

**POTTER COUNTY, TEXAS**  
SINGLE AUDIT REPORTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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**SINGLE AUDIT REPORTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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# HankinsEastup

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Deaton Tonn Seay & Scarborough / A Texas LLC

## **INDEPENDENT AUDITOR'S 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***

Honorable County Judge and Commissioners  
Commissioners' Court  
Potter County, Texas

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of Potter County, Texas (the "County"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report dated March 26, 2025.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's 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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's 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 County'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the schedule of findings and questioned costs as item 2024-1 that we consider to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 2024-1.

### County's Response to Findings

*Government Auditing Standards* require the auditor to perform limited procedures on the County's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### 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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, reading "Hankins Eastup Deaton Ima Key + Scarborough". The signature is written in a cursive, flowing style.

Denton, Texas  
March 26, 2025

# HankinsEastup

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Deaton Tonn Seay & Scarborough | A Texas LLC

## **INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULES OF EXPENDITURES OF FEDERAL AND TEXAS STATE AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND TEXAS GRANT MANAGEMENT STANDARDS**

Honorable County Judge and Commissioners  
Commissioners’ Court  
Potter County, Texas

### **Report on Compliance for Each Major Federal and State Program**

We have audited Potter County’s compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement and in the State of Texas *Uniform Grant Management Standards* (UGMS) Audit Requirements that could have a direct and material effect on each of Potter County’s major federal and state programs for the year ended September 30, 2024. Potter 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.

In our opinion, Potter County, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal and state program for the year ended September 30, 2024.

### ***Basis for Opinion on Each Major Federal and State Program***

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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas UGMS Audit Requirements. Our responsibilities under those standards, the Uniform Guidance, and the UGMS Audit Requirements, are further described in the Auditors’ Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Potter County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of Potter County’s compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Potter County’s federal and state programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Potter County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the State of Texas UGMS Audit Requirements will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Potter County's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the State of Texas UGMS Audit Requirements, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Potter County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Potter County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of Potter County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

*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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-1 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* require the audit to perform limited procedures on the County's response to noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to other auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

**Report on Schedules of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State of Texas *Uniform Grant Management Standards (UGMS)* Audit Requirements**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Potter County, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise Potter County's basic financial statements. We issued our report thereon dated March 21, 2025, which contained unmodified opinions on those financial statements. Our audit was performed 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 and the schedule of expenditures of Texas state awards are presented for purposes of additional analysis as required by the Uniform Guidance and the State of Texas UGMS Audit Requirements and are 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 schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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 and the State of Texas UGMS Audit Requirements. Accordingly, this report is not suitable for any other purpose



Denton, Texas  
March 26, 2025

**POTTER COUNTY, TEXAS**

**SCHEDULE EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Texas Department of Family and Protective Services			
Title IV-E-Legal Reimbursement	93.658	24730714	\$ 26,670
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
National Priority Safety Programs			
Highway Safety Cluster FY23	20.616	TXDOT23-188	1,573
Highway Safety Cluster FY24	20.616	TXDOT23-188	6,257
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Bureau of Justice Assistance			
State Criminal Alien Assistance Program (SCAAP)	16.606	15BPJA-23-RR-05922	25,877
Texas Office of the Governor - Criminal Justice Division			
Victims of Crime Act Formula Grant - District Attorney	16.575	VA24V302093313	148,108
<u>U.S. DEPARTMENT OF THE TREASURY</u>			
American Rescue Plan Act	21.027	N/A	<u>4,437,311</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 4,645,796</u></u>



**POTTER COUNTY, TEXAS**

**SCHEDULE EXPENDITURES OF TEXAS STATE AWARDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

<u>State Grantor/Program Title</u>	<u>State Identifying Number</u>	<u>State Expenditures</u>
<u>ATTORNEY GENERAL OF TEXAS</u>		
Victim Information and Notification Everyday	2219418	\$ 37,636
Victim Coordinator and Liason Grant	2215192	52,866
<u>DEPARTMENT OF MOTOR VEHICLES</u>		
Motor Vehicle Crime Prevention Authority	1756001151029	383,714
<u>GOVERNOR'S OFFICE</u>		
Adult Drug Court	2761609	94,158
<u>OFFICE OF COURT ADMINISTRATION</u>		
Indigent Defense Formula Grant	212-24-188	125,402
Public Defender/Managed Assigned Counsel Improvement Grant	212-24-D24	1,197,327
<u>TEXAS JUVENILE JUSTICE DPARTMENT</u>		
State Aid	A-24-188	1,185,105
Special Needs Diversionary Program	RN-24-188	9,874
Regional Diversionary Alternatives	M-24-188	55,711
<u>TEXAS COMPTROLLER</u>		
SB22 Sheriff	24SHSB22-188	493,788
SB22 County Attorney	24CASB22-188	280,408
SB22 District Attorney	24DASB22-188	172,761
TOTAL EXPENDITURES OF STATE AWARDS		<u>\$ 4,088,750</u>

**POTTER COUNTY, TEXAS**  
**SCHEDULE EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedules of expenditures of federal and Texas state awards include the federal and Texas state grant activity of Potter County, Texas, and is presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); the State of Texas *Uniform Grant Management Standards* (UGMS) issued by the Governor’s Office of Budget and Planning; and the State of Texas Single Audit Circular.

**NOTE 2 – INDIRECT COST RATE**

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

**POTTER COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**Section I – Summary of Auditor’s Results**

**Financial Statements:**

Type of auditor’s report issued on the financial statements: **Unmodified**

**Internal control over financial reporting:**

Material weakness(es) identified: **None**

Significant deficiency(ies) identified that are not considered to be material weaknesses: **None**

Noncompliance that is material to the financial statements: **None**

**Federal Awards and State Awards:**

**Internal control over major federal programs:**

Material weakness(es) identified: **None**

Significant deficiency(ies) identified that are not considered to be material weaknesses: **2024-1**

Type of auditor’s report on compliance for major federal programs: **Qualified**

Audit findings disclosed that are required to be reported in accordance with  
2 CFR Section 200.516(a): **2024-1**

**Identification of major programs:**

Federal

U.S. Department of Treasury, passed through Texas Department of Emergency Management:  
CFDA 21.027 COVID 19 - State and Local Fiscal Recovery Funds (ARPA)

State

Texas Juvenile Justice Department  
SB22 Sheriff  
SB22 County Attorney  
SB22 District Attorney

Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**

Auditee qualified as low-risk auditee: **No**

## POTTER COUNTY, TEXAS

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2024

#### Finding 2024-1

**Finding Type:** Material Non-Compliance – Procurement and Suspension and Debarment

**Criteria:** *Texas Uniform Grant Management Standards*; Compliance Supplement – Part 3 – Compliance Requirements and Part 4 – Agency Program Requirements.

Non-federal entities other than states, including those operating federal programs as subrecipients of states, must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. They must use their own documented procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal statutes and the procurement requirements identified in 2 CFR Part 200. A non-federal entity must:

- Meet the general procurement standards in 2 CFR section 200.318, which include oversight of contractors' performance, maintaining written standards of conduct for employees involved in contracting, awarding contracts only to responsible contractors, and maintaining records to document history of procurements.
- Conduct all procurement transactions in manner providing full and open competition, in accordance with 2 CFR section 200.319.
- Use the micro-purchase and small purchase methods only for procurements that meet the applicable criteria under 2 CFR sections 200.320(a)(1) and (2). Under the micro-purchase method, the aggregate dollar amount does not exceed \$10,000 (\$2,000 in the case of acquisition for construction subject to the Wage Rate Requirements (Davis- Bacon Act)). Small purchase procedures are used for purchases that exceed the micro-purchase but do not exceed the simplified acquisition threshold (\$250,000). Micro-purchases may be awarded without soliciting competitive quotations if the non-federal entity considers the price to be reasonable (2 CFR section 200.320(b)). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources (2 CFR section 200.320(b)).
- For acquisitions exceeding the simplified acquisition threshold, the non-federal entity must use one of the following procurement methods: the sealed bid method if the acquisition meets the criteria in 2 CFR section 200.320(b); the competitive proposals method under the conditions specified in 2 CFR section 200.320(b)(2); or the noncompetitive proposals method (i.e., solicit a proposal from only one source) but only when one or more of four circumstances are met, in accordance with 2 CFR section 200.320(c).
- Perform a cost or price analysis in connection with every procurement action in excess of the simplified acquisition threshold, including contract modifications (2 CFR section 200.323(a)). The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used (2 CFR section 200.323(b)).
- Ensure that every purchase order or other contract includes applicable provisions required by 2 CFR section 200.326.

These provisions are described in Appendix II to 2 CFR Part 200, "Contract Provisions for Non-Federal Entity Contracts Under Federal Awards."

- Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.
- When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity, as defined in 2 CFR section 180.995 and the agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) and available at SAM.gov | Home (click on Search Record, then click on Advanced Search-Exclusions) [Note: The OMB guidance at 2 CFR Part 180 and agency implementing regulations still refer to the SAM Exclusions as the Excluded Parties List System (EPLS)], collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

## POTTER COUNTY, TEXAS

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2024

**Condition:** We tested a sample of procurements to ascertain whether the County complied with the above purchasing requirements. One transaction tested did not have obtain an adequate number of quotations from qualified sources or satisfy sole source requirements.

**Cause:** Failure to adhere to and/or document County's compliance with its own purchasing requirements.

**Effect:** Noncompliance with procurement policies and procedures violates state and federal grant compliance requirements.

**Questioned costs:** \$61,220.

**Recommendation:** Conduct control self-assessments to identify, document, and implement systems of internal grant compliance controls to reduce the number of purchasing exceptions.

**Management's Response:** The County Auditor will arrange for control assessment workshops to identify, document, and implement systems of internal accounting and grant compliance controls that satisfy federal requirements by September 1, 2024.

**POTTER COUNTY, TEXAS**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

In response to finding 2024-1, The County Purchasing Agent will arrange for control assessment workshops to identify, document, and implement systems of internal grant compliance controls to reduce the number of purchasing procedure exceptions by September 1, 2025.

## POTTER COUNTY, TEXAS

### SCHEDULE OF PREVIOUS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2024

Finding 2023-1

Status: Corrected.

Finding 2023-2

Status: Ongoing

**Finding Type:** Material Non-Compliance – Procurement and Suspension and Debarment

**Criteria:** *Texas Uniform Grant Management Standards*; Compliance Supplement – Part 3 – Compliance Requirements and Part 4 – Agency Program Requirements.

Non-federal entities other than states, including those operating federal programs as subrecipients of states, must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. They must use their own documented procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal statutes and the procurement requirements identified in 2 CFR Part 200. A non-federal entity must:

- Meet the general procurement standards in 2 CFR section 200.318, which include oversight of contractors' performance, maintaining written standards of conduct for employees involved in contracting, awarding contracts only to responsible contractors, and maintaining records to document history of procurements.
- Conduct all procurement transactions in manner providing full and open competition, in accordance with 2 CFR section 200.319.
- Use the micro-purchase and small purchase methods only for procurements that meet the applicable criteria under 2 CFR sections 200.320(a)(1) and (2). Under the micro-purchase method, the aggregate dollar amount does not exceed \$10,000 (\$2,000 in the case of acquisition for construction subject to the Wage Rate Requirements (Davis- Bacon Act)). Small purchase procedures are used for purchases that exceed the micro-purchase but do not exceed the simplified acquisition threshold (\$250,000). Micro-purchases may be awarded without soliciting competitive quotations if the non-federal entity considers the price to be reasonable (2 CFR section 200.320(b)). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources (2 CFR section 200.320(b)).
- For acquisitions exceeding the simplified acquisition threshold, the non-federal entity must use one of the following procurement methods: the sealed bid method if the acquisition meets the criteria in 2 CFR section 200.320(b); the competitive proposals method under the conditions specified in 2 CFR section 200.320(b)(2); or the noncompetitive proposals method (i.e., solicit a proposal from only one source) but only when one or more of four circumstances are met, in accordance with 2 CFR section 200.320(c).
- Perform a cost or price analysis in connection with every procurement action in excess of the simplified acquisition threshold, including contract modifications (2 CFR section 200.323(a)). The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used (2 CFR section 200.323(b)).
- Ensure that every purchase order or other contract includes applicable provisions required by 2 CFR section 200.326. These provisions are described in Appendix II to 2 CFR Part 200, "Contract Provisions for Non-Federal Entity Contracts Under Federal Awards."
- Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

## POTTER COUNTY, TEXAS

### SCHEDULE OF PREVIOUS FINDINGS AND QUESTIONED COSTS (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2024

- When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity, as defined in 2 CFR section 180.995 and the agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) and available at SAM.gov | Home (click on Search Record, then click on Advanced Search-Exclusions) [Note: The OMB guidance at 2 CFR Part 180 and agency implementing regulations still refer to the SAM Exclusions as the Excluded Parties List System (EPLS)], collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

**Condition:** We tested a selection of procurements to ascertain whether the County complied with the above purchasing requirements. 24% of the transactions tested did not obtain an adequate number of quotations from qualified sources or satisfy sole source requirements.

**Cause:** Failure to adhere to and/or document County's compliance with its own purchasing requirements.

**Effect:** Noncompliance with procurement policies and procedures violates state and federal grant compliance requirements.

**Questioned costs:** Known questioned costs total \$439,749; known and projected questioned costs total \$936,968. These amounts are the known and projected costs of those transactions that did not obtain an adequate number of quotations from qualified sources or satisfy sole source requirements.

**Recommendation:** Conduct control self-assessments to identify, document, and implement systems of internal grant compliance controls to reduce the number of purchasing exceptions.

**Management's Response:** The County Auditor will arrange for control assessment workshops to identify, document, and implement systems of internal accounting and grant compliance controls that satisfy federal requirements by September 1, 2024.