



**KPMG LLP**  
Suite 3100  
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March 9, 2011

The Honorable County Judge  
and Commissioner's Court  
Tarrant County, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Tarrant County, Texas (the County) as of and for the year ended September 30, 2010, which collectively comprise Tarrant County's basic financial statements, and have issued our report thereon dated March 9, 2011. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the Tarrant County Hospital District and the Mental Health and Mental Retardation of Tarrant County, as described in our report on Tarrant County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

During our audit we noted a matter involving internal control that is presented for your consideration. This comment and recommendation, all of which have been discussed with the appropriate members of management, is intended to improve internal control or result in other operating efficiencies and is summarized as follows:

#### **Condition**

During the performance of our audit, we noted during "dead week" (3 days prior to the County's year-end) the tax office did not record all of the cash received from customers in the General Ledger.

This practice resulted in an understatement of the County's cash balance and Fiduciary Fund Liability as of September 30, 2010 (fiscal year-end) of approximately \$848,000 prior to adjustment. Management made an adjusting entry to correct this understatement.

#### **Recommendation**

We recommend the Tax Office record all cash activity during the fiscal year in the General Ledger to ensure that balances as of the year-end are complete and accurate. Cash receipts collected during "dead week" that are not posted by the County's Bank prior to the end of the fiscal year should be classified as reconciling items on the bank reconciliation.



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**Views of Responsible Parties**

The Tarrant County Tax Office recognizes the importance of maintaining control of receipts during the tax year-end, which is also when the tax systems are offline to import the new tax-year information. We have worked diligently to improve this process and to maintain adequate controls during this unique collection period.

The Tax Office has historically not done accruals at tax-year end.

However, this year-end was the first time we did make an accrual, but it was only for the portion of receipts that were actually recognized as received at our bank (i.e. on the bank statement at tax year-end).

We understand the importance and necessity of accurate financial data and agree with the Auditor's recommendation to recognize all un-posted receipts as a reconciling item on the bank reconciliation. We will also be taking that one step further by preparing an accrual at year end based on the reconciliation total to book the funds into cash in order to also comply with the County Auditor Recommendations from their Dead Week Audit Findings Report.

We will review and amend the Tax Office year-end cut-off procedures to ensure all receipts are properly reconciled and accrued.

\* \* \* \* \*

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the County's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This communication is intended solely for the information and use of the County's Auditor's Office and the Commissioner's Court, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**