



To the Honorable County Judge and
Members of the Commissioners' Court
Madison County, Texas

In planning and performing our audit, we considered Madison County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. We previously reported on the County's internal control over financial reporting in our letter dated August 4, 2025. We identified certain deficiencies in internal control that we considered to be material weaknesses and significant deficiencies. This letter does not affect that report.

PRIOR YEAR COMMENTS

Bank Accounts – Madison County Child Welfare Board and Other Bank Accounts

Condition. The bank account at Prosperity Bank that is used by the Child Welfare Board appears to be listed under the County's employer identification number ("EIN"), but the activity is not being reported in the books of the County. Control of these funds is with the Child Welfare Board, rather than the County Treasurer and Auditor, which is required by statute. Additionally, other bank accounts listed as "Domestic Violence" and "Beef Forage" are listed with the Treasurer's online banking access, but are also not being reported in the books of the County.

Recommendation. It is our understanding that the child welfare account and the other accounts, are funded primarily by juror donations remitted by the County, along with other donations. If these boards have their own EIN's, the ownership information should be changed at the bank. If not, the activity needs to be reported and controlled in the same manner as other County funds.

Status/Update. This comment remains unresolved.

Liability Clearing Accounts

Condition. Certain liability accounts have been established in the general ledger as "clearing" accounts. The activity in these accounts represents monies received by the Treasurer that does not belong to the County and will ultimately be disbursed upon a court's orders (i.e. forfeiture funds, cash bonds). At September 30, 2022, the cash bonds liability had an unidentified difference of \$19,064, at September 30, 2023, the unidentified difference was \$31,882, and at September 30, 2024 the unidentified difference was \$18,797.

We were unable to obtain information to substantiate all of the balance and determine the ultimate ownership of the monies. It was pointed out that the balance has existed since prior to the current County Treasurer's election to office.

Recommendation. We recommend that the appropriate County personnel work to substantiate the balance in the account and ascertain that all monies have been disbursed appropriately or are accurately identified as pending.

Status/Update. At September 30, 2024, the cash bonds liability had an unidentified difference of \$18,797. Accordingly, this comment remains unresolved.

Cash Reconciliations –District Clerk Custodial Funds

Condition. During the 2023 audit, we noted unidentified differences between bank balances and clerk listings of the District Clerk custodial funds totaling \$75,100. As these funds are fiduciary in nature, it is important that the accounts be reconciled in a timely manner and balances be reported accurately both in the clerk's records and in the County's financial software. Additionally, it was noted that the records are maintained on in an Excel spreadsheet format, rather than a purpose-designed software system.

Recommendation. We recommend that the District Clerk conduct a comprehensive reconciliation of cash account balances and detailed listings, and verify activity by comparing balances to court orders, etc. We further recommend that the County review/update existing policies and procedures to ensure future reconciliations are accurate and consider implementation of software to assist in maintaining the custodial account information.

Status/Update. At September 30, 2024, the net unidentified difference was \$71,597.26. Accordingly, this comment remains unresolved.

We will review the status of these comments during our next audit engagement. We have already discussed each of these comments/suggestions with governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of management, the board of directors, others within the Organization and federal/state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Todd, Hamaker & Johnson, LLP

Todd, Hamaker & Johnson, LLP
Lufkin, Texas

August 4, 2025



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Management's Responses to Auditors' Letter to Management dated August 4, 2025

Madison County, Texas submits the following responses to the auditors' letter to management dated for the fiscal year ended September 30, 2024.

Prior Year Matters

Bank Accounts – Madison County Child Welfare Board and Other Bank Accounts

Response and Planned Corrective Action – Both the Child Welfare Board and the Beef Forage accounts will be closed and reopened under new EIN #'s. The Domestic Violence account will be closed and remaining funds are to be donated to the Victim Assistance Program operated by the Madison County District Attorney's office.

Anticipated Implementation Date – September 2025

Liability Clearing Accounts

Response and Planned Corrective Action – The County Auditor will work with the Treasurer's office to reconcile the remaining funds in the cash bonds liability account

Anticipated Implementation Date – December 2025

Cash Reconciliations – District Clerk Custodial Funds

Response and Planned Corrective Action – The County Auditor will work with the District Clerk's office to reconcile the custodial funds held by the District Clerk.

Anticipated Implementation Date – January 2026

Respectfully,

A handwritten signature in cursive script, appearing to read "Susan A. Pugh".

Susan A. Pugh, CPM
Madison County Auditor