-
	Total Passed Through the Texas Department of Transportation		199	-	-
	Total U.S. Department of Transportation		$ 199	$ -	$ -

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

GRANT NUMBER	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ STATE GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/STATE EXPENDITURES	LOCAL EXPENDITURES	PASS THROUGH AMOUNT TO SUBRECIPIENTS
	U.S. Fish and Wildlife Service				
	Passed Through the Texas Parks and Wildlife				
F-183-B	Hidalgo County Anzalduas Park Boat Ramp Improvements	15.605	$ 83,806	$ 27,935	$ -
			83,806	27,935	-
	Total Passed Through the Texas Parks and Wildlife		83,806	27,935	-
	Total U.S. Fish and Wildlife Service		$ 83,806	$ 27,935	$ -
	U.S. Department of Commerce				
	Economic Development Administration				
08-86-04201	Economic Development - Support for Planning Organizations	11.302	$ 59,328	$ 44,348	$ -
			59,328	44,348	-
	Total Economic Development Administration		59,328	44,348	-
	Total U.S. Department of Commerce		$ 59,328	$ 44,348	$ -
	TOTAL PRIMARY GOVERNMENT		**$ 26,429,229**	**$ 3,617,687**	**$ -**

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

GRANT NUMBER	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ STATE GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/STATE EXPENDITURES	LOCAL EXPENDITURES	PASS THROUGH AMOUNT TO SUBRECIPIENTS
	URBAN COUNTY				
	U.S. Department of Housing and Urban Development (HUD) Direct Programs				
B-00-UC48-0501	Community Development Block Grant - 26th Year	14.218	$ 814	$ -	$ -
B-02-UC48-0501	Community Development Block Grant - 28th Year	14.218	21,027	-	-
B-03-UC48-0501	Community Development Block Grant - 29th Year	14.218	29,974	-	-
B-04-UC48-0501	Community Development Block Grant - 30th Year	14.218	167,273	-	-
B-05-UC48-0501	Community Development Block Grant - 31th Year	14.218	720,012	-	-
B-06-UC48-0501	Community Development Block Grant - 32th Year	14.218	1,967,811	-	-
B-07-UC48-0501	Community Development Block Grant - 33th Year	14.218	4,592,442	-	-
B-08-UC48-0501	Community Development Block Grant - 34th Year	14.218	1,570,461	-	-
	Total CFDA Number 14.218		9,069,814	-	-
M-96-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	649	-	-
M-97-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	414	-	-
M-98-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	24,002	-	-
M-99-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	243	-	-
M-00-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	1,265	-	-
M-01-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	18,535	-	-
M-02-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	56,810	-	-
M-03-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	232,992	-	-
M-04-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	344,532	-	-
M-05-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	651,646	-	-
M-06-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	1,457,357	-	-
M-07-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	1,017,786	-	-
M-08-UC-48-0501	Home Investment Partnership Program (HOME)	14.239	258,499	-	-
	Total CFDA Number 14.239		4,064,730	-	-
S-06-UC-48-0501	Emergency Shelter	14.231	83,032	-	-
S-07-UC-48-0501	Emergency Shelter	14.231	265,957	-	-
S-08-UC-48-0501	Emergency Shelter	14.231	22,819	-	-
	Total CFDA Number 14.231		371,807	-	-
	Total U.S. Department of Housing and Urban Development (HUD) Direct Programs		$ 13,506,351	$ -	$ -

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

GRANT NUMBER	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ STATE GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/STATE EXPENDITURES	LOCAL EXPENDITURES	PASS THROUGH AMOUNT TO SUBRECIPIENTS
	Passed Through Texas Department of Housing and Community Affairs				
726155	Colonia XXVI	14.228	$ 113,236	$ -	$ -
727005	Colonia XXVII	14.228	92,051	-	-
727145	Colonia XXVIII	14.228	66,659	-	-
727055	Colonia XXIX	14.228	225,429	-	-
728003	Colonia XXX	14.228	22,386	-	-
	Total CFDA Number 14.228		519,761	-	-
	Total Passed through Texas Department of Housing and Community Affairs		519,761	-	-
	Total U.S. Department of Housing and Urban Development (HUD)		$ 14,026,112	$ -	$ -
	TOTAL URBAN COUNTY		**$ 14,026,112**	**$ -**	**$ -**
	HEAD START				
	U.S. Department of Health and Human Services				
	Direct Programs				
06CH0183-27	Head Start Program	93.600	$ 30,222,953	$ -	$ -
	Total CFDA Number 93.600		30,222,953	-	-
	Total Direct Programs		30,222,953	-	-
	Total U.S. Department of Health and Human Services		$ 30,222,953	$ -	$ -
	U.S. Department of Agriculture				
	Passed Through Texas Department of Agriculture				
TX-1080006	Child Care Food Program	10.558	$ 1,592,376	$ -	$ -
TX-1080006	Child Care Food Program	10.558	770,045		
	Total CFDA Number 10.558		2,362,421	-	-
	Total Passed Through Texas Health and Human Services Commission		2,362,421	-	-
	Total U.S. Department of Agriculture		$ 2,362,421	$ -	$ -
	TOTAL HEAD START		**$ 32,585,374**	**$ -**	**$ -**

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

GRANT NUMBER	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ STATE GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/STATE EXPENDITURES	LOCAL EXPENDITURES	PASS THROUGH AMOUNT TO SUBRECIPIENTS
	COMMUNITY SERVICE AGENCY				
	U.S. Department of Health and Human Services and Community Affairs				
	Passed Through Texas Department of Housing				
58080000169	Comprehensive Energy Assistance Program	93.568	$ 1,968,135	$ -	$ -
	Total CFDA Number 93.568		1,968,135	-	-
61080000222	Community Services Block Grant	93.569	1,204,127	-	-
616042-617	Community Services Block Grant	93.569	219,988	-	-
61080000257	Community Services Block Grant	93.569	140,000		
616043-617	Migrant Seasonal farmworkers	93.569	14,219		
61080000244	Migrant Seasonal farmworkers	93.569	67,501	-	-
	Total CFDA Number 93.569		1,645,835	-	-
	Total Passed Through Texas Department of Housing and Community Affairs		3,613,970	-	-
	Total U.S. Department of Health and Human Services and Community Affairs		$ 3,613,970	$ -	$ -
	Corporation For National and Community Services				
	Direct Programs				
05SRWTX019	Retired Senior Volunteer Program	94.002	$ 20,831	$ -	$ -
05SRWTX016	Retired Senior Volunteer Program	94.002	66,728	-	-
	Total CFDA Number 94.002		87,559	-	-
	Total Direct Programs		87,559	-	-
	Passed Through Texas Department of Aging and Disability Services				
07RZWTX025	Retired Senior Volunteer Program	94.002	29,624	-	-
07RZWTX025	Retired Senior Volunteer Program	94.002	6,480	-	-
	Total CFDA Number 94.002		36,104	-	-
	Total Passed Through Texas Department of Aging and Disability Services		36,104	-	-
	Total Corporation For National and Community Services		$ 123,663	$ -	$ -

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

GRANT NUMBER	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ STATE GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/STATE EXPENDITURES	LOCAL EXPENDITURES	PASS THROUGH AMOUNT TO SUBRECIPIENTS
	Federal Emergency Management Agency				
	Direct Programs				
25-8128-00	Emergency Management Assistance	83.523	$ 51,050	$ -	$ -
	Total CFDA Number 83.523		51,050	-	-
	Total Direct Programs		51,050	-	-
	Total Federal Emergency Management Agency		$ 51,050	$ -	$ -
	TOTAL COMMUNITY SERVICES AGENCY		**$ 3,788,683**	**$ -**	**$ -**
	TOTAL EXPENDITURES OF FEDERAL AWARDS		**$ 76,829,398**	**$ 3,617,687**	**$ -**

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

GRANT NUMBER	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ STATE GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/STATE EXPENDITURES	LOCAL EXPENDITURES	PASS THROUGH AMOUNT TO SUBRECIPIENTS
	STATE AWARDS				
	PRIMARY GOVERNMENT				
	Texas Department of State Health Services				
N/A	Health Department - Administration	N/A	$ -	$ 359,621	$ -
2008-023208	TB - Preventive and Control	N/A	53,294	-	-
2009-028470	TB- Prevention and Control	N/A	24,086	-	-
	Total Texas Department of State Health Services		$ 77,380	$ 359,621	$ -
	Texas Adult Probation Commission				
108-900	Basic Supervision	N/A	$ 5,148,442	$ -	$ -
108-900	Basic Supervision	N/A	2,667,612	-	-
108-002	Community Corrections (Boot Camp)	N/A	445,629	-	-
108-002	Community Corrections (Boot Camp)	N/A	37,316	-	-
108-013	Mentally Impaired Caseload	N/A	91,979	-	-
108-013	Mentally Impaired Caseload	N/A	48,909	-	-
108-005	Restitution Center	N/A	785,754	-	-
108-005	Restitution Center	N/A	378,958	-	-
108-006	Treatment Alternatives to Incarceration Program	N/A	108,414	-	-
108-006	Treatment Alternatives to Incarceration Program	N/A	75,688	-	-
108-014	Drug Court	N/A	36,637	-	-
108-014	Drug Court	N/A	20,514	-	-
108-007	Sex Offender Caseload	N/A	173,564	-	-
108-007	Sex Offender Caseload	N/A	87,655	-	-
108-016	Caseload Reduction Program	N/A	629,828	-	-
108-016	Caseload Reduction Program	N/A	326,263	-	-
108-017	Substance Abuse Treatment Facility	N/A	170,674	-	-
108-017	Substance Abuse Treatment Facility	N/A	627,437	-	-
	Total Texas Adult Probation Commission		$ 11,861,274	$ -	$ -

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

GRANT NUMBER	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ STATE GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/STATE EXPENDITURES	LOCAL EXPENDITURES	PASS THROUGH AMOUNT TO SUBRECIPIENTS
	Texas Juvenile Probation Commission				
TJPC-A-2008-108	State Aid	N/A	$ 241,089	$ -	$ -
TJPC-A-2009-108	State Aid	N/A	269,021	-	-
TJPC-F-2008-108	Progressive Sanctions JPO	N/A	121,678	64,329	-
TJPC-F-2009-108	Progressive Sanctions JPO	N/A	93,983	-	-
TJPC-G-2008-108	Progressive Sanctions Level 1, 2, 3	N/A	100,096	-	-
TJPC-G-2009-108	Progressive Sanctions Level 1, 2, 3	N/A	-	-	-
TJPC-H-2008-108	Diversionary Placement Fund	N/A	332,776	-	-
TJPC-H-2009-108	Diversionary Placement Fund	N/A	175,120	-	-
TJPC-M-2008-108	Special Needs (TCOMI) Funding	N/A	65,658	40,000	-
TJPC-M-2009-108	Special Needs (TCOMI) Funding	N/A	30,270	-	-
TJPC-O-2008-108	Progressive Sanctions ISJPO	N/A	62,406	-	-
TJPC-O-2009-108	Progressive Sanctions ISJPO	N/A	45,704	-	-
TJPC-P-2008-108	Juvenile Justice Alternative Education	N/A	412,538	-	-
TJPC-P-2009-108	Juvenile Justice Alternative Education	N/A	330,299	-	-
TJPC-V-2008-108	Local Post-Adjusication Fund	N/A	191,399	-	-
TJPC-V-2009-108	Local Post-Adjusication Fund	N/A	-	-	-
TJPC-W-2008-108	Juvenile Justice Alternative Education Program (JJAEP) Discretionary	N/A	31,810	33,733	-
TJPC-W-2009-108	Juvenile Justice Alternative Education Program (JJAEP) Discretionary	N/A	16,042	16,653	-
TJPC-X-2008-108	Intensive Community Based Program	N/A	34,452	-	-
TJPC-X-2009-108	Intensive Community Based Program	N/A	21,457	-	
TJPC-Y-2008-108	Community Corrections	N/A	551,384	-	
TJPC-Y-2009-108	Community Corrections	N/A	671,627	-	-
TJPC-Z-2008-108	Salary Adjustment Funding	N/A	109,591	-	-
TJPC-Z-2009-108	Salary Adjustment Funding	N/A	50,368	-	-
N/A	Level 5 Progressive Sanctions	N/A	139,343	9,538	-
	Total Texas Juvenile Probation Commission		$ 4,098,110	$ 164,253	$ -
	Texas Department of Criminal Justice				
N/A	Offender Transportation Program	N/A	$ 276,915	$ -	$ -
	Total Texas Department of Criminal Justice		$ 276,915	$ -	$ -
	Texas State Comptroller's Office				
N/A	District Attorney State Supplement	N/A	$ 1,011	$ -	$ -
N/A	District Attorney State Supplement	N/A	7,862	-	-
N/A	District Attorney State Supplement	N/A	2,436	-	-
	Juror Reimbursement	N/A	456,688	-	-
	Voter Registration Reimbursement	N/A	4,770	-	-
	Total Texas State Comptroller's Office		$ 472,766	$ -	$ -

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

GRANT NUMBER	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ STATE GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/STATE EXPENDITURES	LOCAL EXPENDITURES	PASS THROUGH AMOUNT TO SUBRECIPIENTS
	Texas Department of Transportation				
3BCF5001	Border Colonia Access Program Round I	N/A	$ 207,680	$ -	$ -
5BCF5001	Border Colonia Access Program Round II	N/A	2,462,088	-	-
8BCF5001	Border Colonia Access Program Round III	N/A	128,340	-	-
	Total Texas Department of Transportation		$ 2,798,109	$ -	$ -
	Texas Commission on Environmental Quality				
	Passed Through Lower Rio Grande Valley Development Council				
08-21-G09	Local Enforcement Implementation Project	N/A	$ 27,650	$ -	$ -
	Total Passed Through Lowe Rio Grande Valley Development Council		$ 27,650	$ -	$ -
	Texas Task Force on Indigent Defense				
212-58-D03	Hidalgo County Indigent Defense Public Defender	N/A	$ 154,261	$ 231,145	$ -
212-59-D03	Hidalgo County Indigent Defense Public Defender	N/A	21,509	86,037	-
212-07-108	Formula Grant FY 08	N/A	441,658	-	-
	Total Texas Task Force on Indigent Defense		$ 617,428	$ 317,182	$ -
	Texas Attorney General				
08-1720	Victim Coordinator and Liaison Grant - District Attorney	N/A	$ 1,982	$ -	$ -
08-1720	Victim Coordinator and Liaison Grant- District Attorney	N/A	5,142	-	-
08-1738	Victim Coordinator and Liaison Grant - Sheriff	N/A	23,788	-	-
08-1738	Victim Coordinator and Liaison Grant - Sheriff	N/A	11,823	-	-
N/A	Asset Forfeiture (Article 59.06)	N/A	311,523	-	-
	Total Texas Attorney General		$ 354,257	$ -	$ -
	Lower Rio Grande Valley Development Council				
N/A	911 Program	N/A	$ 9,656	$ -	$ -
	Total Lower Rio Grande Valley Development Council		$ 9,656	$ -	$ -
	TOTAL EXPENDITURES OF STATE AWARDS		**$ 20,593,545**	**$ 841,056**	**$ -**
	TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS		**$ 97,422,943**	**$ 4,458,743**	**$ -**

COUNTY OF HIDALGO, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

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, 2008

Section I - Summary of Auditors' Results	Description
Financial Statements	
Type of auditors' report issued:	Unqualified
Internal control over financial reporting: • Material weakness(es) identified? • Significant deficiencies identified not considered to be material weaknesses?	 No Yes
Noncompliance material to the financial statements?	No
Federal Awards	
Internal control of major programs: • Material weakness(es) identified? • Significant deficiencies 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 Circular A-133, Section .510(a)?	No
Dollar threshold used to distinguish between Type A and Type B programs:	$2,304,882
Auditee qualified as low-risk auditee?	No
Identification of Major Federal Programs:	Public Assistance Grant 97.036 Community Development Block Grant (CDBG) 14.218 HOME Investment Partnership Program (HOME) 14.239 Head Start Program 93.600 Community Emergency Assistance Program 93.568 Community Service Block Grant (CSBG) 93.569

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Section I - Summary of Auditors' Results	**Description**
State Awards	
Internal control of major programs: • Material weakness(es) identified? • Significant deficiencies 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 *State of Texas Single Audit Circular*?	No
Dollar threshold used to distinguish between Type A and Type B programs:	$617,806
Auditee qualified as low-risk auditee?	No
Identification of Major State Programs:	Texas Adult Probation Commission Basic Supervision Community Corrections (Boot Camp) Mentally Impaired Caseload Restitution Center Treatment Alternatives to Incarceration Program Drug Court Sex Offender Caseload Caseload Reduction Program Substance Abuse Treatment Facility Texas Juvenile Probation Commission State Aid Progressive Sanctions JPO Progressive Sanctions Level 1,2,3 Diversionary Placement Fund Special Needs (TCOMI) Funding Progressive Sanctions ISJPO Juvenile Justice Alternative Education Local Post – Adjudication Fund Facility Operating Costs Juvenile Justice Alternative Education Program Discretionary Intensive Community Based Program Community Corrections Salary Adjustment Funding Level 5 Progressive Sanctions Computerization (Interest Earnings on Fund 1294)

Section I - Summary of Auditors' Results	Description
Identification of Major State Programs (Continued):	Texas Department of Transportation Border Colonia Access Program Round I Border Colonia Access Program Round II Border Colonia Access Program Round III

Section II – Findings and Questioned Costs

Financial Statement

08-01 – Stale Dated Checks

Criteria and Condition: There were various bank reconciliations that contained outstanding checks older than ninety days.

Cause and Effect: The County does not have a formal policy to address stale checks, which increases the risk of misstatement.

Questioned Cost: $0

Recommendation: We recommend outstanding checks be reviewed monthly and appropriate measures taken to clear stale checks.

Management's Response: Management concurs with recommendation. The County Treasurer's Office follows an unwritten stale checks procedure. Checks are considered outstanding after the end of the month issued. A letter is sent to the last known address of the recipient once the check is over ninety days old. If no response is received or check remains outstanding after six months (180 days), the check is voided and money is transferred to an escrow account. Management will continue to issue notifications once the check is over ninety days old; check will be voided and money will be transferred to an escrow account at this point as well.

08-02 – Machinery & Equipment Asset Listing

Criteria and Condition: The listing of machinery and equipment provided by the County was incomplete and did not reconcile to the general ledger.

Cause and Effect: The County does not have a complete listing of machinery and equipment which leads to an increased risk of theft or misstatement.

Questioned Cost: $0

Recommendation: We recommend the County have a complete listing of assets that make up machinery and equipment.

Management's Response: We concur with this recommendation. The County Auditor's Office and the Purchasing Department will work to prepare a complete list of machinery and equipment that reconciles to the amount reported in the financial statements.

Section II – Findings and Questioned Costs

Financial Statement

08-03 – Bail Bonds Pledged Securities

Criteria and Condition: During the review of bail bonds pledged securities, we noted one instance where a certificate of deposit was withdrawn from the bank and was no longer available to the County. Upon further inquiry, it was noted that a bail bondsman withdrew the account without the County Treasurer's consent. County Treasurer's office has taken action and has stopped further work with this bondsman until he meets the required coverage.

Cause and Effect: Hidalgo County did not follow up on confirmations not received from bank, which increases the risk of unavailable collateral on bonds.

Questioned Cost: $0

Recommendation: We recommend the County monitor pledge securities periodically.

Management's Response: Management concurs. Securities for bail bond companies will be monitored continually to ensure adequate amount is pledged as required by statute in order to be licensed in the State of Texas. Monitoring procedures will be put in place to assist in ensuring required coverage is pledged.

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Section III – Findings and Questioned Costs Federal Awards	Description
None	

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Section III – Findings and Questioned Costs State Awards	Description
None	

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Section IV – Contact Persons Regarding Findings and Questioned Costs	Description
Primary Government	Raymundo Eufracio, County Auditor Hidalgo County Auditor's Office 2808 S. Business Hwy 281 Edinburg, Texas 78539 (956) 383-2511 (956) 383-2577(fax)

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

REFERENCE NUMBER Program	Description
00 – 3 **District Clerk Cost Deposits – County of Hidalgo (Primary Government)**	**Criteria and Condition:** 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. **Cause and Effect:** 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, 2008 of $1,985,410. **Questioned Cost:** $0 **Recommendation:** We recommend that amounts be identified to specific depositors and unidentified deposits be escheated in accordance with state statues as unclaimed funds, after approval by legal counsel. **Status:** The District Clerk's Office contacted the Office of the Attorney General to request an onsite visit. The Attorney General (AG) will assist the District Clerk's Office in reducing unreconciled accounts and will direct as to where funds are to be distributed in accordance with applicable statutes. Based on management's conversation with members from the AG Office, it appears as if they can assist in correcting the issue. Plan to commence correcting this matter will begin subsequently after their recommendations. Research has also included information on escheatment and unclaimed properties which will be included in the undertaking.
02 – 2 **County Clerk Bond Funds Held Pending Judgment (Primary Government)**	**Criteria and Condition:** 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. **Cause and Effect:** 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. **Questioned Cost:** $0. **Recommendation:** 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.

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

REFERENCE NUMBER Program	Description
02 – 2 - Continued **County Clerk Bond Funds Held Pending Judgment** **(Primary Government)**	**Status:** Forfeited bonds are transferred to the County Treasurer's Office when the District Attorney's Office (DA) process orders to transfer the cash bonds. County Clerk's Office (CC) works closely with the DA to identify these cash bonds. On November 1, 2008, the County Clerk reported 487 cash bonds which were identified as Unclaimed Property to the Texas Comptroller of Public Accounts. On January 16, 2009, the County Clerk remitted $234,192 to the Texas Comptroller for these bonds. In 2007, the County Clerk started a special project to identify cases which were disposed and had a cash bond. The objective is to match cases with defendants and obtain an address or phone number to notify them of the bonds.
04 – 5 **Equipment Management – Texas Juvenile Probation Commission** **(Primary Government)**	**Criteria and Condition:** 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. **Cause and Effect:** 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. **Questioned Cost:** $0 **Recommendation:** Hidalgo County Juvenile Probation should perform inventory of equipment at least once every two years. **Status:** The Hidalgo County Juvenile Probation Department inventory is currently being worked on. The Hidalgo County Juvenile Probation has performed the physical inventory for the Juvenile Justice Center (located on Doolittle Road), Bootcamp (Weslaco), and Youth Village – Aftercare (Weslaco). Additional work is needed on the inventory located in the Detention area of the Juvenile Justice Center and the old Juvenile Probation Building. The Hidalgo County Juvenile Probation estimates completing the inventory by year end.

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

REFERENCE NUMBER Program	Description
06–3 **Account Payable** **(Drainage District No. 1)**	**Criteria and Condition:** Our review of accounts payable revealed the following exception: • Various payroll liability accounts totaling $3,968 that remain unchanged from prior years' balances. **Cause and Effect:** Amounts recorded may not represent valid payables. **Questioned Cost:** $0 **Recommendation:** We recommend that management investigate the balances to determine whether or not they represent valid payables. **Status:** Research has been done on the balances of these accounts. These amounts are valid and have been paid out during 2008.
07–01 **Previous Year's Finding** **(Primary Government)**	**Criteria and Condition:** Certain observations previously reported in prior years have not been addressed and resolved by management. **Cause and Effect:** Management has not monitored for resolution of repeat comments thus causing opportunities for improvements in operations and internal controls to not be implemented timely. **Questioned Costs:** $0 **Recommendation:** To ensure the integrity of the internal control structure as well as to increase the effectiveness and efficiency of the operations of the County, we recommend that reportable conditions and other comments and observations be addressed by management timely. **Status:** County policy will be implemented to require non-compliant departments/offices to prepare a corrective action plan within thirty days of the finding and present it to Commissioners' Court, with quarterly updates until the finding is resolved.

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

REFERENCE NUMBER Program	Description
07–02 **Audit Committee** **(Primary Government)**	**Criteria and Condition:** During the course of the audit, we conducted inquiries of County personnel regarding a variety of issues. During these inquiries, we received certain responses related to concerns regarding lack of training and lack of concrete policies and procedures in certain areas. Also, there lacked a formal venue in which internal controls could be discussed amongst management and addressed. **Cause and Effect:** The County has not resolved to take action as to whether the creation of an audit committee would be beneficial. **Questioned Cost:** $0 **Recommendation:** Due to the proven effectiveness that an audit committee has on an organization's internal control structure, we recommend the establishment of an audit committee. Many organizations have formal audit committees and have found that these committees have made significant contributions to their organizations. The charge of the audit committee can be broad; however, the committee might consider the following objectives: • Oversee internal control structure and issues and concerns • Review internal audits and encourage management to address observations and findings • Meet with elected officials, department heads and Commissioner's Court as needed to discuss the status of findings and observations made by the independent and internal auditors. Communicate with the County Commissioner's Court to ensure that adequate attention and resources are provided for management to address observations and findings. The ultimate size and participants of the audit committee could be determined by the Commissioner's Court but should include members of management who are able to respond to the audit findings timely. **Status:** A County Administrative Manual is currently being developed by the Department of Budget and Management. The Administrative Manuel should contain all County policies with the exception of policies contained in the Personnel Manual, Budget Manual, and Purchasing Manual. Developments of this manual will be continuous, with policy reviews being done on an annual basis.

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

REFERENCE NUMBER Program	Description
07–03 **Infrastructure Depreciation (Primary Government)**	**Criteria and Condition:** The County contracted with an engineering firm to assist in the accumulation of assets and infrastructure information to be used by the County in the implementation of Governmental Accounting Standards Board Statement No. 34. The information included in the report prepared by the contracted firm differs from the County's internal reports by approximately 7 percent. **Cause and Effect:** The County had not reconciled the two reports to ensure that fixed assets and corresponding depreciation are reasonably stated. **Questioned Costs:** $0 **Recommendation:** We recommend the County resolve this variance between the reports as these differences could affect the amount of recorded accumulated depreciation. **Status:** The Purchasing Department has researched the variance and submitted a report to the County Auditor's Office in March 2009. The report submitted does not address the entire variance and continued research is necessary.
07–04 **Elections Department**	**Criteria and Condition:** The County Elections Department administers the Ch. 19 grant. In administrating this grant, there appeared to be minimal direction or supervision by the County Auditor's office. Based on recent issues pertaining to this department, it would appear that internal controls are lacking. In some instances, invoices for services obtained by this department are paid directly by the service providers by the Secretary of State. **Cause and Effect:** Claims for payments bypass the County's internal approval process and created opportunities for lack of proper review. **Questioned Costs:** $0 **Recommendation:** We recommend that the County Auditor's department have oversight authority of this grant to ensure that grant expenditures are procured and paid in accordance with both the County's internal approval process and the grant agreement. **Status:** The County Auditor's Office has prescribed procedures for the accounting and reporting of Chapter 19 funds which have already been implemented by the Elections Administrator.

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

REFERENCE NUMBER Program	Description
07–05 **Deposits in Transit – Tax Assessor / Collector - Continued**	**Criteria and Condition:** The Tax Department's bank reconciliation for the month of December excluded December credit card receipts as a reconciling item. December credit card receipts totaled $461,523. **Cause and Effect:** Further inquiry revealed that credit card receipts are typically not included in the reconciliation by the Tax Department. Only upon further review of the reconciliation by the County Auditor's compliance officer are the bank reconciliations corrected. Accordingly, the initial attempt to reconcile the back account is incorrect. **Questioned Cost:** $0 **Recommendation:** We recommend the Tax Department include credit card receipts as reconciling items to ensure that the account is properly reconciled. **Status:** Credit card payments are included in the reconciliation as cash on hand. The Tax Department's procedures were to process credit card payment in the property tax system only after three to four days later when payment wash showing as credit to the Tax General Account. As of March 2009, once the manual receipt from internet is processed, the payment is then applied immediately to the property tax system.
07–06 **Sherriff's Office Financial Statements**	**Criteria and Condition:** During the audit, the Sheriff's Department had not submitted their financial statements or trial balances timely resulting in delay of the audit process. **Cause and Effect:** Discussion with management indicated that this department had fallen behind in their day to day bookkeeping. Accordingly, accounts were not reconciled timely. **Questioned Cost:** $0 **Recommendation:** We recommend that the County departments keep up and update their records timely. **Status:** In the latter part of fiscal year 2008, the Sheriff's Office hired a degreed accountant, with Commissary funds, with extensive experience in a CPA office setting. After a short on-the-job training period, the new accountant was able to take charge of all financial reporting for the two major accounts that were causing the delays in the filing of the financial statements. The Sheriff's Office is now current in its filing of the financial statements.

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

REFERENCE NUMBER Program	Description
07–08 **Internal Control (Primary Government)**	**Criteria and Condition:** Our testing of compliance with internal control procedures revealed the following exception: Texas Criminal Justice Department • Offender Transportation Program – Revenues for reimbursable expenditures are not recorded in the proper period. The revenues being recorded are the cash receipts from prior year's reimbursable expenses. **Cause and Effect:** Internal controls related to the findings noted above did not exist. **Questioned Cost:** $0 **Recommendation:** We recommend that the County adhere to its established internal control procedures. **Status:** The Sheriff's Office was advised to bill the Texas Criminal Justice Department (TCJD) on a timely basis. During 2008, the Sheriff's Office billed the TCJD for prior year expenditures and also began billing for current expenditures on a monthly basis.
07–10 **Information System Operations – Disaster Recovery Plan (Urban County Program)**	**Criteria and Condition:** The Urban County Program (UCP) 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 procurement, recovery and implementation of key financial equipment and financial information. **Cause and Effect:** Management has not implemented a formal disaster recovery plan. Such written policies and procedures during high management turnover or emergency situations should reduce the risk of complete financial data loss and reduce turnover time required to become fully operational. **Questioned Cost:** $0 **Recommendation:** We recommend that a comprehensive contingency plan be developed and documented to ensure continuity of data processing services in the event of a disaster. **Status:** Urban County Program met with IT Department and Budget Office to discuss implementation of the Disaster Recovery Plan. The approximate cost to include UCP in the County's Disaster Recovery Plan will be $35,000. The Disaster Recovery Plan project is still in process.

BMC

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

205 Pecan Boulevard
McAllen, Texas 78501
Telephone 956/618-2300
Facsimile 956/618-2333
www.bmctexas.com

Offices In:
Brownsville
McAllen
Matamoros
Reynosa

June 5, 2009

To the Honorable Commissioners' Court
And Honorable District Judges
County of Hidalgo, Texas

In planning and performing our audit of the financial statements of the County of Hidalgo, Texas (the County) as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

However, during our audit we became aware of several immaterial matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarized our comments and suggestions regarding those matters. We previously reported on the County's internal control in our report dated June 5, 2009. This letter does not affect our report dated June 5, 2009, on the financial statements of the County.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Burton McCumber & Cortez, L.L.P.

Hidalgo County - Primary
Summary of Other Comments and Recommendations
December 31, 2008

NO.	DEPARTMENT/ AGENCY		Comment
1	IT	**Criteria and Condition:**	During the review of the Information and Technology Department (IT), we noted that IT personnel are not required to take continuous vacation.
		Cause and Effect:	The County does not have a formal policy in place to require IT personnel to take continuous vacation which increases the risk of fraud.
		Questioned Cost:	$0
		Recommendation:	All IT personnel should be required to take annual continuous vacation.
		Management Response:	The County has a countywide Information Technology (IT) Department as well as IT personnel under various County Departments. The IT Department has an internal policy requiring IT personnel to take continuous vacation. The other departments do not have a similar policy due to the limited number of IT personnel in those departments (usually one or two). The County will work on implementing a policy for all departments to follow.
2	District Clerk	**Criteria and Condition:**	Upon review of the District Clerk balance sheet we noted a receivable account titled "Over Disbursement." After inquiry from client, approximately half of the account will not be collected.
		Cause and Effect:	The District Clerk does not have a policy to write off uncollectible receivables. Receivables are overstated and corresponding expense accounts are understated.
		Questioned Cost:	$0
		Recommendation:	We recommend the County write off the known uncollectible amounts rather than let them accumulate as collectible.
		Management Response:	The District Clerk is continuing to try to resolve this matter.
3	Auditors	**Criteria and Condition:**	The County does not record capital leases correctly. We determined that all lease payments were taken against principal instead of a portion taken to interest expense according to the amortization schedule.
		Cause and Effect:	The County is not following the correct accounting method for leases according to GASB. Expenses can be misclassified.
		Questioned Cost:	$0
		Recommendation:	According to GASB, capital leases are accounted for as if the County purchased the asset and issued long-term debt. As the County makes a lease payment, it would report the outlay of funds in two parts: one part "debt service expenditure – interest" and the other as "debt service expenditure – principal."
		Management Response:	We concur with this recommendation. The County Auditor's Office will develop procedures to properly record lease payments in accordance with generally accepted accounting principles.
4	Purchasing	**Criteria and Condition:**	Estimated useful lives for major categories of capital assets should be periodically compared with the government's actual experience and appropriate adjustments made to reflect this experience.
		Cause and Effect:	The County could be using a useful life that is not appropriate for the asset and should re-vise the useful life. The County may also have machinery & equipment that are no longer in use.
		Questioned Cost:	$0
		Recommendation:	We recommend the County evaluate fully depreciated assets and determine if they are still in use. If they are still in use, then the County should re-vise the useful life to the actual experience.
		Management Response:	We concur with this recommendation. Useful lives for the various types of machinery & equipment will be reviewed jointly by the County Auditor's Office and Purchasing Department to determine if changes to the useful lives are required.

Hidalgo County - Primary
Summary of Other Comments and Recommendations
December 31, 2008

NO.	DEPARTMENT/ AGENCY		Comment
5	HCDD	**Criteria and Condition:**	During the review of Due to/Due from, it was noted "Due from HCDD" differed from the corresponding payable balance on the HCDD books.
		Cause and Effect:	Neither the County nor HCDD have policies and procedures in place to verify inter-agency balances. Asset or Liability balances could be understated or overstated.
		Questioned Cost:	$0
		Recommendation:	We recommend the County confirm its inter-agency balances with the respective agencies.
		Management Response:	Amounts due from HCDD will be billed monthly by the Department of Budget and Management, as well as reconciliation of outstanding balances prepared quarterly.