

SINGLE AUDIT REPORTS

City of El Campo, Texas

**Fiscal Year Ended
September 30, 2022**

City of El Campo, Texas

SINGLE AUDIT REPORTS

Year Ended September 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
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>	1
REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	3
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS	6
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	7-10
CORRECTIVE ACTION PLAN	11-12
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	13
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	14



BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

**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**

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of El Campo, Texas:

We have audited, 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, 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 the City of El Campo, Texas as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise City of El Campo, Texas' basic financial statements, and have issued our report thereon dated May 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of El Campo, Texas' internal control over financial reporting (internal control) to determine the 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 the City of El Campo, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of El Campo, 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-003, and 2022-004 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of El Campo, 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 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*.

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.

Respectfully,



BrooksWatson & Co., PLLC
14950 Heathrow Forest Pkwy | Ste 530
Houston, TX 77032
May 31, 2023



BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of El Campo, Texas:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of El Campo, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 City of El Campo, Texas' 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of El Campo, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of El Campo, Texas 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 program for the year ended September 30, 2022.

Report on Internal Control over Compliance

Management of the City of El Campo, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of El Campo, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of El Campo, Texas' 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 program 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 program 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 program 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not

identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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. Accordingly, this report is not suitable for any other purpose.

Schedule of Expenditures of Federal Awards

We have audited 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 the City of El Campo, Texas as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of El Campo, Texas' basic financial statements. We issued our report thereon dated May 31, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Respectfully,

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, slightly stylized font.

Brooks Watson & Co., PLLC
14950 Heathrow Forest Pkwy | Ste 530
Houston, TX 77032
September 8, 2023

City of El Campo, Texas
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended September 30, 2022

I. SUMMARY OF PRIOR YEAR AUDIT FINDINGS:

None.

City of El Campo, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2022

I. SUMMARY OF AUDITOR'S RESULTS:

Financial Statements

Type of auditor's report issued:

The auditor's report on the basic financial statements of the City expresses an unmodified opinion.

Internal control over financial reporting:

Are any material weaknesses identified?	<u> X </u> Yes	<u> </u> No
Are any significant deficiencies identified not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None Reported
Is any noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

The auditor's report on compliance for major federal programs expresses an unmodified opinion.

Internal control over major program compliance:

Are any material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Are any significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> Yes	<u> X </u> No

City of El Campo, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2022

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.228	CDBG- MIT Grant

Enter the dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Is the auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

II. FINANCIAL STATEMENT FINDINGS:

Finding 2022-001:

Criteria: Management is responsible for establishing, maintaining and monitoring internal controls over financial reporting, and for the fair presentation of the financial statements and related notes in conformity with U.S. generally accepted accounting principles (“GAAP”).

Condition and Context: During the audit, the auditor encountered several accounts that required adjustment to be consistent with Generally Accepted Accounting Principles “GAAP”. The City is responsible for their closing process, and assuring their results are recorded consistently with GAAP.

Cause: The City lacked proper controls within their closing process to assure information was recorded consistently with GAAP.

Effect or Potential Effect: Without the auditor’s assistance the financial statements would not be consistent with GAAP.

Recommendation: The auditor recommends that management review the existing policies, procedures, and controls over these areas to ensure that all information is recorded and reported properly. A thorough review over all material accounts at yearend is necessary for assuring material accuracy prior to the commencement of the audit.

Responsible Official’s Response: Management of the City will continue to work with the auditor to reduce the number of adjusting journal entries. In addition, they will take steps to further their understanding of GAAP financials and footnote disclosures.

City of El Campo, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2022

Finding 2022-002:

Criteria: Management is responsible for furnishing schedules and requested information to their financial auditor as requested.

Condition and Context: During the audit, the auditor was unable to receive information within the timeline necessary to complete their fieldwork during the agreed upon schedule. This led to delays in completion of the audit and report.

Cause: The City and CDC lacked proper controls within their closing process to assure schedules and support were provided in a timely manner to the auditor.

Effect or Potential Effect: The audit results are delivered after the scheduled time, and the likelihood of error within the accounting and audit results increases due to the decrease in time available to complete the audit and report.

Recommendation: The auditor suggests the City and CDC work with the auditor to determine the best date they are able to provide information for the audit, and work to provide all information by that date. This will expedite the audit process and report preparation.

Responsible Official's Response: Management of the City will continue to work to speed up their processes to provide information requested, and find a date that works for providing this information to the auditor.

Significant Deficiencies:

Finding 2022-003:

Criteria: Management is responsible for accounting over cash balances for all funds and assuring the balances are positive.

Condition and Context: During the audit, the auditor identified several claims on pooled cash that were negative.

Cause: The City lacked proper controls to assure that claims on cash remained positive, and any deficits were evaluated and addressed prior to yearend.

City of El Campo, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2022

Effect or Potential Effect: Negative balances represent unplanned borrowings between funds or entities sharing the pooled cash account. Many times these borrowings are unintentional and are a function of sharing the same bank account(s).

Recommendation: The auditor suggests the City implement a policy where all individual cash balances are reported to Council and monitored regularly. When a fund has a negative or low cash position, the need for a transfer of funds or spending reduction should be considered and the negative position should be corrected within a reasonable amount of time.

Responsible Official's Response: Management of the City will monitor its accounts to assure negative balances are addressed in a more expeditious manner.

Finding 2022-004:

Criteria: Management is responsible for accounting over all funds and assuring a balanced accounting system is deployed.

Condition and Context: During the audit, the auditor identified two funds that were unbalanced by \$6,240 and \$18,527, respectively.

Cause: The City lacked proper controls to assure the accounting system remained balanced at all times.

Effect or Potential Effect: Unbalanced activities represent errors in the system as all transactions should balance.

Recommendation: The auditor suggests the City investigate the causes of this issue and correct it.

Responsible Official's Response: Management of the City will investigate and correct this issue.

III. FEDERAL AWARDS FINDINGS:

None.

City of El Campo, Texas

CORRECTIVE ACTION PLAN

For the Year Ended September 30, 2022

Finding 2022-001

Issue: The City lacked proper controls within their closing process to assure information was recorded consistently with GAAP.

Corrective action planned: Management of the City will continue to work with the auditor to reduce the number of adjusting journal entries. In addition, we will take steps to further our understanding of GAAP financials and footnote disclosures.

Contact persons:

Courtney Sladek, City Manager, 979-541-5009

Brittini Nanson, Finance Director, 979-541-5003

Anticipated completion date: November 2023

Finding 2022-002

Issue: The City and CDC lacked proper controls within their closing process to assure schedules and support were provided in a timely manner to the auditor.

Corrective action planned: Management of the City will continue to work to speed up their processes to provide information requested, and find a date that works for providing this information to the auditor.

Contact persons:

Courtney Sladek, City Manager, 979-541-5009

Brittini Nanson, Finance Director, 979-541-5003

Anticipated completion date: November 2023

Finding 2022-003

Issue: The City lacked proper controls to assure that claims on cash remained positive, and any deficits were evaluated and addressed prior to yearend.

Corrective action planned: Management of the City will monitor its accounts to assure negative balances are addressed in a more expeditious manner.

City of El Campo, Texas

CORRECTIVE ACTION PLAN

For the Year Ended September 30, 2022

Contact persons:

Courtney Sladek, City Manager, 979-541-5009

Brittini Nanson, Finance Director, 979-541-5003

Anticipated completion date: September 2023

Finding 2022-004

Issue: The City lacked proper controls to assure the accounting system remained balanced at all times.

Corrective action planned: Management of the City will investigate and correct this issue.

Contact persons:

Courtney Sladek, City Manager, 979-541-5009

Brittini Nanson, Finance Director, 979-541-5003

Anticipated completion date: September 2023

City of El Campo, TX
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended September 30, 2022

<u>Federal Grantor/Pass-through Agency/Program Name</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass-through Texas General Land Office <i>CDBG-MIT Grant</i>	20-066-039-C258	14.228	\$ 842,315
	Total US Department of Homeland Security		<u>842,315</u>
U.S. DEPARTMENT OF TREASURY			
Pass-through Texas Division of Emergency Management: <i>Coronavirus State and Local Fiscal Recovery Funds</i>	2022	21.027	\$ 97,838
	Total U.S. Department of Treasury		<u>97,838</u>
	TOTAL PROGRAMS		<u><u>\$ 940,153</u></u>

City of El Campo, TX

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended September 30, 2022

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of El Campo, Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Cost Principles for Federal Awards (the Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2: INDIRECT COST RATE

The City has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.