

*Compliance Report*

**Montgomery County, Texas**

**For the Year Ended September 30, 2007**

**MONTGOMERY COUNTY, TEXAS  
TABLE OF CONTENTS**

	<u>Page</u>
Schedule of Expenditures of Federal and State Awards.....	1
Notes to Schedule of Expenditures of Federal and State Awards .....	4
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	5
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 and Texas Uniform Grant Management Standards.....	7
Schedule of Findings and Questioned Costs – Federal Programs .....	9
Schedule of Findings and Questioned Costs – State Programs .....	12

**MONTGOMERY COUNTY, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Project Number	Federal Grantor	Federal CFDA #	Grant Funds Expended	Pass-Through Amount to Subrecipients
<b>U S DEPARTMENT OF HOMELAND SECURITY</b>				
Passed Through State Division of Emergency Management:				
07TX-EMPG-0469	State and Local Assistance	97.042	\$ 29,646	\$ -
2006-GE-T6-0068	State Homeland Security Program-2006	97.074	549,282	-
2005-GE-T5-4025	State Homeland Security Program-2005	97.074	599,541	-
2005-BZPP-48339	Buffer Zone Protection Program	97.078	26,185	-
<b>Total U S Department of Homeland Security</b>			<b>\$ 1,204,654</b>	<b>\$ -</b>
<b>U S DEPARTMENT OF AGRICULTURE</b>				
Passed Through TX Department of State Health Services:				
TX 170-2002/75J6006	National School Lunch/Breakfast Program	10.553	\$ 65,326	\$ -
2007-020873	Special Supplemental Food Program for WIC	10.557	808,701	-
<b>Total U S Department of Agriculture</b>			<b>\$ 874,027</b>	<b>\$ -</b>
<b>GENERAL SERVICES ADMINISTRATION</b>				
Passed Through TX Secretary of State:				
77465/78900/78645	Help America Vote Act	39.011	\$ 19,850	\$ -
<b>Total General Service Administration</b>			<b>\$ 19,850</b>	<b>\$ -</b>
<b>U S DEPARTMENT OF HEALTH/HUMAN SERVICES</b>				
Passed Through Texas Juvenile Probation Commission:				
TJPC-E-2006-170	Foster Care Title IV-E	93.658	\$ 34,710	\$ -
TJPC-E-2007-170	Foster Care Title IV-E	93.658	237,255	-
Passed Through Texas Dept of Family and Protective Services:				
23357184	Foster Care Title IV-E	93.658	20,108	-
23379425	Foster Care Title IV-E	93.658	2,032	-
23380022 (08)	Foster Care Title IV-E	93.658	6,815	-
233571857-FY07	Foster Care Title IV-E	93.658	36,853	-
23379429-FY08	Foster Care Title IV-E	93.658	2,488	-
Passed Through TX Department of State Health Services:				
2007-022443	Infectious Disease Surveillance & EPI Branch	92.283	57,050	-
<b>Total U S Department of Health/Human Services</b>			<b>\$ 397,311</b>	<b>\$ -</b>
<b>U S DEPARTMENT OF JUSTICE</b>				
Direct:				
2005-F012-TX-AP	State Criminal Alien Assistance Program - 2007	16.606	\$ 110,587	\$ -
2005-DJ-BX-0294	Byrne Memorial Justice Assistance Grant	16.738	15,345	-
Passed Through Sam Houston State University:				
321-20-S032	Community Prosecution/Safe Neighborhoods	16.609	3,534	-
Passed Through State Criminal Justice Division:				
JB-05-J20-18303-01	Juvenile Accountability Incentive Block Grant	16.523	16,996	-
DC-06-A10-1604006	Drug Court Discretionary Grant-Byrne Formula	16.585	130,744	-
DC-06-A10-1604007	Drug Court Discretionary Grant-Byrne Formula	16.585	4,958	-
<b>Total U S Department of Justice</b>			<b>\$ 282,164</b>	<b>\$ -</b>

See accompanying notes to schedule of expenditures of federal awards.

**MONTGOMERY COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Project Number	Federal Grantor	Federal CFDA #	Grant Funds Expended	Pass-Through Amount to Subrecipients
<b>U S DEPARTMENT OF TRANSPORTATION</b>				
Passed Through TX Department of Transportation:				
587XXF5040	State & Community Highway Safety	20.600	\$ 6,352	\$ -
587XXFF5022	State & Community Highway Safety	20.600	145,182	-
	Safety Incentives to Prevent Operation			-
587XXF5029	of Motor Vehicles by Intoxicated Persons	20.601	30,837	-
0712CONRO	Airport Improvement Program	20.106	10,983	-
0612CONRO	Airport Improvement Program	20.106	5,183,060	-
0412CONRO	Airport Improvement Program	20.106	10,128	-
0412CONRE	Airport Improvement Program	20.106	9,137	-
0512CNROE	Airport Improvement Program	20.106	458,479	-
0512CONRO	Airport Improvement Program	20.106	198,647	-
AP CONROE 12	Airport Improvement Program	20.106	6,218	-
AP CONROE 14	Airport Improvement Program	20.106	5,046	-
05CTCONRO	Airport Improvement Program	20.106	111,166	-
<b>Total U S Department of Transportation</b>			<b>\$ 6,175,235</b>	<b>\$ -</b>
<b>U S DEPT OF HOUSING &amp; URBAN DEVELOPMENT</b>				
B-02-UC-48-0006	Community Development Block Grant	14.218	\$ 5,144	\$ -
B-03-UC-48-0006	Community Development Block Grant	14.218	265,315	-
B-04-UC-48-0006	Community Development Block Grant	14.218	761,454	-
B-05-UC-48-0006	Community Development Block Grant	14.218	700,804	14,177
B-06-UC-48-0006	Community Development Block Grant	14.218	827,296	271,750
M-03-UC-48-0235	Home Program	14.239	332,778	95,319
Passed Through ORCA:				
DRS0600054	Community Development Block Grant-Disaster Recovery	14.228	920	-
<b>Total U S Dept of Housing &amp; Urban Development</b>			<b>\$ 2,893,711</b>	<b>\$ 381,246</b>
<b>STATE DIRECT FUNDING:</b>				
Texas Department of State Health Services:				
74-60005584-2007	Local Public Health System	N/A	\$ 75,472	\$ -
2008-024488	Local Public Health System	N/A	12,417	-
Texas Department of Transportation:				
SA-T01-10059-07	Motor Vehicle Salvage/Theft Reduction Inspn-13	N/A	350,583	-
SA-T01-10059-08	Motor Vehicle Salvage/Theft Reduction Inspn-14	N/A	24,491	-
M712CONRO	Routine Airport Maintenance Program	N/A	34,697	-
Texas Commission on Environmental Quality:				
07-16-G11	Solid Waste Implementation	N/A	33,015	-
07-16-G12	Solid Waste Implementation	N/A	8,378	-
06-16-G02	Solid Waste Implementation	N/A	79,261	-
582255082014.00	Low Income Repair Assistance Program	N/A	126,924	-
Texas Juvenile Probation Commission:				
TJPC-A-2007-170	State Financial Assistance Contract	N/A	246,219	-
TJPC-A-2008-170	State Financial Assistance Contract	N/A	16,762	-
TJPC-P-2007-170	State Financial Assistance Contract	N/A	203,064	-
TJPC-P-2008-170	State Financial Assistance Contract	N/A	17,166	-
TJPC-Y-2007-170	State Financial Assistance Contract	N/A	426,606	-
TJPC-Y-2008-170	State Financial Assistance Contract	N/A	31,990	-
TJPC-F-2007-170	State Financial Assistance Contract	N/A	92,289	-
TJPC-F-2008-170	State Financial Assistance Contract	N/A	7,007	-

See accompanying notes to schedule of expenditures of federal awards.

**MONTGOMERY COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Project Number	Federal Grantor	Federal CFDA #	Grant Funds Expended	Pass-Through Amount to Subrecipients
TJPC-G-2007-170	State Financial Assistance Contract	N/A	47,865	-
TJPC-G-2008-170	State Financial Assistance Contract	N/A	3,882	-
TJPC-O-2007-170	State Financial Assistance Contract	N/A	24,571	-
TJPC-O-2008-170	State Financial Assistance Contract	N/A	1,965	-
TJPC-Z-2007-170	State Financial Assistance Contract	N/A	100,581	-
TJPC-W-2007-170	State Financial Assistance Contract	N/A	41,462	-
TJPC-W-2008-170	State Financial Assistance Contract	N/A	2,379	-
TJPC-H-2008-170	State Financial Assistance Contract	N/A	7,764	-
	Texas Department of Emergency Management:			
N/A	Operation Wrangler	N/A	14,053	-
	Texas State Office of the Attorney General:			
06-06342	Crime Victim Notification Grant (VINE)	N/A	30,108	-
	Texas State Libraries Archives Commission:			
434-07191B	Gates Grant	N/A	24,981	-
442-07104	Loan Star Libraries Grant	N/A	39,088	-
	Texas Task Force on Indigent Defense:			
TFID 212-06-170	Indigent Defense Services - Formula Grant	N/A	179,507	-
	<b>Total Direct State Funding</b>		<b>\$ 2,304,547</b>	<b>\$ -</b>
	<b>GRAND TOTAL ALL FUNDING</b>		<b>\$ 14,151,499</b>	<b>\$ 381,246</b>

See accompanying notes to schedule of expenditures of federal awards.

**MONTGOMERY COUNTY, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Montgomery County, Texas. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. All federal and state grant funds were accounted for in special revenue funds, capital project funds, (components of the governmental fund type), or the general fund. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing resources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the governmental fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (i.e. both measurable and available); and, expenditures in the accounting period in which the fund liability is incurred, if measurable.

Federal and state grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly when such funds are received, they are recorded as deferred revenues until earned.

**Note 2. Availability of Federal and State Grant Funds**

The period of availability for federal and state grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal or state project period extended 90 days beyond the federal or state project period ending date, in accordance with provisions in Section H. Period of Availability of Federal Funds, Part 3 OMB Circular A-133 Compliance Supplement-March 2007 and Texas Uniform Grant Management Standards.



**Hereford, Lynch, Sellars & Kirkham**

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

To the Honorable County Judge and  
Commissioners' Court  
Montgomery County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery County, Texas as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 17, 2008. 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.

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.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of Commissioners' Court, management, federal 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.

*Hereford, Lynch, Sellars & Kirkham, P.C.*  
**HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.**  
**Certified Public Accountants**

**Conroe, Texas**  
**March 17, 2008**





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

To the Honorable County Judge and  
Commissioners' Court  
Montgomery County, Texas

**Compliance**

We have audited the compliance of Montgomery County, Texas with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and Texas Uniform Grant Management Standards that are applicable to each of its major federal and state programs for the year ended September 30, 2007. The County's major federal and 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 federal and 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and *Texas Uniform Grant Management Standards*. 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 or 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 on 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 programs for the year ended September 30, 2007.

**Internal Control over Compliance**

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the County's internal control over compliance with the 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 result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

#### **Schedule of Expenditures of Federal and State Awards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery County, Texas as of and for the year ended September 30, 2007, and have issued our report thereon dated March 17, 2008. Our audit was performed for the purpose of forming 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 Texas Uniform Grant Management Standards and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

This report is intended solely for the information and use of Commissioners' Court, management, federal 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.

*Hereford, Lynch, Sellars & Kirkham, P.C.*

**HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.**

**Certified Public Accountants**

**Conroe, Texas**

**March 17, 2008**

**MONTGOMERY COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

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***Financial Statements***

Type of auditor’s report issued on the financial statements: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Reportable condition(s) identified that are not considered to be material weakness(es)? No

Noncompliance material to the financial statements noted? No

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified? No

Reportable condition(s) identified that are not considered to be material weakness(es)? No

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.239	Home Program
20.106	Airport Improvement Program
93.658	Foster Care Title IV-E

Dollar threshold used to distinguish between type A and type B federal programs \$366,846

Auditee qualified as low-risk auditee? No

MONTGOMERY COUNTY, TEXAS  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007*

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

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*Current Year:*

None noted.

*Prior Year:*

None noted.

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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*Current Year:*

None noted.

*Prior Year:*

**2006-01**

During our audit, we noted that the County has not met the timeliness requirement of its Community Development Block Grant.

We recommend that the County review the requirements of its Community Development Block and develop or modify existing procedures as needed to insure that the County achieves its grant requirements.

**2005-01**

During our audit of the SHSP grants administered by TEEEX for the Department of Homeland Security, we noted the County could not provide proper documentation to support its actual expenditures under the grant contract due to the design of the TEEEX grant purchasing procedures and lack of effective monitoring.

The TEEEX grant purchasing procedures followed by the former Emergency Management Coordinator allowed for the County's normal purchasing procedures to be circumvented. The circumvention of the County's internal control procedures for purchases may result in misuse of grant funds whether intentional or unintentional and in turn may cause the loss of grant funds.

We recommend that the County review each grant requirements and develop or modify existing procedures as may be needed to insure that the County's established internal control procedures, when accounting for grant expenditures are not circumvented.

**MONTGOMERY COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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**SCHEDULE OF STATUS OF PRIOR FINDINGS**

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**2006-01**

The finding of non-compliance with the Community Development Block Grant timeliness requirement was based on the County's failure to expend an aggregate amount of funds (as determined by HUD) by a certain date (August 1<sup>st</sup>). There appears to be three reasons for this failure:

- 1.) The County created a plan that allocated the CDBG budget into a few larger categories.
- 2.) Several of the projects were delayed, thereby delaying the expenditure of funds.
- 3.) The Community Development Administrator for the County did not communicate the severity of the situation to other County officials who may have been able to assist.

Although the County continues to allocate its CDBG funds into only a few large projects, County personnel are now more aware of the need to be vigilant as to the timing of the expenditures. The County hired a new Director of Community Development in May 2007, and charged the director with the task of bringing the County into compliance before August 1, 2007 (the next date the timeliness test was performed). She has involved the County Auditor, the Director of Infrastructure and several Commissioners in the process. This major goal was successfully accomplished and HUD has acknowledged the County's compliance.

**2005-01**

The County recognized the deficiency identified in the SHSP grants administered by TEEEX for the Department of Homeland Security. We believe that the deficiency is a result of the unusual purchasing procedure prescribed by TEEEX for "Prime Vendor Purchases" as well as the County's failure to modify its own internal control procedures to produce accounting accuracy in the TEEEX procedure.

The County's current Emergency Management Coordinator and his deputy, both of whom were employed in late 2005, are aware of the need to follow the County's established internal control procedures when accounting for all grant expenditures, and they have coordinated with the County Auditor to insure that complete documentation is maintained and shared with all parties involved in the grant accounting process on a timely basis.

In addition, the County Auditor had scheduled a visual inspection of all items acquired through the Prime Vendor Purchases method during fiscal year 2005. As of September 30, 2006, the County had completed the inspection of all items acquired through the Prime Vendor Purchases method during fiscal year 2005, and had compiled documentation sufficient to provide evidence of the cost and location of each item.

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**CORRECTIVE ACTION PLAN**

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None noted.

**MONTGOMERY COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROGRAMS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

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*Financial Statements*

Type of auditor’s report issued on the financial statements:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	No
Noncompliance material to the financial statements noted?	No

*State Awards*

Internal control over major programs:	
Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	No
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Texas Uniform Grant Management Standards?	No

Identification of major state programs:

<u>CFDA Number(s)</u>	<u>Name of State Program or Cluster</u>
N/A	Motor Vehicle Salvage/Theft Reduction
N/A	Low Income Repair Assistance Program
N/A	Solid Waste Implementation

Dollar threshold used to distinguish between type A and type B state programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

MONTGOMERY COUNTY, TEXAS  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROGRAMS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007*

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

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*Current Year:*

None noted.

*Prior Year:*

None noted.

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**SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS**

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*Current Year:*

None noted.

*Prior Year:*

None noted.

**MONTGOMERY COUNTY, TEXAS**  
***SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROGRAMS***  
***FOR THE YEAR ENDED SEPTEMBER 30, 2007***

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**SCHEDULE OF STATUS OF PRIOR FINDINGS**

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None noted.

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**CORRECTIVE ACTION PLAN**

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Not Applicable.