

COUNTY OF TUOLUMNE, CALIFORNIA

Single Audit Reports

For the Year Ended June 30, 2011



Certified Public Accountants.

**COUNTY OF TUOLUMNE, CALIFORNIA
FOR THE YEAR ENDED JUNE 30, 2011**

Table of Contents

	<u>Page(s)</u>
Schedule of Expenditures of Federal Awards.....	1-5
Notes to Schedule of Expenditures of Federal Awards	6-7
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>	8-9
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program, Internal Control Over Compliance, and the Schedule of Expenditures of Federal Awards in Accordance With OMB Circular A-133.....	10-12
Schedule of Findings and Questioned Costs.....	13-17
Status of Prior Year Findings and Questioned Costs.....	18

COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor

Pass-Through Grantor (if not direct) Program Title	CFDA No.	Expenditures/ Expenses	Grant #/ Project ID
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct:			
U.S. Forest Service Communications	10.unknown	\$ 3,336	06-LE-11051650-050
Law Enforcement - USFS	10.unknown	121,309	07-LE-11051360-011
Passed through California Department of Food and Agriculture			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	710	09-0430-C9-00
Plant and Animal Disease, Pest Control, and Animal Care	10.025	9,983	10-0211-C0-00
Plant and Animal Disease, Pest Control, and Animal Care	10.025	9,804	07-0101-C9-00
Plant and Animal Disease, Pest Control, and Animal Care	10.025	18,433	10-0363-C0-00
Plant and Animal Disease, Pest Control, and Animal Care	10.025	753	09-0626-C9-00
Plant and Animal Disease, Pest Control, and Animal Care	10.025	2,436	10-0591-C0-00
Total Plant and Animal Disease, Pest Control, and Animal Care		42,119	
Technical Assistance for Specialty Crops Program	10.604	2,702	09-0816-C9-00
Technical Assistance for Specialty Crops Program	10.604	2,548	10-0447-C0-00
Total Technical Assistance for Specialty Crops Program		5,250	
Forest Health Protection	10.680	2,106	09-0271-C9-00
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688	17,945	09-0565-C9-00
Passed through California Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	643,489	08-85483
Passed through California Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	773,096	141-16-75
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	18,903	141-16-75
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		791,999	
Passed through California Controller's Office:			
Schools and Roads - Grants to States	10.665	102,473	US Forest Reserve Title III
Schools and Roads - Grants to States	10.665	821,717	US Forest Reserve Title I
Total Schools and Roads - Grants to States		924,190	
TOTAL U.S. DEPARTMENT OF AGRICULTURE		2,551,743	
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed through California Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	33,750	08-PTAG-5367
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	15,550	09-PTAG-6521
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	443,962	09-STBG-6418

(Continued)

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, 2011

<u>Federal Grantor</u>			
Pass Through Grantor (if not direct)	CFDA	Expenditures/	Grant #/
Program Title	No.	Expenses	Project ID
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<u>(Continued)</u>			
Passed through California Department of Housing and Community:			
Development (Continued):			
Community Development Block Grants/State's Program and			
Non-Entitlement Grants in Hawaii	14.228	\$ 60,140	10-STBG-6742
Total Community Development Block Grants/State's Program			
and Non-Entitlement Grants in Hawaii		553,402	
Home Investment Partnerships Program	14.239	(1,078)	06-HOME-2343
Home Investment Partnerships Program	14.239	6,175	07-HOME-3087
Home Investment Partnerships Program	14.239	223,542	08-HOME-4714
Home Investment Partnerships Program	14.239	412,589	09-HOME-6209
Home Investment Partnerships Program	14.239	87,788	10-HOME-6854
Total Home Investment Partnerships Program		729,016	
Passed through Amador-Tuolumne Community Action Agency:			
ARRA - Homeless Prevention and Rapid Re-Housing Program			
Technical Assistance	14.262	14,463	09-HPRP-6121
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN			
DEVELOPMENT		1,296,881	
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct:			
Law Enforcement - New Melones	15.unknown	59,501	R10PX20133
Payments in Lieu of Taxes	15.226	1,625,413	N/A
Passed through California Controller's Office:			
Distribution of Receipts to State and Local Governments	15.227	738	US Grazing Fees
TOTAL U.S. DEPARTMENT OF INTERIOR		1,685,652	
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct:			
DEA-Marijuana Eradication	16.unknown	45,000	2011-61
DEA-Marijuana Eradication	16.unknown	15,000	2010-59
Total DEA-Marijuana Eradication		60,000	
State Criminal Alien Assistance Program	16.606	15,585	N/A
Bulletproof Vest Partnership Program	16.607	6,415	N/A
Edward Byrne Memorial Justice Assistance Grant Program	16.738	1,037	2006-DJ-BX-1033
Edward Byrne Memorial Justice Assistance Grant Program	16.738	6,664	2007-DJ-BX-0902
Passed through California Emergency Management Agency:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	133,492	DC10210550
Edward Byrne Memorial Justice Assistance Grant Program	16.738	174,520	MS10010550
Total Edward Byrne Memorial Justice Assistance Grant Program		315,713	

(Continued)

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, 2011

Federal Grantor

Pass Through Grantor (if not direct)

Program Title	CFDA No.	Expenditures/ Expenses	Grant #/ Project ID
<u>U.S. DEPARTMENT OF JUSTICE (Continued)</u>			
Direct:			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government	16.804	\$ 23,554	2009-SB-B9-2612
Passed through California Emergency Management Agency:			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government	16.804	119,590	ZO09010550
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government	16.804	60,422	ZM09010550
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government	16.804	136,532	ZA09010550
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government	16.804	24,431	ZP09010550
Total ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government		364,529	
Total JAG Program Cluster		680,242	
Crime Victim Assistance	16.575	57,298	VW10240550
ARRA - Violence Against Women Formula Grants	16.588	3,551	RV09010550
ARRA - Recovery Act - State Victim Assistance Formula Grant Program	16.801	4,245	VS09010550
TOTAL U.S. DEPARTMENT OF JUSTICE		827,336	
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through California Department of Transportation:			
Highway Planning and Construction	20.205	307,574	X10-5932 (061)
Highway Planning and Construction	20.205	307,574	X11-5932 (065)
Highway Planning and Construction	20.205	35,586	BRLO-5932 (039)
Highway Planning and Construction	20.205	35,017	BRLS-5932 (041)
Highway Planning and Construction	20.205	464,281	HSIPL-5932 (045)
Total Highway Planning and Construction (non-ARRA)		1,150,032	
ARRA - Highway Planning and Construction	20.205	1,376,008	HPESPL-5932 (055)
ARRA - Highway Planning and Construction	20.205	140,253	ESPLTE-5932 (058)
Total ARRA - Highway Planning and Construction		1,516,261	
Total Highway Planning and Construction (ARRA and non-ARRA)		2,666,293	
Passed through California Emergency Management Agency:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	5,130	HM-HMP-0039-09-01-00
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		2,671,423	
<u>U.S. DEPARTMENT OF ENERGY</u>			
Passed through California Energy Commission:			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	146,948	CBG-09-106
TOTAL U.S. DEPARTMENT OF ENERGY		146,948	

(Continued)

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, 2011

<u>Federal Grantor</u>			
Pass Through Grantor (if not direct)	CFDA	Expenditures/	Grant #/
Program Title	No.	Expenses	Project ID
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Direct:			
Individual with Disabilities Education Act (IDEA)	84.unknown	\$ 69,236	N/A
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>69,236</u>	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through California Department of Public Health:			
Public Health Emergency Preparedness	93.069	9,972	EPO 09-55
Public Health Emergency Preparedness	93.069	<u>133,550</u>	EPO 10-55
Total Public Health Emergency Preparedness		143,522	
Immunization Grants	93.268	29,347	10-95415
National Bioterrorism Hospital Preparedness Program	93.889	5,227	EPO 09-55
National Bioterrorism Hospital Preparedness Program	93.889	<u>147,654</u>	EPO 10-55
Total National Bioterrorism Hospital Preparedness Program		152,881	
Maternal and Child Health Services Block Grant to the States	93.994	80,601	201055
Passed through California Department of Mental Health:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	12,500	none
Passed through California Family Health Council, Inc.:			
Family Planning - Services	93.217	59,284	1420-5320-71209-11
Passed through YES Partnership/Amador-Tuolumne Community Action Agency:			
Drug-Free Communities Support Program Grants	93.276	3,800	none
ARRA - Early Head Start	93.709	8,213	none
Passed through California Department of Social Services:			
Promoting Safe and Stable Families	93.556	22,126	151-25-30
Temporary Assistance for Needy Families	93.558	5,282,958	151-25-30
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	93.714	<u>66,583</u>	151-25-30
Total TANF Cluster		5,349,541	
Stephanie Tubbs Jones Child Welfare Services Program	93.645	28,699	151-25-30
Foster Care - Title IV-E	93.658	1,528,967	141-16-75
ARRA - Foster Care - Title IV-E	93.658	<u>37,860</u>	141-16-75
Total Foster Care - Title IV-E		1,566,827	
Adoption Assistance	93.659	912,972	151-25-30
ARRA - Adoption Assistance	93.659	<u>70,032</u>	151-25-30
Total Adoption Assistance		983,004	
Social Services Block Grant	93.667	39,865	151-25-30
Child Abuse and Neglect State Grants	93.669	27,591	CBCAP
Chafee Foster Care Independence Program	93.674	21,807	151-25-30

(Continued)

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, 2011

<u>Federal Grantor</u>			
Pass Through Grantor (if not direct)	CFDA	Expenditures/	Grant #/
Program Title	No.	Expenses	Project ID
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u>			
Passed through California Department of Social Services (continued):			
ARRA - Medical Assistance Program	93.778	\$ 7,037	151-25-30
Passed through California Department of Health Care Services:			
ARRA - Medical Assistance Program	93.778	34,314	TCM 55-0712
Total ARRA - Medical Assistance Program		<u>41,351</u>	
Medical Assistance Program	93.778	38,221	08-85139
Medical Assistance Program	93.778	86,628	CHDP
Medical Assistance Program	93.778	11,797	HCPC
Medical Assistance Program	93.778	61,441	CCS-Admin
Medical Assistance Program	93.778	150,465	TCM 55-0712
Passed through California Department of Public Health (continued):			
Medical Assistance Program	93.778	14,198	08-85102 CLPP
Passed through California Department of Social Services (continued):			
Medical Assistance Program	93.778	512,891	111-25-15
Medical Assistance Program	93.778	807,118	none
Medical Assistance Program	93.778	176,780	151-25-30
Total Medical Assistance Program (non-ARRA)		<u>1,859,539</u>	
Total Medical Assistance Program (ARRA and non-ARRA)		<u>1,900,890</u>	
Passed through California Department of Child Support Services:			
Child Support Enforcement	93.563	585,067	LSCA 10-17
ARRA - Child Support Enforcement	93.563	53,598	LSCA 10-17
Total Child Support Enforcement		<u>638,665</u>	
Passed through California Department of Alcohol and Drug Programs:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	<u>115,627</u>	10-NNA55
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>11,184,790</u>	
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through California Office of Homeland Security:			
State Domestic Preparedness Equipment Support Program (State Homeland Security Grant Program)	97.004	14,886	2008-0006
Passed through California Emergency Management Agency:			
Emergency Management Performance Grants	97.042	101,753	2010-0044
Homeland Security Grant Program	97.067	<u>76,706</u>	2009-0019
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY		<u>193,345</u>	
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 20,627,354</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, 2011

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 is 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	\$ 106,155
Block Grants for Prevention and Treatment of Substance Abuse	93.959	115,627

COUNTY OF TUOLUMNE, CALIFORNIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

NOTE F – LOAN PROGRAMS

The County participates in certain federal award programs that sponsor revolving loan programs, which are administered by the County. These programs maintain servicing and trust arrangements with the County to collect loan repayments. The funds are returned to the programs upon repayment of the principal and interest and programs funded by these repayments are reported as expenditures in the Schedule. The federal government has imposed certain continuing compliance requirements with respect to the loans rendered under the programs. In accordance with Subpart B, Section 205 of the Office of Management and Budget Circular A-133, the County has reported the value of total outstanding and new loans made during the current year.

The following is a summary of the loan program balances and activities that have continuing compliance requirements at June 30, 2011:

<u>Program Title</u>	<u>CFDA Number</u>	<u>June 30, 2011 Loans Outstanding</u>	<u>Prior Year Loans With Continuing Compliance Requirements</u>	<u>Fiscal Year 2011 Loan Disbursements</u>
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	\$ 518,588	\$ 518,588	\$ --
Home Investment Partnerships Program	14.239	3,630,701	3,006,742	623,959
		<u>\$ 4,149,289</u>	<u>\$ 3,525,330</u>	<u>\$ 623,959</u>

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

**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**

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 of Tuolumne, California (County), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 28, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2011-A and 2011-B to be material weaknesses.

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*.

We noted certain matters that we have reported to management of the County in a separate letter dated December 28, 2011.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Supervisors, Grand Jury, management, and state and federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

Maclean Mini & O'Connell LLP

Sacramento, California
December 28, 2011

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM,
INTERNAL CONTROL OVER COMPLIANCE, AND THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

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, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-2 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a significant deficiency.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on the responses.

Schedule of Expenditures of Federal Awards

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, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 28, 2011, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.

This report is intended solely for the information and use of the Board of Supervisors, Grand Jury, management, and state and federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

Macinn Mini, & O'Connell LLP

Sacramento, California
March 14 2012

**COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified	Yes
• Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified	Yes
• Significant deficiencies identified that are not considered to be material weaknesses	Yes
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.239	Home Investment Partnerships Program
15.226	Payments in Lieu of Taxes
16.738 / 16.804	JAG Program Cluster [Edward Byrne Memorial Justice Assistance Grant Program (non-ARRA) and ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government]
20.205	Highway Planning and Construction (ARRA and non-ARRA)
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)
93.558 / 93.714	TANF Cluster [Temporary Assistance for Needy Families (non-ARRA) and Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program (ARRA)]
93.563	Child Support Enforcement (ARRA and non-ARRA)
93.778	Medical Assistance Program (Medicaid) (ARRA and non-ARRA)

**COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

Section I – Summary of Auditor’s Results (Continued)

Dollar threshold used to distinguish between Type A and Type B programs:	\$618,821
Auditee qualified as low-risk auditee	No

Section II – Financial Statement Findings

2011-A – Trust Fund Analysis – Deferred Revenues

Condition, Criteria and Effect

Several trust funds had significant debit deferred revenue balances at the end of the year inappropriately reducing deferred revenue that impacted several other financial statement areas. This condition resulted in an audit adjustment to correct the balances.

Recommendation

Management should develop procedures regarding the preparation and review of the trust fund activity schedule to determine that all trust fund activity is appropriately classified prior to incorporating the schedule into the financial statements.

Management Response

Management concurs and is working on eliminating trust funds not needed.

2011-B – Intergovernmental Revenue

Condition, Criteria and Effect

The County improperly accrued encumbrances related to a cost-reimbursement grant as intergovernmental revenue for the 2010-11 year. Revenues should be recognized under cost-reimbursement grants when the related expenditures are incurred and not for expenditures encumbered at the end of the year. This error led to the County improperly recognizing revenue of \$817,655 in the 2010-11 year, and resulted in an audit adjustment to correct the balances.

Recommendation

The County should develop procedures related to the preparation and review of the financial statements to ensure intergovernmental revenue is recognized for cost-reimbursement grants only after the related expenditures have been incurred.

Management Response

Management concurs and is working with the different departments to ensure only expenditures incurred are recognized as revenue.

**COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

Section III – Federal Award Findings and Questioned Costs

Reference Number:	2011-1
Federal Program Title:	Child Support Enforcement (ARRA and non-ARRA)
Federal Catalog Number:	93.563
Federal Agency:	U.S. Department of Health and Human Services
Pass-Through Agency:	California Department of Child Support Services
Pass-Through Agency Allocation	
Letter and Year:	LCSA Letter 10-17 (2010)
Category of Finding:	Special Tests and Provisions

Criteria:

In accordance with 45 CFR 303.7(c)(4), within 75 calendar days of receipt of an Interstate Child Support Enforcement Transmittal Form, and documentation from its interstate central registry, the IV-D agency must, (i) provide location services in accordance with section 303.3 if the request is for location services or the form or documentation does not include adequate location information on the noncustodial parent.

Condition:

The County did not respond within the 75-day time period for 2 of the 19 Interstate-Responding cases reviewed.

Questioned Costs:

There are no questioned costs.

Context:

The County has 136 Interstate-Responding cases.

Effect:

Failure to respond within the required time period in accordance with federal regulations could result in delays of collecting payments from noncustodial parents.

Cause:

An oversight by the County inadvertently led to the delay in responding to location services.

Recommendation:

The County should develop and implement procedures designed to assist staff in managing and meeting responding deadlines. The procedures should be supplemented with tools developed within the CSE system to alert staff when responding deadlines are approaching.

Management Response:

Management agrees with the finding and will work to respond within the required time period.

**COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

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

Reference Number:	2011-2
Federal Program Title:	Home Investment Partnerships Program
Federal Catalog Number:	14.239
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Agency:	California Department of Housing and Community Development
Pass-Through Agency Agreement Numbers and Years:	99-HOME-0404 (2000), 00-HOME-0493 (2001), 01-HOME-0557 (2002), 04-HOME-0763 (2005), 06-HOME-2343 (2007), 07-HOME-3087 (2008), 08-HOME-4714 (2009), 09-HOME-6209 (2010), and 10-HOME-6854 (2011)
Category of Finding:	Other – Loans With Continuing Compliance Requirements

Criteria:

In accordance with Subpart C section 300(c) of OMB Circular No. A-133, the County is required to comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its federal programs. As a HOME Investment Partnerships Program subrecipient of the State of California Department of Housing and Community Development (HCD), the County has entered into a contractual relationship with HCD to administer HCD-funded homebuyer programs and HCD-funded housing rehabilitation programs. The contract with HCD establishes loan monitoring policies and procedures that the County must adhere to in order to preserve its financial interest in properties, whose borrowers have been assisted with public funds. Section 4 of the Loan Servicing Policies and Procedures – Annual Occupancy Restrictions and Certifications requires borrowers to submit utility bills and/or other documentation annually to prove occupancy during the term of the loan.

Condition:

The County did not obtain utility bills and/or other documentation to prove occupancy for 9 out of the 9 loans with continuing compliance requirements tested. However, the County subsequently verified borrower occupancy in 2012.

Questioned Costs:

There are no questioned costs.

Context:

The County has 50 outstanding loans subject to continuing compliance requirements.

Effect:

Failure to collect the required documentation could lead to ineligible participants not being detected in a timely manner.

Cause:

Budget constraints in fiscal year 2010-2011 did not allow staff to perform all loan monitoring requirements.

**COUNTY OF TUOLUMNE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

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

Recommendation:

The County should implement policies and procedures in order to ensure compliance with loan monitoring requirements.

Management Response:

Management agrees with the condition and sent out letters during January 2012 requesting borrowers to furnish the required documents.

**COUNTY OF TUOLUMNE, CALIFORNIA
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

None.