

July 21, 2022

To the Honorable County Commissioners Court  
and Management of Panola County, Texas

This letter is provided in connection with our engagement to audit the financial statements and to audit compliance over major federal award programs of Panola County, Texas as of and for the year ended December 31, 2022. Professional standards require that we communicate with you certain items including our responsibilities with regard to the financial statement audit and the planned scope and timing of our audit.

### **Our Responsibilities**

As stated in our engagement letter dated July 21, 2022, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), and in accordance with *Government Auditing Standards* of the Comptroller General of the United States of America, the requirements of the Single Audit Act, as amended; and the provisions of 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), and if applicable, State of Texas Uniform Grant Management Standards for the purpose of forming and expressing opinions on the financial statements and on major federal award program compliance. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility for supplementary information required by the Government Accounting Standards Board, and included in the document containing the audited financial statements and our report thereon includes only the information identified in our report. We have no responsibility for determining whether the required supplementary information is properly stated.

Our responsibility as it relates to the schedule of expenditures of federal awards is to evaluate its presentation for the purpose of forming and expressing an opinion as to whether it is presented fairly in all material respects in relation to the financial statements as a whole.

Our responsibility as it relates to additional supplementary information is to evaluate its presentation for the purpose of forming and expressing an opinion as to whether the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Planned Scope of the Audit**

Our audit will include 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. Our audit procedures will also include determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the entity's major federal programs.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or material noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS, *Government Auditing Standards* of the Comptroller General of the United States of America, the requirements of the Single Audit Act, as amended; and the provisions of the Uniform Guidance.

Our audits will include obtaining an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements, the risk of material noncompliance in the major federal awards programs, and as a basis for designing the nature, timing, and extent of further audit procedures. However, we will communicate to you at the conclusion of our audit, significant matters that are relevant to your responsibilities in overseeing the financial reporting process, including any material weaknesses, significant deficiencies, and violation of laws or regulations that come to our attention. Our responsibility as auditors is, of course limited to the period covered by our audit and does not extend to any other periods.

Although we are currently in the planning stage of our audit, we have identified the following significant risks during our audit to date that require special audit consideration:

- Management override of controls
  - Substantive procedures will be performed addressing manual journal entries prepared by management, management's use of accounting estimates, and significant unusual transactions occurring in the fiscal year.
  
- Improper revenue recognition due to fraud
  - Substantive procedures will be performed to gain assurance over the existence of revenue recognized in the fiscal year.
  - Additional procedures, including a combination of transactional and data-analytic-driven tests, will be performed on revenue cycle sand transactions with a higher risk profile.

We will conduct our planning for the audit and will schedule a time to conduct interim field work at the County's offices some time during November or December 2022. We will conduct our final field work beginning April 2023 and we plan to issue our final report to the Commissioners Court in the June 2023 meeting.

This information is intended solely for the information and use of the Commissioners Court and management of Smith County, Texas and is not intended to be and should not be used by anyone other than these specified parties.

*Gollob Morgan Peddy PC*

Certified Public Accountants  
Tyler, Texas