

MONTGOMERY COUNTY, TEXAS

SINGLE AUDIT REPORT

SEPTEMBER 30, 2022

MONTGOMERY COUNTY, TEXAS

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

Honorable County Judge and
County Commissioners
Conroe, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Montgomery County, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Montgomery County, Texas' basic financial statements, and have issued our report thereon dated March 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montgomery County, Texas internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montgomery County, Texas internal control. Accordingly, we do not express an opinion on the effectiveness of Montgomery County, Texas internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montgomery County, Texas financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 28, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

Honorable County Judge and
County Commissioners
Conroe, Texas

Report on Compliance for Each Major Federal and State Programs

Opinion on Each Major Federal and State Programs

We have audited Montgomery County, Texas (the "County") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *State of Texas Uniform Grant Management Standards ("UGMS")* that could have a direct and material effect on each of the County's major federal and state programs for the year ended September 30, 2022. The County's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal and State Programs

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and *UGMS*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state programs. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal and state programs.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and *UGMS* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about County's compliance with the requirements of each major federal and state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and *UGMS*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and *UGMS*. Accordingly, this report is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 28, 2023

MONTGOMERY COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Grantor's Pass-through Number	Federal Expenditures	Pass-through Expenditures
FEDERAL AWARDS				
<u>U. S. Department of Agriculture</u>				
Direct Program:				
National School Breakfast Program (21-22SY)	10.553	CEID: 01340	\$ 25,268	\$ -
National School Breakfast Program (22-23SY)	10.553	CEID: 01340	<u>8,602</u>	<u>-</u>
Total Assistance Listing 10.553			<u>33,870</u>	<u>-</u>
National School Lunch Program (21-22SY)	10.555	CEID: 01340	25,493	-
National School Lunch Program (22-23SY)	10.555	CEID: 01340	<u>8,602</u>	<u>-</u>
Total Assistance Listing 10.555			<u>34,095</u>	<u>-</u>
Total Direct Program			<u>67,965</u>	<u>-</u>
Total Child Nutrition Cluster			<u>67,965</u>	<u>-</u>
Total U. S. Department of Agriculture			<u>67,965</u>	<u>-</u>
<u>U. S. Department of Housing and Urban Development</u>				
Direct Program:				
Community Development Block Grant	14.218	B-12-UC-48-0006	767	-
Community Development Block Grant	14.218	B-15-UC-48-0006	23,982	-
Community Development Block Grant	14.218	B-16-UC-48-0006	28,515	-
Community Development Block Grant	14.218	B-17-UC-48-0006	33,420	-
Community Development Block Grant	14.218	B-18-UC-48-0006	42,856	42,856
Community Development Block Grant	14.218	B-19-UC-48-0006	19,879	15,746
Community Development Block Grant	14.218	B-20-UW-48-0006	1,207,943	1,142,141
Community Development Block Grant - COVID-19	14.218	B-20-UC-48-0006	31,813	30,728
Community Development Block Grant	14.218	B-21-UC-48-0006	<u>818,979</u>	<u>356,838</u>
Total Assistance Listing 14.218			<u>2,208,154</u>	<u>1,588,309</u>
Total CDBG Entitlement Grants Cluster			<u>2,208,154</u>	<u>1,588,309</u>
Emergency Shelter Grants Program (ESGP)	14.231	E-20-UC-48-0006	100,045	100,045
Emergency Shelter Grants Program (ESGP)	14.231	E-21-UC-48-0006	200,712	195,476
Emergency Shelter Grants Program (ESGP) - COVID-19	14.231	E-20-UC-48-0006	<u>647,436</u>	<u>647,436</u>
Total Assistance Listing 14.231			<u>948,193</u>	<u>942,957</u>
Home Program	14.239	M-19-UC-48-0235	284,903	284,903
Home Program	14.239	M-20-UC-48-0235	8,904	8,904
Home Program	14.239	M-21-UC-48-0235	<u>30,242</u>	<u>-</u>
Total Assistance Listing 14.239			<u>324,049</u>	<u>293,807</u>
Total Direct Program			<u>3,480,396</u>	<u>2,825,073</u>
Passed through General Land Office				
CDBG-DR Housing 2016 Floods	14.228	18-522-000-B262	1,099,440	-
CDBG-DR 2016 Floods Infrastructure	14.228	19-076-018-B367	1,687,787	-
CDBG-DR Housing Hurricane Harvey	14.228	20-066-001-B956	1,908,141	-
CDBG-DR Harvey Infrastructure	14.228	20-065-136-C491	<u>5,544</u>	<u>-</u>
Total Assistance Listing 14.228			<u>4,700,912</u>	<u>-</u>
Total passed through General Land Office			<u>4,700,912</u>	<u>-</u>
Total U. S. Department of Housing and Urban Development			<u>8,181,308</u>	<u>2,825,073</u>
<u>U. S. Department of Justice</u>				
Direct Program:				
Coronavirus Emergency Supplemental Funding	16.034	2020-VD-BX-0758	3,021	-
Crime Victim Assistance Coordinator	16.582	2019-V3-GX-0244	80,340	-
JAG Narcan Support	16.738	15PBJA-21-GG-01867-JAGX	54,300	-
Equitable Sharing Program - SO	16.922	TX170015A	<u>21,925</u>	<u>-</u>
Total Direct Program			<u>159,586</u>	<u>-</u>

MONTGOMERY COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Grantor's Pass-through Number	Federal Expenditures	Pass-through Expenditures
<u>U. S. Department of Justice (continued)</u>				
Passed through Houston Police Department:				
Human Trafficking Rescue Alliance Task Force	16.320	N/A	<u>31,623</u>	<u>-</u>
Total passed through Houston Police Department			<u>31,623</u>	<u>-</u>
Passed through the Texas Office of the Governor, Criminal Justice Division:				
Child Victim Coordinator Project	16.575	2872004	81,277	-
First Responder Mental Health Program	16.575	4017702	<u>95,513</u>	<u>-</u>
Total Assistance Listing 16.575			<u>176,790</u>	<u>-</u>
Domestic Violence Investigator	16.588	3398305	84,614	-
Domestic Violence Investigator	16.588	3398306	6,474	-
Total Assistance Listing 16.588			<u>91,088</u>	<u>-</u>
State Criminal Alien Assistance Program	16.606	2020-AP-BX-1079	268,608	-
JAG-Accident Reconstruction and Traffic Investigations Unit	16.738	4208601	<u>103,292</u>	<u>-</u>
Total passed through the Texas Office of the Governor, Criminal Justice Division:			<u>639,778</u>	<u>-</u>
Total U. S. Department of Justice			<u>830,987</u>	<u>-</u>
<u>U. S. Department of the Transportation</u>				
Passed through Texas Department of Transportation:				
TXDOT Parallel Taxiway Project	20.106	1812CONRO	4,219,223	
TXDOT Taxiway G&F Design	20.106	1912CNROE/1912CONRO	2,739,335	
TXDOT Aviation - COVID-19	20.106	20CRCONRO	<u>20,000</u>	<u>-</u>
Total Assistance Listing 20.106			<u>6,978,558</u>	<u>-</u>
STEP-Click it or Ticket	20.614	2022-MoCoP1Co-CIOT-00049	1,265	-
Highway Safety Cluster:				
STEP-Comprehensive	20.600	2022-MoCoP1Co-S-1YG-00032	10,912	-
STEP-Comprehensive	20.600	2022-MontCoSO-S-1YG-00031	86,926	-
STEP IDM	20.600	2022-MoCoP2Co-IDM-0010	<u>2,063</u>	<u>-</u>
Total Assistance Listing 20.600			<u>99,901</u>	<u>-</u>
Alcohol Traffic Safety & Drunk Driving Prevention Incentive Grant	20.616	2022-MCDAO-G-1YG-0105	<u>143,324</u>	<u>-</u>
Total Highway Safety Cluster			<u>243,225</u>	<u>-</u>
Total passed through the Texas Department of Transportation			<u>7,223,048</u>	<u>-</u>
Total U. S. Department of Transportation			<u>7,223,048</u>	<u>-</u>
<u>U. S. Department of the Treasury</u>				
Direct program:				
Coronavirus Relief Fund - COVID-19	21.019	N/A	79,940	-
Emergency Rental Assistance Program - COVID-19	21.023	N/A	1,100,000	1,100,000
Coronavirus State and Local Fiscal Recovery Funds - COVID-19	21.027	N/A	<u>14,293,187</u>	<u>4,223,602</u>
Total Direct Program			<u>15,473,127</u>	<u>5,323,602</u>
Total U. S. Department of the Treasury			<u>15,473,127</u>	<u>5,323,602</u>
<u>U.S. Institute of Museum and Library Services</u>				
Passed through the State Library and Archives Commission:				
Interlibrary Loan Lending Reimbursement Program	45.310	LS-246193-OLS-20	<u>18,039</u>	<u>-</u>
Total passed through State Library and Archives Commission			<u>18,039</u>	<u>-</u>
Total U.S. Institute of Museum and Library Services			<u>18,039</u>	<u>-</u>

MONTGOMERY COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Grantor's Pass-through Number	Federal Expenditures	Pass-through Expenditures
<u>U.S. Elections Assistance Commission</u>				
Passed through Texas Secretary of State:				
Help America Vote Act (HAVA) CARES Act - COVID-19	90.404	TX20101CARES-170	<u>30,356</u>	-
Total passed through Texas Secretary of State			<u>30,356</u>	-
Total U.S. Elections Assistance Commission			<u>30,356</u>	-
<u>U.S. Department of Health and Human Services</u>				
Passed through the Texas Department of Family and Protective Services				
Foster Care - Title IV-E	93.658	24731933	16,006	-
Foster Care - Title IV-E (ADM)	93.658	24731513	<u>764,864</u>	-
Total Assistance Listing 93.658			<u>780,870</u>	-
Total passed through the Texas Department of Family and Protective Services			<u>780,870</u>	-
Total U.S. Department of Health and Human Services			<u>780,870</u>	
<u>U.S. Office of National Drug Control Policy</u>				
Direct Program:				
High Intensity Drug Trafficking Areas Program	95.001	G20HN0017A	10,882	-
High Intensity Drug Trafficking Areas Program	95.001	G21HN0017A	<u>84,300</u>	-
Total Assistance Listing 95.001			<u>95,182</u>	-
Total Direct Program			<u>95,182</u>	-
Total U. S. Office of National Drug Control Policy			<u>95,182</u>	-
<u>Federal Emergency Management Agency</u>				
Passed through the Texas Water Development Board:				
FY16 Flood Mitigation Assistance	97.029	1600012123	2,790,651	-
FY19 Flood Mitigation Assistance	97.029	1900012533	<u>3,935,547</u>	-
Total Assistance Listing 97.029			<u>6,726,198</u>	-
Total passed through the Texas Water Development Board			<u>6,726,198</u>	-
Passed through the Texas Division of Emergency Management:				
COVID-19	97.036	FEMA-DR-4885-TX	53	-
Total passed through the Texas Division of Emergency Management:			<u>53</u>	-
Total Federal Emergency Management Agency			<u>6,726,251</u>	-

MONTGOMERY COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Grantor's Pass-through Number	Federal Expenditures	Pass-through Expenditures
U.S. Department of Homeland Security				
Passed through the Texas Office of the Governor, Criminal Justice				
Division:				
HSGP - Community Preparedness & Regional	97.067	2976306	62,456	-
HSGP - Community Preparedness & Regional	97.067	2976307	194,908	-
HSGP - EOC/Regional Technology Sustainment	97.067	2976906	27,805	-
HSGP - EOC/Regional Technology Sustainment	97.067	2976907	94,887	-
HSGP - MoCo M&A	97.067	2986506	22,941	-
HSGP - MoCo M&A	97.067	2986507	16,152	-
HSGP - Hazmat Team Sustainment-Emerging Threats	97.067	3419304	66,940	-
HSGP - Hazmat Team Sustainment-Emerging Threats	97.067	3419305	121,432	-
HSGP - First Responder LE Special Response	97.067	3420703	139,616	-
HSGP - First Responder LE Special Response	97.067	3420704	684,027	-
HSGP - Combating Domestic Violent Extremism	97.067	3420705	373,551	-
HSGP - Emergency Operations Center Enh/Reg Tech.	97.067	3694703	112,532	-
HSGP - Portable Vehicle Barriers	97.067	3896201	26,525	-
HSGP - MC Otar AES	97.067	4107301	68,808	-
HSGP - Cybersecurity	97.067	4107302	291,708	-
HSGP - CBRN PPE	97.067	4107901	35,821	-
HSGP - Public Safety Dive Team	97.067	4129401	15,900	-
HSGP - Crowd Protection Initiative	97.067	4129901	262,450	-
HSGP - Crowd Protection Initiative	97.067	4129902	188,757	-
HSGP - First Responder Specialzed Team Sustainment	97.067	4130301	152,889	-
HSGP - First Responder Specialzed Team Sustainment	97.067	4130302	114,998	-
HSGP - DVE-MC Intel Analyst	97.067	4325301	9,834	-
HSGP - Regional Video Analytics	97.067	4512901	151,000	-
Total Assistance Listing 97.067			<u>3,235,937</u>	<u>-</u>
Total passed through the Texas Office of the Governor, Criminal Justice Division:			<u>3,235,937</u>	<u>-</u>
Total U. S. Department of Homeland Security			<u>3,235,937</u>	<u>-</u>
Total Federal Awards			\$ <u>42,663,070</u>	\$ <u>8,148,675</u>

MONTGOMERY COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

State Grantor/Pass-through Grantor/Program Title	Grantor's Pass-through Number	State Expenditures	Pass-through Expenditures
STATE AWARDS			
<u>Houston-Galveston Area Council</u>			
Direct Program:			
MCTX Training Academy - SO	N/A	\$ 108,947	-
Regional Juvenile Mental Health Services	N/A	<u>18,000</u>	-
Total Direct Program		<u>126,947</u>	-
Total Houston-Galveston Area Council		<u>126,947</u>	-
<u>Texas Department of Motor Vehicles</u>			
Direct Program:			
Montgomery County Auto Theft Task Force	608-22-1700000	417,731	-
Montgomery County Auto Theft Task Force	608-23-1700000	<u>36,577</u>	-
Total Direct Program		<u>454,308</u>	-
Total Texas Department of Motor Vehicles		<u>454,308</u>	-
<u>Texas Department of Transportation</u>			
Direct Program:			
Routine Airport Maintenance Program	M16M2212CONR	23,314	-
Routine Airport Maintenance Program	M16M2312CONR	<u>2,145</u>	-
Total Direct Program		<u>25,458</u>	-
Total Texas Department of Motor Vehicles		<u>25,458</u>	-
<u>Texas Health and Human Services Commission</u>			
Direct Program:			
Forensic Hospital Service	2016-048567-001F	15,733,260	-
Forensic Hospital Service	2016-048567-001G	<u>1,211</u>	-
Total Direct Program		<u>15,734,471</u>	-
Total Texas Health and Human Services Commission		<u>15,734,471</u>	-
<u>Texas Indigent Defense Commission</u>			
Direct Program:			
Indigent Defense Services - Formula Grant	212-22-170	<u>357,174</u>	-
Total Direct Program		<u>357,174</u>	-
Total Texas Indigent Defense Commission		<u>357,174</u>	-
<u>Texas State Office of the Attorney General</u>			
Direct Program:			
Crime Victim Notification- FY21	2219293	30,144	-
Veterans Court Program - TVC	GT-VTC21-008	145,219	-
Veterans Court Program - TVC	GT-VTC22-012	<u>48,854</u>	-
Total Direct Program		<u>224,217</u>	-
Indirect Program:			
Operation Lone Star (Border Security)	4386701	<u>62,476</u>	-
Total Texas State Office of the Attorney General		<u>286,693</u>	-
Total State Awards		\$ <u>16,985,051</u>	\$ -

MONTGOMERY COUNTY, TEXAS

**NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS**

SEPTEMBER 30, 2022

1. GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all applicable federal and state awards programs of Montgomery County, Texas. The County's reporting entity is defined in Note 1 of the basic financial statements. Federal and state awards received directly from federal and state agencies, as well as awards passed through other government agencies, are included on the Schedule of Expenditures of Federal and State Awards.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements.

3. INDIRECT COSTS

The County did not elect to apply the 10% de minimus indirect cost rate as allowed in the Uniform Guidance.

MONTGOMERY COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	None
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

Federal and State Awards:

Internal control over major programs:	
Material weakness(es) identified?	None
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or the State of Texas <i>Uniform Grant Management Standards</i>	None
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Identification of major federal program:

CFDA Number:	Name of Program or Cluster:
14.218	CDBG Entitlement Grants Cluster
14.228	CDBG Housing
20.106	Airport Improvement Program
21.023	Emergency Rental Assistance
21.027	Coronavirus State And Local Fiscal Recovery Funds

Identification of major state program:

Name of Program:
Forensic Hospital Services
2016-048567-001D
2016-048567-001E

Dollar threshold used to distinguish between type A and type B federal programs	\$1,279,892
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Dollar threshold used to distinguish between type A and type B state programs	\$509,552
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Auditee qualified as low-risk auditee?	No
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MONTGOMERY COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
SEPTEMBER 30, 2022

**Findings Related to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards**

None

Findings and Questioned Costs Related to Federal and State Awards

None

MONTGOMERY COUNTY, TEXAS

SCHEDULE OF PRIOR YEAR FINDINGS

SEPTEMBER 30, 2022

**Findings Relating to the Financial Statements Which Are
Required to be Reported in Accordance with Generally
Accepted Government Auditing Standards**

Item 2020-001:

Misstatement of Capital Assets

Criteria:

Management is responsible for the accuracy and completeness of all financial records and related information and for establishing and maintaining effective internal control over financial reporting. The existence of a material misstatement of an entity's financial statements is an indication of a material weakness in internal control.

Cause:

Approximately \$3.2 million of capital expenditures incurred in a previous period representing the County's retainage liability were not capitalized in the period incurred, because the County's practice was to capitalize retainage when paid rather than when incurred. This resulted in an understatement of prior-period capital assets, and an overstatement of prior-period expenses that was not detected by the County's internal controls over financial statement closing and monitoring procedures.

Effect:

Misstatements of the County's financial statements were not prevented, or detected and corrected, by the County's system of internal control. Failure to establish effective monitoring and closing procedures may allow misstatements to exist and be reported without being identified.

Recommendation:

We recommend that the County implement a system of internal controls that will ensure retainage is capitalized in the period incurred for all funds that use the economic measurement focus and the accrual basis of accounting.

Current Status:

Resolved