

Compliance Report

Montgomery County, Texas
For the Year Ended September 30, 2009

**MONTGOMERY COUNTY, TEXAS
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MONTGOMERY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

| Project Number | Federal Grantor | Federal CFDA # | Grant Funds Expended | Pass-Through Amount to Subrecipients |
|--|--|-------------------|-------------------------|--|
| U S DEPARTMENT OF HOMELAND SECURITY | | | | |
| Passed Through State Division of Emergency Management: | | | | |
| 2008-GE-T8-0034 | State Homeland Security Program-2008 | 97.076 | \$ 284,834 | \$ - |
| 2007-GE-T7-0024 | State Homeland Security Program-2007 | 97.073 | 1,425,721 | - |
| 2006-GE-T6-0068 | State Homeland Security Program-2006 | 97.008 | 471,154 | - |
| 3294 | Emergency Measures | 97.036 | 19,594,567 | - |
| 07-SR-BZ-48339-03 | Buffer Zone Protection Program | 97.078 | 180,435 | - |
| Total U S Department of Homeland Security | | | \$ 21,956,711 | \$ - |
| U S DEPARTMENT OF AGRICULTURE | | | | |
| Passed Through TX Department of Health Services: | | | | |
| TX 170-2002/75J6006 | National School Lunch/Breakfast Program | 10.553 | \$ 63,216 | \$ - |
| Total U S Department of Agriculture | | | \$ 63,216 | \$ - |
| GENERAL SERVICES ADMINISTRATION | | | | |
| Passed Through TX Secretary of State: | | | | |
| 77465/78900/78645 | Help America Vote Act | 39.011 | \$ 381 | \$ - |
| Total General Service Administration | | | \$ 381 | \$ - |
| U S DEPARTMENT OF HEALTH/HUMAN SERVICES | | | | |
| Passed Through Texas Juvenile Probation Commission: | | | | |
| TJPC-E-2009-170 | Foster Care Title IV-E | 93.658 | \$ 18,789 | \$ - |
| Passed Through Texas Dept of Family and Protective Services: | | | | |
| 23379425 | Foster Care Title IV-E (ADM) | 93.658 | 21,789 | - |
| 23380022 (08) | Foster Care Title IV-E (Concrete Services) | 93.658 | 1,903 | - |
| 23404841 | Foster Care Title IV-E | 93.658 | 48,054 | - |
| Passed Through Sam Houston State University: | | | | |
| HH79T1017817-01 | JPO-Family Community Connection | 93.243 | 43,860 | - |
| Total U S Department of Health/Human Services | | | \$ 134,395 | \$ - |
| U S DEPARTMENT OF JUSTICE | | | | |
| Direct: | | | | |
| 2005-F012-TX-AP | State Criminal Alien Assistance Program | 16.606 | \$ 177,077 | \$ - |
| 2009-SB-B9-0755 | Byrne Memorial Justice Assistance Grant | 16.560 | 418,588 | - |
| 2008-DJ-BX-0473 | Byrne Memorial Justice Assistance Grant | 16.560 | 31,892 | - |
| 2007-DJ-BX-0176 | Byrne Memorial Justice Assistance Grant | 16.738 | 33,165 | - |
| 2007-DN-BX-K024 | Solving Cold Cases With DNA | 16.560 | 115,125 | - |
| Passed Through State Criminal Justice Division: | | | | |
| DC-06-A10-1604008 | Drug Court Discretionary Grant-Byrne Formula | 16.585 | 87,307 | - |
| 1604009 | Drug Court Discretionary Grant-Byrne Formula | 16.585 | 42,867 | - |
| 2087001 | Power Recovery Court-Juvenile Drug Court | 16.585 | 45,075 | - |
| 2196101 | DWI Drug Court | 16.585 | 49,461 | - |
| Total U S Department of Justice | | | \$ 1,000,557 | \$ - |

See accompanying notes to schedule of expenditures of federal and state awards.

**MONTGOMERY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

| Project Number | Federal Grantor | Federal CFDA # | Grant Funds Expended | Pass-Through Amount to Subrecipients |
|--|--|-------------------|-------------------------|--|
| U S DEPARTMENT OF TRANSPORTATION | | | | |
| Passed Through TX Department of Transportation: | | | | |
| 2009-MontgoSO-CIOT-00012 | State & Community Highway Safety | 20.600 | \$ 10,564 | \$ - |
| 2009-MontgoSO-S-SYG-0008 | State & Community Highway Safety | 20.600 | 156,325 | - |
| | Safety Incentives to Prevent Operation | | | |
| 589EGF65258 | of Motor Vehicles by Intoxicated Persons | 20.601 | 30,002 | - |
| 09EACONRO | Airport Improvement Program | 20.106 | 42,323 | - |
| 0712CONRO | Airport Improvement Program | 20.106 | 979,938 | - |
| 0612LONES | Airport Improvement Program | 20.106 | 86,639 | - |
| 0512CNROE | Airport Improvement Program | 20.106 | 5,116 | - |
| Total U S Department of Transportation | | | \$ 1,310,907 | \$ - |
| U S DEPT OF HOUSING & URBAN DEVELOPMENT | | | | |
| B-04-UC-48-0006 | Community Development Block Grant | 14.218 | \$ 38,011 | \$ - |
| B-05-UC-48-0006 | Community Development Block Grant | 14.218 | 405,939 | - |
| B-06-UC-48-0006 | Community Development Block Grant | 14.218 | 355,551 | - |
| B-07-UC-48-0006 | Community Development Block Grant | 14.218 | 355,682 | - |
| B-08-UC-48-0006 | Community Development Block Grant | 14.218 | 899,505 | 232,850 |
| M-04-UC-48-0235 | Home Program | 14.239 | 328,859 | - |
| M-05-UC-48-0235 | Home Program | 14.239 | 304,960 | - |
| M-06-UC-48-0235 | Home Program | 14.239 | 272,204 | - |
| M-07-UC-48-0235 | Home Program | 14.239 | 219,700 | - |
| M-08-UC-48-0235 | Home Program | 14.239 | 111,697 | - |
| Total U S Dept of Housing & Urban Development | | | \$ 3,292,108 | \$ 232,850 |
| STATE FUNDING: | | | | |
| Texas Department of State Health Services: | | | | |
| 2008-024488 | Local Public Health System | N/A | \$ 83,295 | \$ - |
| Texas Department of Transportation: | | | | |
| SA-T01-10059-09 | Motor Vehicle Salvage/Theft Reduction Inspn-15 | N/A | 420,930 | - |
| SA-T01-10059-10 | Motor Vehicle Salvage/Theft Reduction Inspn-16 | N/A | 33,004 | - |
| M912CONRO | Routine Airport Maintenance Program | N/A | 49,779 | - |
| Texas Commission on Environmental Quality: | | | | |
| 08-16-G08 | Solid Waste Implementation | N/A | 23,655 | - |
| 582889963 | Aircheck Texas | N/A | 287,325 | - |
| 582255082014 | Low Income Repair Assistance Program | N/A | 1,295,908 | - |
| Texas Juvenile Probation Commission: | | | | |
| TJPC-X-2010-170 | State Financial Assistance Contract | N/A | 5,950 | - |
| TJPC-X-2009-170 | State Financial Assistance Contract | N/A | 90,030 | - |
| TJPC-A-2010-170 | State Financial Assistance Contract | N/A | 30,344 | - |
| TJPC-A-2009-170 | State Financial Assistance Contract | N/A | 245,214 | - |
| TJPC-P-2010-170 | State Financial Assistance Contract | N/A | 17,297 | - |
| TJPC-P-2009-170 | State Financial Assistance Contract | N/A | 265,006 | - |
| TJPC-Y-2010-170 | State Financial Assistance Contract | N/A | 39,758 | - |
| TJPC-Y-2009-170 | State Financial Assistance Contract | N/A | 443,770 | - |
| TJPC-F-2010-170 | State Financial Assistance Contract | N/A | 8,475 | - |
| TJPC-F-2009-170 | State Financial Assistance Contract | N/A | 91,497 | - |

See accompanying notes to schedule of expenditures of federal and state awards.

**MONTGOMERY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

| Project Number | Federal Grantor | Federal CFDA # | Grant Funds Expended | Pass-Through Amount to Subrecipients |
|--------------------------------|---|-------------------|-------------------------|--|
| TJPC-G-2009-170 | State Financial Assistance Contract | N/A | 48,369 | - |
| TJPC-O-2010-170 | State Financial Assistance Contract | N/A | 2,241 | - |
| TJPC-O-2009-170 | State Financial Assistance Contract | N/A | 24,388 | - |
| TJPC-Z-2009-170 | State Financial Assistance Contract | N/A | 109,725 | - |
| TJPC-W-2010-170 | State Financial Assistance Contract | N/A | 4,213 | - |
| TJPC-W-2009-170 | State Financial Assistance Contract | N/A | 45,276 | - |
| TJPC-H-2010-170 | State Financial Assistance Contract | N/A | 41,551 | - |
| TJPC-H-2009-170 | State Financial Assistance Contract | N/A | 286,368 | - |
| TJPC-C-2010-170 | State Financial Assistance Contract | N/A | 1,777 | - |
| 06-06342 | Texas State Office of the Attorney General: Crime Victim Notification Grant (VINE) | N/A | 30,108 | - |
| 442-09106 | Texas State Libraries Archives Commission: Loan Star Libraries Grant | N/A | 85,946 | - |
| TFID 212-09-170 | Texas Task Force on Indigent Defense: Indigent Defense Services - Formula Grant | N/A | 632,441 | - |
| 1947502 | Criminal Justice Department: Power Recovery Court-Juvenile Drug Court | N/A | 74,368 | - |
| 1947503 | Power Recovery Court-Juvenile Drug Court | N/A | 9,265 | - |
| 2017701 | Digital Patrol Video System | N/A | 65,765 | - |
| 1892502 | Specialized Investigator for Sexual Assaults YR 2 | N/A | 46,552 | - |
| 1892503 | Specialized Investigator for Sexual Assaults YR 3 | N/A | 5,500 | - |
| Total State Funding | | | \$ 4,945,090 | \$ - |
| GRAND TOTAL ALL FUNDING | | | \$ 32,703,365 | \$ 232,850 |

See accompanying notes to schedule of expenditures of federal and state awards.

MONTGOMERY COUNTY, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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 2010 and Texas Uniform Grant Management Standards.



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**REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

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, 2009, and we have issued our report thereon dated March 22, 2010. 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.

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 22, 2010



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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, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 22, 2010. 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 22, 2010



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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, 2009. 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, 2009.

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 be material weaknesses, as defined above.

The County's response to the finding 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
April 26, 2010

MONTGOMERY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –FEDERAL PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

| | |
|---|-------------|
| Type of auditor’s report issued on the financial statements: | Unqualified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) 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 |
| Significant deficiency(ies) 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> |
|-----------------------|---|
| 16.585 | Power Recovery Court-Juvenile Drug |
| 16.738 | Byrne Memorial Justice Assistance |
| 97.036 | FEMA |
| 97.076 | Homeland Security Grant |
| 97.078 | Buffer Zone Protection Program |

| | |
|---|-----------|
| Dollar threshold used to distinguish between type A and type B federal programs | \$842,243 |
| Auditee qualified as low-risk auditee? | No |

MONTGOMERY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –FEDERAL PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS

Current Year:

None noted.

Prior Year:

None noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year:

None noted.

Prior Year:

2008-1

Information on the federal program

CFDA No.: 20.106

CFDA Program Title: Airport Improvement Program

Federal Award Year: 9/04 until complete

Name of Pass-Through Entity: Texas Department of Transportation (TxDOT)

Condition

The County and TxDOT entered into an Airport Participation Agreement for the development of Lone Star Executive Airport. TxDOT was the party to apply for, receive and disburse funds used. TxDOT assumed the responsibility to assure that all aspects of the grant were done in compliance with state and federal requirements. KPMG performed an audit of the State of Texas, including TxDOT, and issued a significant non-compliance finding regarding suspension and debarment.

Criteria or Specific Requirements

Non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred. Covered transactions include those procurement contracts that are expected to equal or exceed \$25,000.

Context

The audit finding does not represent an isolated instance. However, KPMG auditors did review the EPLS website and determine that none of the professional services contractors were suspended or debarred.

Effect

KPMG auditors found nine (9) construction contracts contained the necessary language (language noting vendor is not suspended or debarred). None of the forty-five (45) professional services contracts tested included the necessary language. In addition, TxDOT did not check the EPLS website or obtain any certification from professional services contracts to verify the contractors were not excluded from federal contracts.

Cause

The County relied on TxDOT to assure that all aspects of compliance were being followed.

MONTGOMERY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –FEDERAL PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Recommendations

The County should request additional grant compliance assurance during the course of pass-through contracts for which they are sub-recipients. The County should also monitor all aspects of compliance with grant contracts for with it is involved.

Views of responsible officials and planned corrective action

See corrective action plan section.

CORRECTIVE ACTION PLAN

Current Year:

None noted.

Prior Year:

2008-1

TxDOT has implemented a corrective action plan effective February 2009 resulting from their audit for the year ended August 31, 2008. A certification clause in the professional services contracts executed for local airport sponsors requires the contractor to attest that the provider is not debarred from federal contracts. Additionally, TxDOT has initiated an additional step in their contract checklist to verify that vendors are not on the debarment list on the EPLS website for both construction and professional services contracts. As additional monitoring of the contract, the County will execute its own verification by accessing the debarment list on the EPLS website and request written proof of TxDOT's adherence to their policy.

MONTGOMERY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –STATE PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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 | Solid Waste Implementation |
| N/A | Aircheck Texas |
| N/A | Low Income Repair Assistance Program |
| N/A | State Financial Assistance Contract |
| N/A | Indigent Defense Fund |

| | |
|---|-----------|
| 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, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS

Current Year:

None noted.

Prior Year:

None noted.

SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS

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, 2009

SCHEDULE OF STATUS OF PRIOR FINDINGS

None noted.

CORRECTIVE ACTION PLAN

Not Applicable.