

Rhonda L. Gillum

Certified Public Accountant

5415 N. McColl Road
Suite 107
McAllen, TX 78504

Member AICPA - TSCPA
PHONE (956) 618-2224
FAX (956) 618-2401

July 3, 2008

Mrs. Diana G. Solis, Accountant
Hidalgo County Community
Supervision & Corrections Dept.
P.O. Box 970
Edinburg, TX 78540

Dear Mrs. Solis:

You will find enclosed the engagement letter for the audit for 2008. The revised fee would be effective for years ending in 2008 and 2009. As per our conversation yesterday, the insurance policies expire in October. Copies of the renewal policies will be provided prior to beginning fieldwork.

If the enclosed engagement letter meets your specifications, please return one signed copy for my files. Hope your holiday is enjoyable.

Sincerely,



Rhonda L. Gillum

Enclosures (4)

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Mr. Joe Lopez, Director
Hidalgo County Community
Supervision & Corrections Dept.
P.O. Box 970
Edinburg, TX 78540

I am pleased to confirm my understanding of the services I am to provide Hidalgo County Community Supervision and Corrections Department (HCCSC) for the year ended August 31, 2008. I will audit the financial statements of HCCSC as of and for the year ended August 31, 2008.

Audit Objectives

The objective of my audit is the expression of an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and TDCJ-CJAD reporting requirements and to report on the fairness of the additional information presented with the financial statements. My audit will be conducted in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards, (the Yellow Book) issued by the comptroller General of the United States, and will include tests of the accounting records of HCCSC and other procedures I consider necessary to enable me to express such an opinion. If my opinion on the financial statements is other than unqualified, I will fully discuss the reasons with you in advance. If, for any reason, I am unable to complete the audit or am unable to form or have not formed an opinion, I may decline to express an opinion or to issue a report as a result of this engagement.

I will also provide reports (that do not include opinions) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of grant agreements, noncompliance with which could have a material effect on the financial statements as required by Government Auditing Standards.

Management Responsibilities

Management is responsible for establishing and maintaining internal control and for compliance with laws, regulations, contracts, and agreements. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls.

The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions

are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Management is responsible for making all financial records and related information available to me. I understand that you will provide me with such information required for the audit and that you are responsible for the accuracy and completeness of that information. I will advise you about appropriate accounting principles and their application and will assist in the preparation of your financial statements, but the responsibility for the financial statements remains with you. That responsibility includes the establishment and maintenance of adequate records and effective internal control over financial reporting, the selection and application of accounting principles, and the safeguarding of assets. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to me in the representation letter that the effects of any uncorrected misstatements aggregated by me 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.

Audit Procedures-General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, my audit will involve judgment about the number of transactions to be examined and the areas to be tested. I 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 errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to HCCSC or to acts by management or employees acting on behalf of HCCSC. Because an audit is designed to provide reasonable, but not absolute assurance and because I will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me. 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, I will inform you of any material errors that come to my attention, and I will inform you of any fraudulent financial reporting or misappropriation of assets that come to my attention. I will also inform you of any violations of laws or governmental regulations that come to my attention, unless clearly inconsequential. My responsibility as auditor is limited to the period covered by the audit and does not extend to matters that might arise during any later periods for which I am not engaged as auditor.

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

Identifying and ensuring that HCCSC complies with laws, regulations, contracts, and agreements is the responsibility of management. As part of obtaining reasonable assurance about whether the financial

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statements are free of material misstatement, I will perform tests of HCCSC's compliance with applicable laws and regulations and the provisions of contracts and agreements. However, the objective of my audit will not be to provide an opinion on overall compliance and I will not express such an opinion.

Audit Procedures—Internal Control

In planning and performing my audit, I will consider the internal control sufficient to plan the audit in order to determine the nature, timing, and extent of my auditing procedures for the purpose of expressing my opinion on HCCSC's financial statements.

I will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and I will assess control risk. Tests of controls may be performed to test the effectiveness of certain controls that I 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. These tests will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed.

Audit Administration, Fees and Other

I understand that your employees will type all cash or other confirmations I request and will locate any invoices selected by me for testing. I desire to begin my audit in early December to allow me to issue my report prior to the March 31, 2009 deadline. If unexpected circumstances arise that threaten to delay the targeted issuance date of the audit report, this will be communicated to you in advance so an extension can be requested from the Texas Department of Criminal Justice.

The work papers for this engagement are the property Rhonda L. Gillum and constitute confidential information. Also, TDCJ staff and/or State Auditor staff will be granted reasonable access to the working papers upon written request. They may also be provided photocopies of certain requested work papers. They may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies. These work papers will be maintained for a minimum three years from the date of the audit report.

Governmental Auditing Standards require that I provide you with a copy of my most recent quality control review report. The most recent quality review report was issued in 2007. A copy of this report is enclosed.

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My invoices for these services may be rendered each month as work progresses or may be submitted as fieldwork and the report are completed. These invoices are payable on presentation. In accordance with firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. My fees for these services will be \$18,875 for up to 320 hours. This estimate 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, I will discuss it with you and arrive at a new fee estimate before I incur the additional costs. My standard billing rate of \$70 per hour would apply for additional hours.

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

Sincerely yours,



Rhonda L. Gillum
Certified Public Accountant

RESPONSE:

This letter correctly sets forth the understanding of the Hidalgo County Community Supervision & Corrections Department.

By: _____

Title: _____

Date: _____



Members - Division of Firms,
American Institute of CPAs

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To Rhonda Gillum, CPA

We have reviewed the system of quality control for the auditing practice of Rhonda Gillum, CPA (the firm) in effect for the year ended March 31, 2007. Rhonda Gillum, CPA, has represented to us that the firm performed no services under Statements on Standards for Accounting and Review Services (SSARS), nor examinations of prospective financial statements under the Statements on Standards for Attestation Engagement for the year under review. A system of quality control encompasses the firm's organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance with its system of quality control based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the firm, interviewed firm personnel and obtained an understanding of the nature of the firm's auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the firm's system of quality control. The engagements selected represent a reasonable cross-section of the firm's auditing practice with emphasis on higher-risk engagements. The engagements selected included, among others, an audit under *Government Auditing Standards*. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with firm management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the firm's auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. There are inherent limitations in the effectiveness of any system of quality control and therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the auditing practice of Rhonda Gillum, CPA, in effect for the year ended March 31, 2007, has been designed to meet the requirements of the quality control standards for an auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of complying with professional standards.

A handwritten signature in black ink that reads "Long Chilton, CPA". The signature is written in a cursive, flowing style.

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
October 5, 2007