COUNTY OF TUOLUMNE, CALIFORNIA

Single Audit Reports

For the Year Ended June 30, 2014

MGO Certified Public Accountants.

COUNTY OF TUOLUMNE, CALIFORNIA
FOR THE YEAR ENDED JUNE 30, 2014

Table of Contents

Page(s)

Schedule of Expenditures of Federal Awards 1-4

Notes to Schedule of Expenditures of Federal Awards 5

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* 6-7

Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133........ 8-10

Schedule of Findings and Questioned Costs........ 11-13

Status of Prior Year Findings and Questioned Costs........ 14-17

COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR Direct or Pass-Through Grantor Program Title	CFDA No.	Grant #/ Project ID	Expenditures/ Expenses
U.S. DEPARTMENT OF AGRICULTURE			
Direct:			
U.S. Forest Service Communications	10.unknown	11-LE-11051360-340	$ 4,548
U.S. Forest Service Emergency Airport Use	10.unknown	N/A	15,000
Law Enforcement - USFS	10.unknown	12-LE-11051360-018	52,007
U.S Forest Service	10.unknown	14-RO-11051600-0004	150,000
Passed through California Department of Food and Agriculture			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	12-0115-SF	26,764
Plant and Animal Disease, Pest Control, and Animal Care	10.025	12-0345-SF	658
Plant and Animal Disease, Pest Control, and Animal Care	10.025	12-0437-SF	7,117
Plant and Animal Disease, Pest Control, and Animal Care	10.025	12-0138	1,950
Total Plant and Animal Disease, Pest Control, and Animal Care			36,489
Technical Assistance for Specialty Crops Program	10.604	13-0442-SF	2,064
Forest Health Protection	10.680	07-PA-110516651-049	1,265
Passed through California Department of Forestry			
Cooperative Forestry Assistance	10.664	7FG13167	16,613
Passed through California Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	11-10506	481,130
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	13-20103	65,428
Passed through California Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	141-16-75	874,346
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			939,774
Passed through California Department of Finance:			
Schools and Roads - Grants to States	10.665	US Forest Reserve Title III	102,350
Schools and Roads - Grants to States	10.665	US Forest Reserve Title I	526,320
Total Schools and Roads - Grants to States			628,670
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,327,560
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct:			
Supportive Housing Program	14.235	CA032IL9T261202	14,118
Passed through California Department of Housing and Community Development:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	10-EDEF-7270	2,077
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	12-CDBG-8421	1,379,707
Total Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii			1,381,784

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR Direct or Pass-Through Grantor Program Title	CFDA No.	Grant #/ Project ID	Expenditures/ Expenses
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued)			
Passed through California Department of Housing and Community: Development (Continued):			
Home Investment Partnerships Program	14.239	10-HOME-6854	$ 26
Home Investment Partnerships Program	14.239	11-HOME-7672	138,675
Home Investment Partnerships Program	14.239	12-HOME-8565	382,228
Total Home Investment Partnerships Program			520,929
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			1,916,831
U.S. DEPARTMENT OF THE INTERIOR			
Direct:			
Law Enforcement - New Melones	15.unknown	R10PX20133	68,374
Law Enforcement - New Melones	15.unknown	R14PX00288	37,617
Total Law Enforcement - New Melones			105,991
Payments in Lieu of Taxes	15.226	N/A	2,134,278
Distribution of Receipts to State and Local Governments	15.227	US Grazing Fees	681
Natural Resource Stewardship	15.944	P14AC00135	75,000
TOTAL U.S. DEPARTMENT OF THE INTERIOR			2,315,950
U.S. DEPARTMENT OF JUSTICE			
Direct:			
DEA-marijuana eradication	16.unknown	2013-60	8,994
State Criminal Alien Assistance Program	16.606	N/A	8,265
Bulletproof Vest Partnership Program	16.607	N/A	12,602
Passed through Board of State & Community Corrections:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 664-13	164,371
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 642-13	60,965
Total Edward Byrne Memorial Justice Assistance Grant Program			225,336
Crime Victim Assistance	16.575	VW13270550	50,250
TOTAL U.S. DEPARTMENT OF JUSTICE			305,447
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through California Department of Transportation:			
Highway Planning and Construction	20.205	X14-5932 (080)	307,574
Highway Planning and Construction	20.205	BRLO-5932 (064)	128,587
Highway Planning and Construction	20.205	BRLO-5932 (067)	102,427
Highway Planning and Construction	20.205	BHLO-5932 (073)	3,434
Highway Planning and Construction	20.205	BHLO-5932 (074)	3,934
Highway Planning and Construction	20.205	BHLO-5932 (078)	1,033
Highway Planning and Construction	20.205	BHLO-5932 (079)	13,189
Highway Planning and Construction	20.205	BRLS-5932 (039)	11,424
Highway Planning and Construction	20.205	HSIPL-5932 (066)	31,110
Total Highway Planning and Construction			602,712
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			602,712

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR Direct or Pass-Through Grantor Program Title	CFDA No.	Grant #/ Project ID	Expenditures/ Expenses
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Public Health:			
Public Health Emergency Preparedness	93.069	EPO 11-55	$ 4,709
Public Health Emergency Preparedness	93.069	EPO 12-55	18,468
Total Public Health Emergency Preparedness			23,177
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	EPO 13-58	276,605
Immunization Cooperative Agreements	93.268	11-10580	28,085
Maternal and Child Health Services Block Grant to the States	93.994	2013-55	84,047
Passed through California Family Health Council, Inc.			
Family Planning - Services	93.217	1420-5320-71209-13	58,158
Passed through California Department of Social Services:			
Promoting Safe and Stable Families	93.556	151-25-30	32,542
Temporary Assistance for Needy Families	93.558	151-25-30	2,520,139
Stephanie Tubbs Jones Child Welfare Services Program	93.645	151-25-30	25,698
Foster Care - Title IV-E	93.658	141-16-75	1,256,783
Adoption Assistance	93.659	151-25-30	967,977
Social Services Block Grant	93.667	151-25-30	158,971
Child Abuse and Neglect State Grants	93.669	CBCAP	36,768
Chafee Foster Care Independence Program	93.674	151-25-30	17,940
Passed through YES Partnership/Amador-Tuolumne Community Action Agency:			
ARRA - Early Head Start	93.709	not available	550
Passed through Public Health Institute:			
PPHF: Community Transformation Grants - Small Communities Program Financed solely by Public Prevention and Health Funds	93.737	1017793	283,246
Passed through California Department of Health Care Services:			
Medical Assistance Program	93.778	08-85139 A01	39,710
Medical Assistance Program	93.778	CHDP	87,465
Medical Assistance Program	93.778	HCPC	25,014
Medical Assistance Program	93.778	CCS-Admin	85,258
Medical Assistance Program	93.778	TCM 55-0712	44,469
Medical Assistance Program	93.778	TCM 55-0713A2	445
Medical Assistance Program	93.778	TCM 55-1318	109,849
Medical Assistance Program	93.778	GEMT	561,394
Medical Assistance Program	93.778	not available	1,152,615
Passed through California Department of Public Health (continued):			
Medical Assistance Program	93.778	11-10557	19,999

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR Direct or Pass-Through Grantor Program Title	CFDA No.	Grant #/ Project ID	Expenditures/ Expenses
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)			
Passed through California Department of Social Services (continued):			
Medical Assistance Program	93.778	111-25-15	$ 434,796
Medical Assistance Program	93.778	151-25-30	152,247
Total Medical Assistance Program			2,713,261
Passed through California Department of Alcohol and Drug Programs:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	10-NNA55	558,990
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			9,042,937
U.S. DEPARTMENT OF HOMELAND SECURITY			
Direct:			
Staffing for Adequate Fire emergency Response (SAFER)	97.083	EMW-2012-FH-00204	323,535
Passed through California Govenor's Office of Emergency Services:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-415DR-CA	1,102,609
Passed through California Emergency Management Agency:			
Emergency Management Performance Grants	97.042	2013-0047	136,065
Pre-Disaster Mitigation	97.047	2011-0002	7,400
Homeland Security Grant Program	97.067	2012-SS-00123	35,115
Homeland Security Grant Program	97.067	2013-00110	94,062
Total Homeland Security Grant Program			129,177
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			1,698,786
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 18,210,223

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

COUNTY OF TUOLUMNE, CALIFORNIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE A – **GENERAL**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal financial assistance programs of the County of Tuolumne (the County). The County reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the Schedule.

NOTE B – **BASIS OF ACCOUNTING**

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements, except for programs recorded in the County's enterprise funds. The enterprise funds are presented using the accrual basis of accounting, which is described in Note 1 to the County's basic financial statements.

NOTE C – **RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Federal expenditures/expenses materially agree to or can be reconciled with the amounts reported in the County's basic financial statements.

NOTE D – **RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the Schedule agree to or can be reconciled with the amounts reported in the related federal financial reports.

NOTE E **– AMOUNT PROVIDED TO SUBRECIPIENTS**

Of the expenditures presented in the Schedule, the County provided federal awards to subrecipients as follows:

Federal Program	CFDA Number	Amount
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	$ 1,320,576
PPHF: Community Transformation Grants- Small Communities Program financed solely by Public Prevention and Health Funds	93.737	68,405

NOTE F – **PASS-THROUGH ENTITY IDENTIFYING NUMBERS**

The County has included in the Schedule under Grant #/Project ID the identifying numbers for pass-through grants when such information has been provided by the pass-through entities. For grants that the County was not provided with such information by the pass-through entities, the County has indicated the pass-through identifying numbers as "not available."

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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*

To the Board of Supervisors
and Grand Jury
County of Tuolumne
Sonora, California

We have audited, in accordance with 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, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Tuolumne, California (County), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 25, 2015.

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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001 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 of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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County's Response to Finding

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Macias Gini & O'Connell LLP
Sacramento, California
February 25, 2015

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Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

To the Board of Supervisors
 and Grand Jury
County of Tuolumne
Sonora, California

Report on Compliance for Each Major Federal Program

We have audited the County of Tuolumne, California's (County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2014. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-002. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-002 that we consider to be a significant deficiency.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated February 25, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted 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 is presented for purposes of additional analysis as required by OMB Circular A-133 and is 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Macias Gini & O'Connell LLP

Sacramento, California
March 13, 2015

COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
10.665	Schools and Roads – Grants to States
15.226	Payments in Lieu of Taxes
20.205	Highway Planning and Construction
93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance Program
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs:	$546,307
Auditee qualified as a low-risk auditee?	No

Section II – Financial Statement Findings

2014-001 – Deficit Internal Service Funds

Criteria:
Under generally accepted accounting principles, internal service funds are expressly designed to function as *cost-reimbursement devices*. That is, an internal service fund is simply a means of accumulating costs related to a given activity on an accrual basis so that the costs can subsequently be allocated to the benefitting funds in the form of fees and charges.

Condition:
The County is not charging County funds their share of the County's costs accumulating in its Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance internal service funds.

Context:
The Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance internal service funds' net position balances were deficits of $1,916,032, $7,215,767, and $10,225,734, respectively, as of June 30, 2014.

Effect:
This condition resulted in the County accumulating large deficits in these internal services funds, and therefore over-reporting the equity position of other County funds that are using these services, but not being charged for them.

Cause:
The County is not charging County funds their share of the County's Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance costs.

Recommendation:
Under generally accepted accounting principles, the County needs to begin charging County funds their share of the Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance costs.

Management Response and Corrective Action:
Management is looking at increasing 2013-14 and all future years' charges to properly allocate the costs.

Section III – Federal Award Findings and Questioned Costs

Reference Number:	**2014-002**
Federal Program Title:	**Schools and Roads – Grants to States**
Federal Catalog Number:	**10.665**
Pass-Through Agency:	**California Department of Finance**
Award Numbers and Years:	**US Forest Reserve Title III; 2012-13**
Federal Agency:	**U.S. Department of Agriculture**
Category of Finding:	**Reporting**

Criteria:
Secure Rural Schools Act Title III, Public Law 112-141, Section 303. Certification

(a) Not later than February 1 of the year after the year in which any county funds were expended by a participating county, the appropriate official of the participating county shall submit to the Secretary concerned a certification that the county funds expended in the applicable year have been used for the uses authorized under section 7142(a) of this title, including description of the amounts expended and the uses for which the amounts were expended.

Condition:
The County submitted its annual certification of Title III expenditures for the year ended June 30, 2014 on March 5, 2015.

Questioned Costs:
There are no questioned costs associated with this condition.

Context:
The County received $86,688 in Title III funding this year, which it expended during the year along with $15,662 received last year for a total expended this year of $102,350.

Effect:
The County is not in compliance with its annual certification of Title III funds and exposes itself to disciplinary action from the granting agency.

Cause:
The County was first made aware of this requirement during the audit for the year ended June 30, 2013, however overlooked it for the year ended June 30, 2014 until reminded during the audit for the year ended June 30, 2014.

Recommendation:
The County should develop policies and procedures to ensure all program requirements are identified and adhered to and that training is provided to County personnel who are responsible for administering federal programs, to communicate the importance of complying with program compliance requirements.

Management Response and Corrective Action:
Agree with recommendation. The County will provide staff with proper training.

2013-001 – Deficit Internal Service Funds

Criteria:
Under generally accepted accounting principles, internal service funds are expressly designed to function as *cost-reimbursement devices*. That is, an internal service fund is simply a means of accumulating costs related to a given activity on an accrual basis so that the costs can subsequently be allocated to the benefitting funds in the form of fees and charges.

Condition:
The County is not charging County funds their share of the County's costs accumulating in its Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance internal service funds.

Context:
The Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance internal service funds' net deficit balances were $2,720,350, $8,045,977, and $5,855,382, respectively, as of June 30, 2012.

Effect:
This condition resulted in the County accumulating large deficits in these internal services funds, and therefore over-reporting the equity position of other County funds that are using these services, but not being charged for them.

Cause:
The County is not charging County funds their share of the County's Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance costs.

Recommendation:
Under generally accepted accounting principles, the County needs to begin charging County funds their share of the Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance costs.

Management Response and Corrective Action:
Management is looking at increasing 2013-14, and all future years', charges to properly allocate the costs.

2013 Status:
The Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance internal service funds' net position balances were deficits of $2,445,953, $7,811,784, and $7,859,075, respectively, as of June 30, 2013. Therefore, the recommendation continues as finding 2013-001.

2014 Status:
The Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance internal service funds' net position balances were deficits of $1,916,032, $7,215,767, and $10,225,734, respectively, as of June 30, 2014. Therefore, the recommendation continues as finding 2014-001.

2013-002 – Schedule of Expenditures of Federal Awards

Criteria:
Pursuant to Subpart C, Section .300(d) of Office of Management and Budget (OMB) Circular A-133, *Audits, of States, Local Governments, and Non-Profit Organizations*, the auditee shall prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with section .310." Per Section 310(b)(3), "the schedule of expenditures of federal awards shall provide total Federal awards expended for each individual Federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available."

Condition:
The expenditures for the Temporary Aid for Needy Families program were not properly reported on the County's draft schedule of expenditures of federal award (SEFA) as the County did not adjust the fourth quarter expenditures for the year ended June 30, 2013 to reflect the appropriate federal reimbursement rate.

Context:
The drafted SEFA federal expenditures for the Temporary Aid for Needy Families program of $2,577,708 were overstated by $157,172.

Effect:
This condition required an audit adjustment to reduce the Temporary Aid for Needy Families SEFA federal expenditures by $157,172. In addition, this condition exposed the County to the risk of an incorrect determination of major programs.

Cause:
It appears there was no formal review of federal expenditures reported on the SEFA.

Recommendation:
The County should develop written policies and procedures that document the process for measuring and reporting federal expenditures as it pertains to the SEFA pursuant to the requirement of OMB Circular A-133.

Management Response and Corrective Action:
Agree. Policy will be written and will be implemented by June 30, 2014.

2014 Status:
The draft SEFA provided by the County required no audit adjustments, therefore this recommendation is considered implemented.

Reference Number:	**2013-003**
Federal Program Title:	**Schools and Roads – Grants to States**
Federal Catalog Number:	**10.665**
Pass-Through Agency:	**California Department of Finance**
Award Numbers and Years:	**US Forest Reserve Title III; 2011-12**
Federal Agency:	**U.S. Department of Agriculture**
Category of Finding:	**Reporting**

Criteria:
Secure Rural Schools Act Title III, Public Law 112-141, Section 303. Certification

(a) Not later than February 1 of the year after the year in which any county funds were expended by a participating county, the appropriate official of the participating county shall submit to the Secretary concerned a certification that the county funds expended in the applicable year have been used for the uses authorized under section 7142(a) of this title, including description of the amounts expended and the uses for which the amounts were expended.

Condition:
The County did not submit its annual certification of Title III expenditures.

Questioned Costs:
There are no questioned costs associated with this condition.

Context:
The County received $96,223 in Title III funding of which it expended $80,561 during the year.

Effect:
The County is not in compliance with its annual certification of Title III funds and exposes itself to disciplinary action from the granting agency.

Cause:
The reporting requirement was established on July 16, 2012, and the County was not aware of this new reporting requirement.

Recommendation:
The County should develop policies and procedures to ensure all program requirements are identified and adhered to and that training is provided to County personnel who are responsible for administering federal programs, to communicate the importance of complying with program compliance requirements.

Management Response and Corrective Action:
Agree with recommendation. The County will provide staff with proper training.

2014 Status:
The County submitted its annual certification of Title III expenditures for the year ended June 30, 2014 on March 5, 2015, therefore this condition continues as finding 2014-002.

Reference Number:	**2013-004**
Federal Program Title:	**Highway Planning and Construction**
Federal Catalog Number:	**20.205**
Pass-Through Agency:	**California Department of Transportation**
Award Numbers and Years:	**HPESPL-5932 (055); 2008-09**
	ESPLTE-5932 (058); 2008-09
	HSIPL-5932 (062); 2010-11
	BRLO-5932 (064); 2010-11
Federal Agency:	**U.S. Department of Transportation**
Category of Finding:	**Activities Allowed or Unallowed; Allowable Costs/Cost Principles**

Criteria:
U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C – Auditees, Section .300 – Auditee Responsibilities

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Condition:
Employee timecards did not have a supervisor's signature indicating they were properly reviewed. However, it was determined that these costs were subjected to secondary reviews and to be in compliance with the activities allowed or unallowed and allowable costs and cost principles compliance requirements.

Questioned Costs:
There are no questioned costs associated with this condition.

Context:
Six exceptions were noted out of the 40 employee timecards selected for testing.

Effect:
The County exposes itself to the risk of submitting/requesting reimbursement for non-federal expenditures. The impact of possibly submitting non-federal expenditure reimbursement requests may lead to delays in reimbursement of program expenditures or other disciplinary action from the granting agency.

Cause:
The County had departmental turnover, with the new department supervisor not aware of the County requirement that employee timecards need a supervisor's signature to indicate proper review/approval.

Recommendation:
The County should provide adequate training to new staff to ensure staff is aware of established County policies and procedures.

Management Response and Corrective Action:
Agree with recommendation. Staff will be provided adequate training.

2014 Status:
Current year testing did not identify any exceptions, therefore this recommendation is considered implemented.