



**Burton McCumber & Cortez, L.L.P.**  
Certified Public Accountants & Management Consultants

205 Pecan Boulevard  
McAllen, Texas 78501  
Telephone 956/618-2300  
Facsimile 956/618-2333  
www.bmctexas.com

Offices In:  
Brownsville  
McAllen  
Matamoros  
Reynosa

January 21, 2008

County of Hidalgo-  
Juvenile Probation Department  
Attn: Board of Judges  
1300 S. Highway 281  
Edinburg, Texas 78539

We are pleased to confirm our understanding of the services we are to provide.

**Scope**

We will audit the combined balance sheet – regulatory basis of the Texas Juvenile Probation Commission Grant Funds of the County of Hidalgo as of August 31, 2007 and the related combined statements of revenues, expenditures and changes in fund balance – regulatory basis for the year then ended. Also the combined statement of revenues, expenditures and changes in fund balance – budget to actual – regulatory basis will be presented and considered additional information accompanying the basic financial statements and will be subjected to the auditing procedures applied in our audit of the financial statements upon which we will provide an opinion in relation to the basic financial statements.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. The objective of our audit will be the expression of an opinion on the above-mentioned financial statements. We will also perform an examination for compliance with laws, regulations, contracts, grants and requirements of the Texas Juvenile Probation Commission Audit Requirements.

## **Audit Objectives**

The objective of our audit is the expression of an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with the basis of accounting used for reporting to the Texas Juvenile Probation Commission, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Our audit will be conducted in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the County of Hidalgo Juvenile Probation Department and other procedures we consider necessary to enable us to express such an opinion. If our opinion on the financial statements are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express opinions or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely for the information and use by the Board of Judges, management, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. If during our audit, we become aware that the County of Hidalgo Juvenile Probation Department is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

## **Management Responsibilities**

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation of the financial statements in accordance with the basis of accounting used for reporting to the Texas Juvenile Probation Commission, all accompanying information and all representations contained therein.

Management is responsible for its decisions and functions. As part of the audit, we will prepare a draft of your financial statements and related notes in accordance with *Government Auditing Standards* and the basis of accounting used for reporting to the Texas Juvenile Probation Commission. You will be required to review and approve those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, you are required to designate a qualified management-level

individual to be responsible and accountable for overseeing our services.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is responsible for establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, and the timing and format related thereto.

### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

#### **Audit Procedures—Internal Controls**

Our audit will include obtaining an understanding of the County of Hidalgo Probation Department and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards and *Government Auditing Standards*.

#### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of County of Hidalgo Juvenile Probation Department's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in

our report on compliance issued pursuant to *Government Auditing Standards*.

### **Audit Administration and Other**

We understand that your employees will prepare all cash or other confirmations we request, prepare required audit schedules and will locate any documents selected by us for testing.

The audit documentation for this engagement is the property of Burton McCumber & Cortez, L.L.P. and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to the Texas Juvenile Probation Commission for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Burton McCumber & Cortez, L.L.P. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

We will provide copies of our reports to the management of the County of Hidalgo Juvenile Probation Department; however, management is responsible for the distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the Texas Juvenile Probation Commission. If we are aware that the Texas Juvenile Probation Commission is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We estimate that to complete this audit, our fee will approximate \$24,000. We understand that the audit report must be completed no later than March 1, 2008. In order to complete our audit within the deadline date, the County of Hidalgo Juvenile Probation Department's accounting records must be ready for audit no later than Monday January 28, 2008. In addition, County personnel must be available to assist in the preparation of audit schedules, respond to inquiries etc... in order to facilitate the completion of the audit. Finally, County personnel must be available to work weekends and after normal operating hours should it be necessary to facilitate the completion of this audit. We will commit to having an experienced person who is familiar with the operations of the County of Hidalgo assigned to complete this engagement.

Should circumstances arise such that we are unable to complete the audit by March 1, 2008, we will inform you with sufficient time as to communicate the status of the audit to the Texas Juvenile Probation Department.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 45 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit.

If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate using the hourly rates outlined below before we incur the additional costs.

<u>Experience Level</u>	<u>Hourly Rate</u>
Partner	\$190
Manager	\$150
Supervisor/In-Charge	\$ 95
Staff	\$ 75

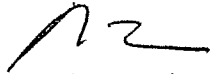
Our audit engagement ends on delivery of our audit report for any one year. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service. This engagement includes only those services specifically described in this letter. Costs and time spent on legal matters or proceedings arising from our engagement, such as subpoenas, testimony or consultation involving private litigation, arbitration or government regulatory inquiries at your request or by subpoena, will be billed separately..

*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. A copy of our peer review was included in our response to the Request for Qualifications pertaining to this engagement.

We appreciate the opportunity to be of service to the County of Hidalgo and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Burton McCumber & Cortez, L.L.P.



Ricky Longoria  
Partner

\* \* \*

The foregoing letter fully describes our understanding and is accepted by us.

COUNTY OF HIDALGO JUVENILE  
PROBATION DEPARTMENT

\_\_\_\_\_  
Date

BY \_\_\_\_\_  
Authorized Signature