

# KINNEY COUNTY, TX

## FORENSIC AUDIT FOLLOW-UP

ISSUED MARCH 23, 2026

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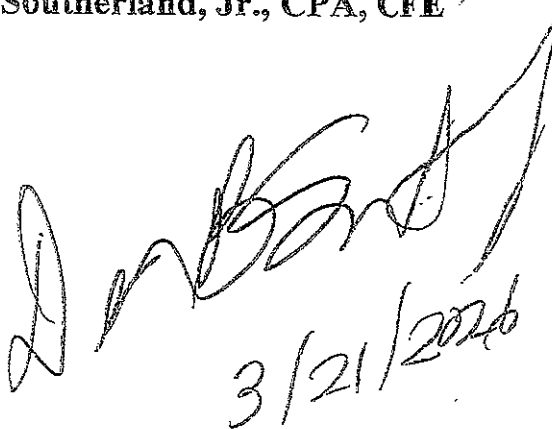
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MAR 23 2026

Ricardo Alvarado  
COUNTY & DISTRICT CLERK, KINNEY CO.

Prepared by:

Don B. Southerland, Jr., CPA, CFE



3/21/2026

### Restrictions on Use of Report

This document describes requested procedures performed by personnel of Don B. Southerland, Jr., CPA in connection with our engagement to provide a forensic accounting analysis for Kinney County. Such services do not constitute an engagement to provide audit, review, compilation or attestation services as prescribed in the pronouncements on Professional Standards issued by the American Institute of Certified Public Accountants. This document has been prepared for and is intended solely for the use of Kinney County. We will not be responsible for any losses suffered by any other party as a result of the use of this report contrary to the provisions of this paragraph.

## I. Background of Don B. Southerland, Jr., CPA, CFE,

I have extensive experience in performing Forensic Accounting investigative services and providing expert testimony. My c.v., including my testimony history, is attached (Exhibit 1).

Forensic Accounting, or investigative accounting, is a practice in which the knowledge, skills and abilities of advanced accounting are combined with investigative expertise and applied to legal problems. Forensic accountants often provide litigation support where they are called on to give expert witness testimony about fraudulent activities.

I am a member of the Association of Certified Fraud Examiners (ACFE), which is the world's largest anti-fraud organization and premier provider of anti-fraud training and education. Together, with more than 80,000 members world-wide, the ACFE is reducing business fraud worldwide and inspiring public confidence in the integrity and objectivity within the profession.

Starting in 1986, I served as Special Agent, and subsequently a Supervisory Special Agent, of the FBI for twelve years, where I primarily investigated and oversaw cases involving White Collar Crimes and Public Corruption. The main criminal offenses I investigated were bank fraud, wire fraud, mail fraud, health care fraud, bribery and kickback schemes. These included numerous oil & gas fraud schemes involving Ponzi-scheme fraud.

After leaving the FBI, I was a regional leader for two "Big 4" accounting firms' Forensic Accounting services practices. I opened my CPA firm in 2001 and have been practicing Forensic Accounting to this date.

## II. Scope of Work

The scope of the engagement is intended for Southerland to provide the Kinney County Commissioners Court with a progress report or compliance assessment as to the corrective actions taken by the County as to the findings and recommendations of the forensic audit previously completed by my firm on November 1, 2024. The report is expected to outline those items that still require attention and evaluate the County's internal and external auditing mechanisms that address them.

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In addition, the County Commissioners requested that I conduct an assessment of the following issues:

- 1) A public accusation by the County Auditor, Cheryll Jones, that the Commissioners Court had authorized the misappropriation of County funds by the Sheriff's Office and for the Peterson Building;
- 2) The delinquency of the issuance of the external Audit of the County, which has led to the County no longer being eligible to receive grant funding;
- 3) A determination if County bills are being paid timely; and
- 4) A recommendation as to whether the County's financial circumstances warrant the continued use of a County Auditor in order to efficiently carry out County business.

### III. Background

As previously mentioned, I issued Kinney County a report dated November 1, 2024 in regards to a Forensic Accounting Audit for the period ending June 11, 2024, which included numerous findings and recommendations.

Just prior to the issuance of my report, the County Auditor, Donieta O'Keefe, retired. At approximately the time I issued my report, the new County Auditor, Cheryll Jones, began work.

On 12/22/2025, according to the Court's Agenda and Minutes, the Kinney County Commissioners Court "carried" a motion to hire me to do a follow-up forensic accounting audit for the County per my proposed Engagement letter dated 12/3/2025 (See "Scope"). Judge Schuster signed an Engagement Letter with my firm on the same date and filed it with the County Clerk on 12/30/2025.

I am advised that Kinney County established the County Auditor position in 1981.

### IV. Documents

An analysis of the following documents was conducted:

- The Court's Agenda for 12/22/2025 to retain Forensic Accounting Services for a follow-up forensic audit by Don B. Southerland, Jr. CPA (**Exhibit 2**).
- The Minutes for the Court's meeting on 12/22/2025 to hire Don B. Southerland, Jr., CPA to conduct a follow-up forensic audit (**Exhibit 3**).
- County signed Engagement Letter dated 12/22/2025 with Don B. Southerland, Jr., CPA to provide a follow-up forensic audit, reflecting it was filed with the County Clerk on 12/30/2025 (**Exhibit 4**).
- Kinney County Attorney Legal Opinion dated 3/13/2025 relating to the statutory authority of the Court's Order of Disbursement (**Exhibit 5**).

- Kinney County Commissioners Court “Order for Disbursement of Salaries and Routine Office Expenses” (**Exhibit 6**).
- Operation Lone Star Grant Internal Audit by the Kinney County Auditor, undated, for the period 9/1/2023 – 8/31/2024 (**Exhibit 7**).
- The Minutes for the Court’s meeting on 2/10/2025 to retain Cascos & Associates, PC to conduct an audit of Kinney County’s financial statements for the fiscal year ending 9/30/2024 (**Exhibit 8**).
- Cascos & Associates, PC’s contract with Kinney County dated 1/20/2025 to provide an independent audit of Kinney County’s financial statements for the fiscal year ending 9/30/2024; signed by County Judge John Paul Schuster on 2/11/2025 and filed with the County Clerk on 10/27/2025 (**Exhibit 9**).
- Texas Bank & Trust Bank statements for the Kinney County Abandoned Motor Vehicle Escrow Account for the period 10/2/2024 – 3/3/2025 (**Exhibit 10**).
- March 9, 2026 letter from Cheryll A. Jones, County Auditor, to Kinney County Commissioners Court (**Exhibit 11**).
- Cheryll Jones e-mail to Don B. Southerland, Jr., dated 2/26/2026, advising that Southerland must submit his request for records under the Texas Public Information Act (**Exhibit 12**).
- Lynne Crow e-mail to Cheryll Jones dated 3/6/2026 advising a Vendor Hold had been placed on Kinney County due to the lack of a Single Audit for the 2024 fiscal year (**Exhibit 13**).
- Eric Ede e-mail to Cheryll Jones dated 11/14/2024 including Ede & Company Adjusting Journal Entries for Kinney County for FYE 9/30/2024 (**Exhibit 14**).
- Ede & Company, LLC Letter of Deficiencies in the financial statements for the fiscal year end 9/30/2023 audit (**Exhibit 15**).
- Texas State Office of Court Administrations recommended County Auditor Evaluation Checklist for District Judges (**Exhibit 16**).

Requested Documents not provided:

- All audit workpapers of County Auditor for the period since 11/1/2024;
  - OLS Audits
  - County/District Court Fund Audits
  - Sheriff’s Office Funds Audits
  - Surprise Cash Audits
  - Inventory Audits
  - County/District Court Audits
- Case Law regarding Signature Authority for the County Auditor

All of these items were requested during the interview on 1/27/2026 and later requested in writing at her request. Though she complained that the request was at the last moment, it wasn’t and she had plenty of time to respond. In addition, she advised that she does not have to provide her workpapers to anyone.

## V. Interviews

I conducted several interviews as follows:

### **Cheryll Jones, County Auditor**

Mrs. Jones advised that as the County Auditor, she is the de facto Financial Manager of the County. She stated that as an "Appointed" County Official, she maintains the same autonomy of an Elected County Official, and as such, she does not report to any one and no one provides her any evaluations of her performance. Jones asserts that she is appointed for two (2) years, at which time, the District Judge decides whether to reappoint her for another two (2) years.

Mrs. Jones reported that her office has conducted numerous audits of County funds but that she has only provided one (1) written audit report regarding an OLS Grant. She provided an undated copy of this audit report.

In addition, Mrs. Jones advised that she has conducted audits of the County/District Clerk's Office funds including the Cash Bond, Escrow, Court Fees, Bond Commission (County Attorney) and Forfeiture (District Attorney) accounts. She stated that she did not provide a written report on these audits.

Mrs. Jones advised that she has audited the Sheriff's Office' funds, which have minimal balances. She stated that those funds have still not been reconciled, resulting in unknown owners of the fund balances. She advised that the Sheriff's Office asked her to take over the funds and oversee them, but that she had refused this request.

Mrs. Jones reported that she has an employee that is assigned full-time to complete the Inventory (minimum \$500.00 cost) for the County.

Mrs. Jones stated that TAC did a cybersecurity audit of the County and had provided the County with a punch list of deficiencies to correct.

Mrs. Jones advised that the audit financial statements' balances do not match the books and records of Kinney County. As such, she is reconciling the numbers before the next audit for the fiscal year ending 9/30/2023. When asked if she had made the prior outside auditor's journal entries, she stated that she had asked for them but hadn't received them and the auditor, Eric Ede, was not responding to her requests (except for a depreciation schedule she received). (It is noted that Mr. Ede e-mailed those Adjusting Entries to Ms. Jones in Exhibit 14).

In regard to the current external audit engagement for the fiscal year ending 9/30/24, Mrs. Jones advised that she is having to reconcile the year's beginning balances before an audit can be conducted. At the time of the interview, she expected the reconciliation to be completed by the end of January 2026 and the audit to be completed in the first two weeks of February 2026. Mrs. Jones stated that the auditor, Cascos & Associates, PC, has advised her that the audit will have a "Modified" opinion due to the beginning balances of the fiscal year being unreconciled to the

previous audited financial statements. Mrs. Jones advised that the contract with Cascos & Associates, PC did not have a delivery date for the audit.

Mrs. Jones advised that the OLS Grant is on hold awaiting the 2024 Kinney County External Audit, but stated that no Grants have been suspended.

Mrs. Jones advised that she played no role in the County's budgeting process because the County Judge is the County's Budget Officer and he didn't request her input for the Budget process. As such, she did not attend the Budget planning meetings.

Subsequent to the interview, I requested Mrs. Jones to provide me with a copy of all of her audit workpapers since 11/1/2024. (Workpapers are the documentation of the work conducted for the audit, i.e. cash counts, inventories, schedules of revenue and expenses with documentary evidence to support each such as invoices receipts and bank reconciliations.) She first directed me to file a Public Information Request, even though she advised that her workpapers were not subject to being disclosed under such a request. When I advised her that I was contracted by the County to look at such matters under *Tex. Loc. Gov't Code Ann. § 115.031*, which states:

- (a) If considered by the commissioners court of a county to be justified by an imperative public necessity, the court may employ a disinterested, competent, and expert public accountant to audit all or part of the books, records, or accounts of:
  - (1) the county;
  - (2) a district, county, or precinct officer, agent, or employee, **including the county auditor;**
  
- (j) The authority given to county auditors under this subtitle, as well as other provisions of statutes relating to district, county, and precinct finances and accounts, is **subordinate** to the powers of the commissioners court under this section.

In addition, Kinney County Attorney advised:

*A governmental entity's release of information to another governmental entity is not a question under the Public Information Act, as the act is concerned with the required release of information to the public. Tex. Att'y Gen. ORD 661 (1999).*

*Information subject to the PIA may be transferred between governmental bodies without waiving exceptions to the public disclosure of information to the public. Tex. Att'y Gen. Op. No. JM-590 (1986).*

Mrs. Jones has been unresponsive to my request, but has advised the Court that my original contract was entered into with the Court with "serious legal concerns" that "violate the Texas Local Government Code § 115.031 and the Texas Professional Services Procurement Act (Texas Government Code Chapter 2254). Despite such allegations, it should be noted that the

letter of engagement to conduct this Compliance Assessment was executed, ratified, recorded, and performed separate and apart from the Forensic Accounting Audit in 2024.

Mrs. Jones has also represented that she has legal opinions to support her position on several issues, but has failed to provide those written opinions upon my request (Except for an Attorney General opinion for a different Texas County).

Mrs. Jones advised that she believes that the Sheriff's Office has misappropriated funds and that the Commissioners Court has been silent to this activity, which is thoroughly addressed below.

### **Alfred Vera, Cascos & Associates, PC**

Mr. Vera advised on 1/23/2026 that his firm has been retained by Kinney County to conduct the financial statement audit of the County for the fiscal year ending 9/30/2024, which the County is required to provide by law. He advised that he is expected to finish the audit approximately two weeks after Mrs. Jones completes the financial reconciliation of the County's books. He confirmed that he expected to provide a "Modified" opinion based upon the audited financial statements don't "tie" to or balance with the Kinney County financial records. When asked if he knew whether the prior auditor's reconciling journal entries had been made, he stated he was unaware of any outstanding journal entries that had not been recorded. In addition, Mr. Vera advised that he had not yet contacted the prior auditor, Mr. Ede, to garner any explanation as to why the Kinney County books do not tie to the audited financial statement. He stated that he did plan to call Mr. Ede before the completion of his audit. Mr. Vera stated that he expected to issue his report in early February 2026. Mr. Vera advised that it would be improper to request the prior auditor's workpapers to conduct his audit. (Under the *AICPA Professional Standards (the Standards)* 201.18 – Communicating with the predecessor auditor is a necessary procedure because the predecessor auditor may be able to provide information that will assist the successor auditor in determining whether to accept the engagement and permits the successor to review the predecessor's working papers.)

On March 5, 2026, Mr. Vera advised that he was still waiting on Mrs. Jones reconciliation of the Kinney County books. He stated that he didn't recall if he had spoken to Mr. Ede about the previous audit, but knew he had not requested the prior audit journal entries prepared by Mr. Ede. Mr. Vera reiterated that he was going to issue a Modified opinion and stated it was based on a "couple of funds," specifically a Payroll fund being recorded as a Fiduciary fund instead of more appropriately as a General fund and some Prior Period Adjustments he anticipated would need to be made. He expected to complete the audit in the next two weeks.

Finally, Mr. Vera stated that Cascos' contract did not require the signature of the County Auditor and did not know why Mrs. Jones signed it.

## **Eric Ede, Ede & Company, LLC**

Mr. Ede advised that he conducted the fiscal year-end external audits of 9/30/22 and 9/30/23 for Kinney County, therefore he is the predecessor auditor to Cascos. He noted that he has received several requests from the Kinney County Auditor (Mrs. Jones) and that he had provided her with year-end journal entries, depreciation schedules and a recent request for his workpapers of the Trust accounts in the County/District Clerk office.

He recalled and provided an e-mail he sent to Mrs. Jones dated 11/14/2024, which included his year-end Adjusting Journal Entries for the 2023 audit.

Mr. Ede reiterated that his prior audit provided a deficiency as to the County's accounting software precluded closing income and expense accounts, which was the main cause of these journal entries.

Mr. Ede advised that he has not been contacted by the County's successor external auditor as is required of CPAs before they accept a new audit (AICPA SAS 201.2 AU-C 210.A29). Mr. Ede advised that he would happily share his workpapers with the successor auditor, especially since he is required to do so under the Accounting Standards.

Mr. Ede advised that while a "Modified" audit opinion is not worst case scenario, that it could result in future more expensive independent audits and the possibility of not being able to acquire Federal Grants.

## **County/District Clerk Rick Alvarado**

On 1/27/2026, Mr. Alvarado advised that several changes have been made to his office since the last Forensic Audit including full implementation of the LGS software system, removal of the County Auditor as signatory on his Trust bank accounts and the reconciliation of all Trust funds. Mr. Alvarado specifically highlighted that he no longer had any "Pipeline" Trust funds or Probate funds to account for.

On 1/27/2026, Mr. Alvarado advised that he had just issued a check for \$1,060,174.25 for a "Pipeline" trust settlement. When asked about his prior representation that he no longer had any funds of this nature, he stated that he and Mrs. Jones were working to reconcile the accounts to determine what funds he did have. He further explained that he is not remitting interest received on County funds to the Treasurer on a monthly basis because he doesn't know which funds belong to the County and which funds are Trust funds due to the commingling of the funds at the direction of the Texas State Office of Court Administrations.

## Other Interviews

I did interview or converse with several other Kinney County officials to include:

County Judge John Paul Schuster  
County Commissioner Tim Ward  
County Attorney Brent Smith  
County District Attorney Suzanne West  
District Judge Roland Andrade  
County Sheriff Brad Coe  
County Treasurer Diana Gutierrez

Several of these individuals advised that the County's bills were not being paid timely, which has resulted in:

- Electricity being cut-off on surveillance camera;
- Contractors not being paid;
- Credit cards being declined for travel purchases;
- Cellphones threatened to lose service;
- POr an office subordinate to the county judge payroll audited prior to payment

Other issues that were discussed regarding the County Auditor is that:

- She asserts that she has to approve all Purchase Orders;
- She asserts that she has the authority to determine the progression and quality of construction work being performed by the construction companies;
- She does not attend Commissioner Court meetings to advise or report on county business;
- She did not participate in the Budget planning, but unilaterally changed the Budget after submitted by the Budget Officer

Judge Andrade advised that he does not perform annual evaluations of the County Auditor.

## VI. Follow-Up Financial Analysis

My follow-up analysis of the following County departments incorporate a portion of my previous report as well as additional information determined as follows:

### A. COUNTY TREASURER'S OFFICE

As discussed in my initial report, the 2023 Guide to Texas Laws for County Officials includes Texas Local Codes for the County Treasurer (Pages 99 – 105). The primary duties of the Treasurer are Section 113 specifically state the County Treasurer is:

- **Responsible for accounting for all funds in the County treasury and submits periodic reports to the Commissioner's Court for approval;**
- **Keep true account of receipts and expenditures of money and debts to and from the County;" and**
- **The County Treasurer is a co-signer on County checks, which requires two signatures.**

## **ASSESSMENT OF TREASURER'S OFFICE FINANCIAL REPORTING**

While I stated in my original report that the County Treasurer is materially in compliance with its duties and responsibilities that it performs, I was remiss in empathizing that the County Treasurer was not performing all of its statutory duties, especially those required in Section 113.002, which states "The County Treasurer shall keep an account of the receipts and expenditures of all money that the Treasurer receives by virtue of the office and all debts due to and owed by the county. The Treasurer shall keep accurate, detailed accounts of all of the transactions of the Treasurer's office.

## **SUGGESTED CORRECTIVE ACTION FOR COUNTY TREASURER**

As to my suggested corrective items for the County Treasurer, due to a limited time allowance for the follow-up, I only determined the following recommendations were not adhered to:

- 1) Assume the duties of managing the Accounts Payable function;

*The Treasurer, nor the County Commissioners, corrected this finding that the Treasurer, not the Auditor, is statutorily responsible for the Accounts Payable function and to begin processing all payments approved by the Commissioners.*

*The duties were maintained instead by the County Auditor, who improperly acted as the Financial Manager of the County.*

- 2) Ensure all outside Auditor findings are corrected in a timely manner.

*It is my understanding from the external Auditor, Alfred Vera of Cascos & Associates, PC that he expects to issue a Modified Opinion for the 2025 fiscal year audit due to Fiduciary Funds not being reconciled, as well as the Payroll Fund being recorded as a Fiduciary Fund, while it should be recorded in the General Fund.*

*These types of Findings have been reported in most of the previous external auditor reports over the last three (3) years. The Treasurer should immediately take steps to correct these deficiencies.*

## B. COUNTY AUDITOR

Kinney County has a population of 3,129 (2020). According to Texas Local Government Code Title 3 Organization of County Government, Subtitle B Commissioners' Court and County Officers, Chapter 84 County Auditor, Section 84.002 (a) states "in a County with a population of 10,200, or more, the District Judge *shall* appoint a County Auditor."

**Section 84.002 (a) states "in a County with a population of more than 10,200:**

1) the District Judge *shall* appoint a County auditor.

**Section 84.002 (b) states "in a County with a population of less than 10,200:**

(1) the District Judge *may* appoint a County auditor if the Judge determines that the County's financial circumstances warrant the appointment; and

(2) the District Judge *shall* appoint a County Auditor if:

(A) the commissioners court finds that a County Auditor is necessary to carry out County business and enters an order in its minutes stating the reason for this finding;

(B) the order is certified to the District Judge; and

(C) the District Judge finds the reason stated by the commissioners court to be good and sufficient."

Even though the population of Kinney County does not require the County to Appoint a County Auditor, Kinney County has employed such a position for since 1981. Nevertheless, according to County Commissioner Tim Ward, it has been long known that the County Treasurer's duties has been divided between the Treasurer and the County Auditor since that time.

The 2023 Guide to Texas Laws for County Officials includes Texas Local Codes for the County Auditor (Pages 154 – 159)

### **Financial Operation of County Offices (relevant items)**

- The County Auditor "serves as a check on the financial operations of other county offices."
- Serve as a check on County Treasurer in recordkeeping of deposit of funds and examining reports to commissioners courts on finances; count (Surprise Cash Counts) or examine money or accounts on deposit (Bank Reconciliations) with County Treasurer on occasion without notice - Local Government Code Sec. 115.003.
- Request and receive reports of other financial information from other County officials Local Government Code Sec. 114.002.

- Have general **oversight** of all books and records of the county related to collection of money and responsible for strict enforcement of laws governing county finances - Local Government Code Sec. 112.006.
  - Have access to all financial accounts of other officers and the commissioners court to determine correctness of same - Local Government Code Sec. 115.001 (**Exhibit 6**).
  - **Examine** all reports on collection of money made to the commissioners court Local Government Code Sec. 115.002.
  - **Examine** and approve all claims, bills and accounts against the County before submission to the commissioners' court - Local Government Code Sec. 113.064.
  - **Conduct** of independent audits - Local Government Code Sec. 115.031/115.041.
  - **Shall**, with approval of commissioners court, establish a procedure for administering an electronic funds transfer system for the payment of salaries, compensation and reimbursement to officers and employees - Local Government Code Sec. 156.001
- The County Auditor currently has two full-time assistant auditors and one part-time employee who acts as a legal advisor. The two full-time assistants are primarily responsible for Accounts Payable; meaning, preparing County checks for payment of the County bills and Inventory of County Assets.

**SUGGESTED CORRECTIVE ACTION FOR COUNTY AUDITOR**

*Financial Management  
is Duties of Treasurer  
- Co. cont. hired FMS  
under Comm. Act.*

I would make the following suggestions for corrective action:

- 1) The Auditor ensure all external Auditor findings are immediately corrected;
- 2) The Auditor ensure all Forensic Audit findings from the original report and this follow-up report be immediately corrected and implemented;
- 3) The Auditor be removed as a signator on the County's accounts. The Auditor has removed herself from the bank accounts managed by the County/District Clerk;
- 4) The Auditor immediately develops a schedule of County audits to be conducted either quarterly (cash counts) or annually (County departments);
  - a. I would schedule the audit of the County/District Clerk's Office first;
  - b. I would schedule the audit of the County Treasurer's Office second;
  - c. I would schedule the audit of the County Sheriff's Office third.
- 5) The Auditor develop a standard financial report to be prepared and submitted by each County department on a monthly basis, which shows and provides:
  - a. Total revenue or collections and detailed source of such with supporting documentation;
  - b. Total expenses and detailed list of such with supporting documentation;
  - c. Inventory of assets acquired during the period with the location or assignment of the property.

The Auditor advised that she is not responsible for designing and implementing a formal report from the County's Departments and, as such, has not done so.

- 6) The County Commissioners' establish the Financial Manager's position in the Treasurer's Office with those duties of the Financial Manager, such as the duty of Accounts Payable and Purchasing Agent assigned to that position;

- 7) Ensure proper reporting to the Commissioners' Court of any known irregularities as to non-budgeted spending by County departments;
- 8) **The Commissioners Court immediately limit the duties of the Auditor to the Audit function as according to AICPA Standards and Procedures;**
- 9) The County Purchasing Officer (County Auditor) consider issuing blanket Purchase Orders and consider setting a higher minimum requirement for a Purchase Order.

**C. COUNTY/DISTRICT CLERKS OFFICE**

*What funds are what? Belong to County?  
Interest funds earned?*

Even though the County/District Clerk advised that his accounts are reconciled, my conversations with him did not give me great confidence in this, specifically because he told me he no longer had any "Pipeline" funds, yet a week later he told me he disbursed in excess of \$1 million in these funds.

**SUGGESTED CORRECTIVE ACTION FOR COUNTY/DISTRICT CLERK'S UNRECONCILED FUNDS**

Hire a full-time Financial Manager and staff, as necessary, and assign that position to the Treasurer's Office to perform the financial duties of the Treasurer;

Direct the Financial Manager to assist the County/District Clerk's Office in the reconciliation of the fiduciary funds in that office.

**D. COUNTY SHERIFF'S OFFICE**

The follow-up Forensic Accounting Audit conducted a financial analysis of the Sheriff's Abandoned Motor Vehicle Escrow Account subsequent to the initial Forensic Accounting Report, dated 11/1/2024, and determined the following (Appendix A, B, C):

- The Sheriff's Office complied with the findings of the previous Financial Forensic Accounting Audit and remitted \$628,653.94 to the County Treasurer, most of which was remitted on 12/17/2024. The account was closed on 2/11/2025 with the balance of \$151.93 remitted to the Treasurer's Office;
- Between 11/3/2024 and 12/9/2024, the account had deposits of \$5,093.25 from the owners of the abandoned vehicles, Interest Income and some unknown source.
- During that same period, the account expended \$9,170.96 for Equipment, Promotional Supplies, Office Supplies, Janitor services, Bank fees and Towing. Of that amount, \$1,255.77 were encumbered prior to 11/1/2024, resulting in \$7,915.19 encumbered subsequent to the report.

The Sheriff's Office still has two (2) funds which have not been reconciled. Despite the Sheriff's Office request of assistance from the Auditor/Financial Manager to reconcile the funds, the Auditor advised that she refused the request.

### **SUGGESTED CORRECTIVE ACTION FOR COUNTY SHERIFF'S UNRECONCILED FUNDS**

Hire a full-time Financial Manager and assign that position to the Treasurer's Office to perform the financial duties of the Treasurer;

Direct the Financial Manager to assist the Sheriff's Office in the reconciliation of the fiduciary funds located in the Sheriff's Office.

### **E. Professional Opinions**

I am providing my Professional Opinions as follows:

- 1) It is my opinion that the Financial Manager's position should be an employee of the County and report to the Commissioners Court through the County Judge. The position should be located in the County Treasurer's Office or within a subordinate office under its statutory oversight;
- 2) The County Auditor position should be dissolved and the position of Financial Manager should be properly reassigned to the Treasurer's Office:
  - a. First, the Treasurer's Office is responsible for the financial accounting of the County, not the Auditor;
  - b. Second, the Auditor cannot Audit the County's financial function if they are the performing the Financial Manager function because "one cannot audit oneself;"
  - c. The Auditor is conducting few County Audits and is spending most of her time as the Financial Manager of the County, which is the Statutory duty of the Treasurer's Office.
  - d. The Auditor position is independent and should report directly to the District Judge(s), while the Financial Manager is not a position that should report to the District Judge(s) who would be deemed as responsible for the financial management of the County. The Commissioners Court is the party responsible for the financial Management of the County and the Judge acts as the overseer of the County's financial management.
  - e. Unlike more populous counties that are under a continual legal obligation to have a county auditor, the necessity for such an office that was once found to exist in 1981 does not by itself perpetuate the necessity of its continued existence indefinitely.

- 3) The contract with Cascos & Associates, PC ("Cascos") should be terminated and new Auditors immediately retained to perform the fiscal year 2024 and 2025 Audits:
  - a. Cascos has not performed its duties under the contract as described:
    - i. Unacceptable lack of Communication with the County Commissioners through the County Judge;
    - ii. Not performed the external Audit services on a timely basis – the contract is over one (1) year old - resulting in the ineligibility for Grants;
    - iii. Lack of Diligence and Due Professional Care in providing a timely audit report without excessive delay;
    - iv. Failure to explain cause of excessive delay to the Commissioners Court.
  - b. I recommend that, although I find no issues with Ede & Company's prior audits, that the County retain someone other than Ede for these two (2) audits.
- 4) The County Auditor as the Financial Manager has caused the delay in the external Audits and has caused damage to the County due to "Holds" on Grants so that the County has been unable to get reimbursed for expenses due from these Grants;
- 5) The County Auditor or Financial Manager has failed to provide a financial statement for the County to be audited by the external independent Auditor in a timely fashion:
  - a) The external Auditor was hired over 14 months ago to conduct the audit;
  - b) Failure to complete the Audit has resulted on the Hold of Grant funding and possibly the acquisition of new Grants.
- 6) The County Auditor of Financial Manager has failed to acquire a new financial accounting software as delineated as a deficiency in several past audits;
- 7) The County Auditor as the Financial Manager has refused the Commissioners Court Order to pay routine accepted expenses prior to the Courts formal approval;
- 8) The County Auditor as the Financial Manager has been remiss to timely advise the County Commissioners of her assumption that the Kinney County books do not tie to the 2023 financial audit report and that the reconciliation needed to be done for several years in arrears causing an extreme delay in the financial audit for the 2024 fiscal year;
- 9) The County Auditor as the Financial Manager has been delinquent in paying County bills causing disruption in law enforcement actions, employee travel and routine business expenses despite State law ratified by the Commissioners Court to pay routine business expenses prior to them being presented to the Commissioners Court for approval;
- 10) The County Auditor has inappropriately signed a contract on behalf of the County without the approval of the Commissioners Court when she signed the Audit engagement letter of Cascos & Associates, PC.;
- 11) The Sheriff's Office closed the County's Abandoned Vehicle Escrow Account as represented in my original report;

- 12) Even though the Sheriff's Office received additional funds and paid newly incurred expenses for a short period of time o my initial report, I do not find any misappropriation of funds by the Commissioners Court or the Sheriff's Office;
- 13) I did not find any misappropriation of funds by the Commissioners Court or the County in relation to the Peterson Bulding;
- 14) The County Auditor has acted inconsistently as follows:
  - a) Insists on being a signatory on County Funds but refused to be a signatory on funds maintained by the County/District Clerk's Office. A Financial Manager should be a signatory on all County funds;
  - b) Insists on reconciling the County's books but refused to reconcile the accounts maintained in the Sheriff's Office. A Financial Manager should be responsible for the reconciliation of all County funds;
  - c) Intermittently acts as the Auditor and the Financial Manager, which is not only incongruent in the operations of a County, but is in direct contradiction of all Accounting Standards.

## F. Recommendations

I have the following Recommendations:

- 1) The County Commissioners Court should consider defunding the County Auditor position and rightfully move the Financial Management duties assumed by the County Auditor to the Treasurer's Office to a newly established position of Financial Manager;
- 2) The County Commissioners Court should consider terminating the contract with Cascos & Associates, PC and retaining a new Audit firm for the fiscal years 2024 and 2025;
- 3) The County Commissioners, as well as the Elected Department Heads, should ensure that all previous external audit deficiencies are immediately corrected including Ede & Company and the Forensic Accounting audits;
- 4) The position of County Purchasing Agent should be assigned in the Treasurer's Office or a position subordinate to the County Judge;
- 5) The County/District Clerk should complete a reconciliation of all funds under their control;
- 6) The Sheriff's Office should complete a reconciliation of all funds under their control;
- 7) The Commissioners Court should immediately prioritize the acquisition of a new financial management software system.

## G. Concluding Remarks

Southerland's opinions expressed herein are based on the information available as of the date of this report. Southerland reserves the right to amend or supplement this report if additional documents and information become available.