

COUNTY OF TUOLUMNE, CALIFORNIA

Single Audit Reports

For the Year Ended June 30, 2015



Certified
Public
Accountants

**COUNTY OF TUOLUMNE, CALIFORNIA
FOR THE YEAR ENDED JUNE 30, 2015**

Table of Contents

	<u>Page(s)</u>
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 <i>Government Auditing Standards</i>	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.....	11-15
Status of Prior Year Findings and Questioned Costs	16-17

COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

<u>FEDERAL GRANTOR</u>			
Direct or Pass-Through Grantor	CFDA	Grant No./	Expenditures/
Program Title	No.	Project ID	Expenses
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct:			
U.S. Forest Service Communications	10.unknown	11-LE-11051360-340	\$ 2,950
Law Enforcement - USFS	10.unknown	12-LE-11051360-018	18,773
U.S Forest Service	10.unknown	14-PA-11051600-028	37,169
Passed through California Department of Food and Agriculture:			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	13-0242	3,475
Plant and Animal Disease, Pest Control, and Animal Care	10.025	13-0258	16,803
Plant and Animal Disease, Pest Control, and Animal Care	10.025	13-0538	8,740
Total Plant and Animal Disease, Pest Control, and Animal Care			29,018
Technical Assistance for Specialty Crops Program	10.604	13-0328	4,897
Passed through California Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	11-10506	162,781
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	14-10294	420,651
Total Special Supplemental Nutrition Program for Women, Infants, and Children			583,432
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	13-20103	131,056
Passed through California Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	141-16-75	958,856
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			1,089,912
Passed through California Department of Forestry & Fire Protection:			
Cooperative Forestry Assistance	10.664	7FG14138	9,805
Passed through California Department of Finance:			
Schools and Roads - Grants to States	10.665	US Forest Reserve Title III	80,907
Schools and Roads - Grants to States	10.665	US Forest Reserve Title I	490,887
Total Schools and Roads - Grants to States			571,794
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,347,750
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct:			
Supportive Housing Program	14.235	CA032IL9T261202	5,560

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, 2015

FEDERAL GRANTOR

Direct or Pass-Through Grantor Program Title	CFDA No.	Grant No./ Project ID	Expenditures/ Expenses
Passed through California Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	12-CDBG-8421	\$ 41,723
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	13-CDBG-9454	728,936
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	14-CDBG-9901	109,693
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			880,352
Home Investment Partnerships Program	14.239	11-HOME-7672	89,628
Home Investment Partnerships Program	14.239	12-HOME-8565	9,832
Home Investment Partnerships Program	14.239	13-HOME-8992	516,534
Home Investment Partnerships Program	14.239	14-HOME-9276	70,273
Total Home Investment Partnerships Program			686,267
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			1,572,179
<u>U.S. DEPARTMENT OF THE INTERIOR</u>			
Direct:			
Law Enforcement - New Melones	15.unknown	R14PX00288	117,311
Payments in Lieu of Taxes	15.226	not applicable	2,014,371
Distribution of Receipts to State and Local Governments	15.227	US Grazing Fees	753
TOTAL U.S. DEPARTMENT OF THE INTERIOR			2,132,435
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct:			
State Criminal Alien Assistance Program	16.606	not applicable	4,889
Bulletproof Vest Partnership Program	16.607	not applicable	10,273
Joint Law Enforcement Operations (JLEO)	16.111	2014-57	70,000
Joint Law Enforcement Operations (JLEO)	16.111	2015-59	10,294
Total Joint Law Enforcement Operations (JLEO)			80,294
Passed through California Governor's Office of Emergency Services:			
Crime Victim Assistance	16.575	VW14280550	54,141
Passed through Board of State & Community Corrections:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 664-13	39,104
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 642-13	29,954
Total Edward Byrne Memorial Justice Assistance Grant Program			69,058
TOTAL U.S. DEPARTMENT OF JUSTICE			218,655

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, 2015

FEDERAL GRANTOR

Direct or Pass-Through Grantor Program Title	CFDA No.	Grant No./ Project ID	Expenditures/ Expenses
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through California Department of Transportation:			
Highway Planning and Construction	20.205	X15-5932 (087)	\$ 307,574
Highway Planning and Construction	20.205	BPMP-5932 (077)	6,885
Highway Planning and Construction	20.205	BRLO-5932 (038)	99,907
Highway Planning and Construction	20.205	BRLO-5932 (064)	31,924
Highway Planning and Construction	20.205	BRLO-5932 (067)	153,675
Highway Planning and Construction	20.205	BHLO-5932 (073)	97,191
Highway Planning and Construction	20.205	BHLO-5932 (074)	37,565
Highway Planning and Construction	20.205	BHLO-5932 (078)	77,020
Highway Planning and Construction	20.205	BHLO-5932 (079)	132,151
Highway Planning and Construction	20.205	BRLS-5932 (039)	105,694
Highway Planning and Construction	20.205	CML-5932 (084)	4,419
Highway Planning and Construction	20.205	CML-5932 (085)	2,708
Highway Planning and Construction	20.205	CML-5932 (086)	3,986
Highway Planning and Construction	20.205	HSIPL-5932 (066)	59,422
Highway Planning and Construction	20.205	HSIPL-5932 (081)	27,721
Highway Planning and Construction	20.205	HSIPL-5932 (082)	24,147
Highway Planning and Construction	20.205	HSIPL-5932 (083)	46,791
Highway Planning and Construction	20.205	RPSTPLE-5932 (052)	652,776
Total Highway Planning and Construction			<u>1,871,556</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>1,871,556</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through California Department of Public Health:			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	14-10557	233,107
Immunization Cooperative Agreements	93.268	13-23054	27,998
Maternal and Child Health Services Block Grant to the States	93.994	2013-55	100,025
Passed through California Department of Social Services:			
Promoting Safe and Stable Families	93.556	151-25-30	35,259
Temporary Assistance for Needy Families	93.558	151-25-30	2,937,263
Stephanie Tubbs Jones Child Welfare Services Program	93.645	151-25-30	27,290
Foster Care - Title IV-E	93.658	141-16-75	1,211,230
Adoption Assistance	93.659	151-25-30	1,118,801
Social Services Block Grant	93.667	151-25-30	114,210
Child Abuse and Neglect State Grants	93.669	CBCAP	22,306
Chafee Foster Care Independence Program	93.674	151-25-30	17,932
Passed through Office of Secretary of State:			
Voting Access for Individuals with Disabilities - Grants to States	93.617	14G26149	30,000
Passed through YES Partnership/Amador-Tuolumne Community Action Agency:			
ARRA - Early Head Start	93.709	not available	1,325

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, 2015

<u>FEDERAL GRANTOR</u>			
Direct or Pass-Through Grantor	CFDA	Grant No./	Expenditures/
Program Title	No.	Project ID	Expenses
Passed through Public Health Institute:			
PPHF: Community Transformation Grants - Small Communities			
Program Financed solely by Public Prevention and Health Funds	93.737	1017793	\$ 128,460
Passed through California Department of Health Care Services:			
Medical Assistance Program	93.778	13-90027	10,083
Medical Assistance Program	93.778	CHDP	82,636
Medical Assistance Program	93.778	HCPC	27,356
Medical Assistance Program	93.778	CCS-Admin	91,384
Medical Assistance Program	93.778	TCM 55-1318	141,726
Medical Assistance Program	93.778	GEMT	246,820
Medical Assistance Program	93.778	not available	1,293,841
Passed through California Department of Public Health (continued):			
Medical Assistance Program	93.778	14-10073	20,000
Passed through California Department of Social Services (continued):			
Medical Assistance Program	93.778	111-25-15	429,597
Medical Assistance Program	93.778	151-25-30	217,175
Total Medical Assistance Program			<u>2,560,618</u>
Passed through California Department of Alcohol and Drug Programs:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	10-NNA55	153,282
Block Grants for Prevention and Treatment of Substance Abuse	93.959	14-90114	246,238
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>399,520</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>8,965,344</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct:			
Staffing for Adequate Fire Emergency Response (SAFER)	97.083	EMW-2012-FH-00204	454,480
Passed through California Governor's Office of Emergency Services:			
Emergency Management Performance Grants	97.042	2014-0070	136,497
Homeland Security Grant Program	97.067	2014-00093	90,760
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>681,737</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 17,789,656</u></u>

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, 2015

NOTE A – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal award 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:

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Amount</u>
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	\$ 204,606
PPHF: Community Transformation Grants- Small Communities Program financed solely by Public Prevention and Health Funds	93.737	46,436

NOTE F – PASS-THROUGH ENTITY IDENTIFYING NUMBERS

The County has included in the Schedule under Grant No./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."



**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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 30, 2016.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001 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*.

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.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Sacramento, California
March 30, 2016



**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 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, 2015. 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, 2015.

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 2015-003. 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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-002 and 2015-003 that we consider to be significant deficiencies.

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

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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 30, 2016, 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 30, 2016

**COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

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 federal 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
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.665	Schools and Roads – Grants to States
14.228	Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance

Dollar threshold used to distinguish between type A and type B programs:	\$533,690
Auditee qualified as a low-risk auditee?	Yes

COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Section II – Financial Statement Findings

2015-001 – Deficit Internal Service Funds

Criteria:

Under generally accepted accounting principles, the use of an internal service fund is voluntary and 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. If the government does not intend to recover the full cost of services of an activity accounted for in an internal service fund over a reasonable period of time, then the government should not report the activity in an internal service fund for financial reporting purposes.

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 \$1,515,812, \$6,315,838, and \$11,661,801, respectively, as of June 30, 2015.

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 only charging County funds their share of the cash basis amounts of the County's Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance costs.

Recommendation:

Under generally accepted accounting principles, if the County elects to continue to report certain activities in internal service funds, then the County should begin charging County funds their share of the Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance costs. Alternatively, if the County does not intend to recover such costs over a reasonable period of time, then the County should not report the activity in an internal service fund for financial reporting purposes.

Management Response and Corrective Action:

Management has been increasing annually charges to departments for these charges and has a plan to reduce the deficits within five years. For the Employee Leave Liability Fund, lower ceiling on accruals have been in place for new employees since 2011 reducing future large pay outs.

**COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

Section III – Federal Award Findings and Questioned Costs

Reference Number: 2015-002
Type of Finding: Significant Deficiency
Federal Program Title: Foster Care – Title IV-E
Federal Catalog Number: 93.658
Pass-Through Agency: California Department of Social Services
Award Number and Year: 141-16-75; 2014-15
Federal Agency: U.S. Department of Health and Human Services
Category of Finding: Eligibility

Criteria:

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition:

Three cases did not have a signature on the Determination of Federal AFDC-FC Eligibility (FC3) form, and two cases were missing the FC3 form.

Questioned Costs:

As the County subsequently examined the five cases and found the recipients to all be eligible, no questioned costs are associated with this condition.

Context:

Fifty-one Foster Care cases were examined out of a population of 114 cases. The total amount paid for the months tested for the five recipients was \$6,423 out of \$64,998 tested in total. The total amount paid to recipients during the year was \$560,272.

Effect:

A missing or unsigned FC3 could lead to an ineligible recipient receiving aid.

Cause:

As part of the County's controls in a child's determination of federal eligibility, a Foster Care Eligibility Worker completes and signs the Determination of Federal AFDC-FC Eligibility form.

Recommendation:

The County should adhere to controls set in place over eligibility determination to ensure compliance with Federal requirements.

Management Response and Corrective Action:

Management has established a new review process of case files to ensure all requirements are met.

**COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

Section III – Federal Award Findings and Questioned Costs (Continued)

Reference Number: 2015-003
Type of Finding: Significant Deficiency and Instance of Noncompliance
Federal Program Title: Adoption Assistance
Federal Catalog Number: 93.659
Pass-Through Agency: California Department of Social Services
Award Number and Year: 151-25-30; 2014-15
Federal Agency: U.S. Department of Health and Human Services
Category of Finding: Eligibility

Criteria:

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

OMB Compliance Supplement Part 3 Eligibility Compliance Requirements require that benefits be discontinued when the period of eligibility expires. Adoptions Program Regulation Title 22 Division 2 Chapter 3 Subchapter 7 Articles 3(g) states:

- (1) Once a child is determined eligible to receive AAP, he or she remains eligible and the subsidy continues unless one of the following occurs:
 - (A) The child has attained the age of 18 or 21;
 1. Payment of the AAP benefit shall terminate in the month in which the child becomes 18 years of age or if the agency has determined that the child has a mental or physical disability that warrants the continuance of assistance, in the month in which the child becomes 21 years of age.
 - a. Starting January 1, 2012, youth who have an initial AAP agreement signed on or after their 16th birthday and who meet the conditions stated in Welfare and Institutions Code Section 11403, may be eligible for the extension of AAP benefits to the age of 19, the age of 20 effective January 1, 2013, and the age of 21 effective January 1, 2014.
 - (B) The adoptive parents are no longer legally responsible for the support of the child.
 - (C) The responsible public agency determines the adoptive parents are no longer providing support to the child.

Condition:

For one case, aid payments did not stop after the child reached the age of 18, and the child did not meet any of the criteria for payments to be continued past the age of 18.

Questioned Costs:

The recipient received \$2,696 in aid after the child turned 18.

Context:

Thirty-seven Adoption Assistance cases were examined out of a population of 191 cases. The amount paid for the month tested for the recipient was \$657 out of \$33,085 tested in total. The total amount paid to recipients during the year was \$1,073,788.

**COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

Section III – Federal Award Findings and Questioned Costs (Continued)

Effect:

Not discontinuing aid payments in a timely manner resulted in an overpayment of aid.

Cause:

Controls were not followed in this instance.

Recommendation:

The County should adhere to controls set in place over continued eligibility to ensure compliance with Federal requirements.

Management Response and Corrective Action:

Management has established a new review process to ensure all requirements are met.

**COUNTY OF TUOLUMNE, CALIFORNIA
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

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 deficit balances were \$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.

Status:

The Workers' Compensation, Employee Leave Liability, and Post Retirement Insurance internal service funds' net position balances were deficits of \$1,515,812, \$6,315,838, and \$11,661,801, respectively, as of June 30, 2015. Therefore, we have modified our recommendation as finding 2015-001.

COUNTY OF TUOLUMNE, CALIFORNIA
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

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.

Status:

The County submitted its annual certification of Title III expenditures for the year ended June 30, 2015 on January 29, 2016, therefore this recommendation is considered implemented.