

COUNTY OF MADERA
SINGLE AUDIT REPORT
JUNE 30, 2013

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COUNTY OF MADERA

Single Audit Report
For the Year Ended June 30, 2013

Table of Contents

	<u>Page</u>
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>	1-2
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	3-5
Schedule of Expenditures of Federal Awards.....	7-10
Notes to Schedule of Expenditures of Federal Awards	11-12
Schedule of Findings and Questioned Costs.....	13-22
Summary Schedule of Prior Audit Findings	23

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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**

Board of Supervisors
County of Madera
Madera, 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 Madera (County), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 6, 2014. Our report includes a reference to other auditors who audited the financial statements of the Community Action Partnership of Madera County as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying findings and questioned costs, we identified certain deficiencies in internal control 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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2013-001, 2013-002, 2013-003, 2013-004, and 2013-005).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Supervisors
County of Madera
Madera, California

County's Response to Findings

The County's responses to the findings identified in our audit are 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 result of that testing, and not to provide an opinion on the effectiveness of the County'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 cursive script that reads "Gallina LLP".

Roseville, California
October 6, 2014

**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**

Board of Supervisors
County of Madera
Madera, California

Report on Compliance for Each Major Federal Program

We have audited the County of Madera'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, 2013. 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, 2013.

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 2013-006, 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 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2013, and have issued our report thereon dated October 6, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 financial statements.

Board of Supervisors
County of Madera
Madera, California

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 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California
October 6, 2014

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COUNTY OF MADERA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Food and Agriculture:			
Pierce's Disease Control Program	10.025	12-0079-SF	\$ 26,634
Pierce's Disease Control Program	10.025	12-0089-SF	144,959
Sudden Oak Death	10.025	12-0326-SF	344
Light Brown Apple Moth (LBAM)	10.025	12-0421-SF	3,242
Subtotal CFDA Number 10.025			<u>175,179</u>
Passed through State Department of Education:			
School Breakfast Program	10.553	--	35,441
National School Lunch Program	10.555	--	55,173
Subtotal Child Nutrition Cluster			<u>90,614</u>
Passed through State Department of Public Health:			
Supplemental Nutrition Assistance Program	10.551	12-10177	143,707
WIC - Women, Infants, and Children	10.557	11-10470	1,696,258
Subtotal Pass-Through			<u>1,839,965</u>
Passed through State Department of Social Services:			
State Administrative Matching Grants for Food Stamp Program	10.561	--	1,430,468
Direct Program:			
Rural Housing Service Community Facilities Grant	10.776	424.2	109,764
Total U.S. Department of Agriculture			<u>\$ 3,645,990</u>
<u>U.S. Dept. of Housing and Urban Development</u>			
Passed through State Dept. of Housing and Community Development:			
CDBG/State's program and Non-Entitlement Grants in Hawaii	14.228	10-STBG-6725	340,394
CDBG/State's program and Non-Entitlement Grants in Hawaii	14.228	B-11-UN-06-0008	585,247
Subtotal CFDA Number 14.228			<u>925,641</u>
Passed through State Department of Public Health:			
Housing Opportunities for Persons with AIDS	14.241	10-10136	49,289
Total U.S. Dept. of Housing and Urban Development			<u>\$ 974,930</u>
<u>U.S. Department of the Interior</u>			
Direct Program:			
Distribution of Receipts to State and Local Governments -			
Grazing Fees	15.227	--	270
Total U.S. Department of the Interior			<u>\$ 270</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MADERA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Justice</u>			
Passed through City of Madera:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0494	\$ 18,256
Passed through Board of State and Community Corrections:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 601-12	<u>92,293</u>
Subtotal CFDA Number 16.738			<u>110,549</u>
Passed through Drug Enforcement Administration:			
DOJ Gang Task Force	16.579	2012-26	<u>56,020</u>
Total U.S. Department of Justice			<u>\$ 166,569</u>
Passed through State Department of Transportation:			
Highway Planning & Construction (RSTP Apportionment)	20.205	--	1,958,338
Passed through State High Speed Rail Authority:			
ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	20.319	HSR11-35	95,258
Passed through State Office of Traffic Safety:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	AL1368	<u>59,642</u>
Total U.S. Department of Transportation			<u>\$ 2,113,238</u>
<u>U.S. Environmental Protection Agency</u>			
Direct Program:			
Oakhurst Water Treatment Plant Project	66.606	XP-97967001	<u>345,986</u>
Total U.S. Environmental Protection Agency			<u>\$ 345,986</u>
<u>U.S. Department of Energy</u>			
Passed through San Joaquin Valley Unified Air Pollution Control District:			
Energy Efficiency and Conservation Block Grant Program	81.128	2012-26	<u>199,895</u>
Total U.S. Department of Energy			<u>\$ 199,895</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MADERA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through State Secretary of State's Office:			
Voting Access for Individuals with Disabilities - Grants to States	93.617	11G26118/27117	\$ 2,440
Passed through State Department of Social Services:			
ARRA - Guardianship Assistance	93.090	--	183
Promoting Safe and Stable Families	93.556	--	168,986
Temporary Assistance for Needy Families	93.558	--	9,332,119
Child Welfare Services – State Grants	93.645	--	86,664
Foster Care – Title IV-E	93.658	--	2,850,528
Adoption Assistance	93.659	--	1,514,682
Social Services Block Grant	93.667	--	600,751
Chafee Foster Care Independence Program	93.674	--	58,487
Medical Assistance Program - Administrative	93.778	--	2,189,538
Subtotal Pass-Through			<u>16,801,938</u>
Passed through State Department of Child Support Services:			
Child Support Enforcement	93.563	--	<u>1,852,625</u>
Passed through State Department of Health Care Services:			
Affordable Care Act Personal Responsibility Education Program	93.092	12-10227	95,309
Projects Grants & Cooperative Agreements for Tuberculosis Control	93.116	--	27,236
Projects for Assistance in Transition from Homelessness (PATH)	93.150	--	39,800
Childhood Lead Poisoning Prevention Projects	93.197	11-10539	78,265
Immunization Cooperative Agreements	93.268	11-10669	49,157
CDC and Prevention, Investigations, and Technical Assistance	93.283	EPO 12-20	165,262
ACA Maternal, Infant and Early Childhood Home Visiting Program	93.505	201220	485,206
PPHF 2012: Community Transformation Grants	93.531	1017728	228,392
Children's Health Insurance Program	93.767	--	333,561
Children's Health Insurance Program	93.767	Pgm Ltr 13-01	63,829
Medical Assistance - Child Health & Disability Prev - Title XIX	93.778	Pgm Ltr 12-07	163,997
National Bioterrorism Hospital Preparedness Program	93.889	EPO 12-20	139,106
HIV Care Formula Grants	93.917	10-95268/12-10565	80,743
Block Grants for Community Mental Health Services	93.958	--	230,308
Maternal and Child Health Services Block Grant to the States	93.994	201220	131,917
Adolescent Family Life Demonstration Projects	93.995	201220	163,992
Subtotal Pass-Through			<u>2,476,080</u>
Passed through State Department of Alcohol and Drug Programs:			
Block Grants for Substance Abuse Prevention and Treatment	93.959	10-NNA20 V.1	<u>505,585</u>
Total U.S. Department of Health and Human Services			<u>\$ 21,638,668</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MADERA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Homeland Security</u>			
Passed through California Emergency Management Agency:			
2011 Emergency Management Performance Grants	97.042	2011-0048	\$ 61,832
2012 Emergency Management Performance Grants	97.042	2012-0027	94,089
Subtotal CFDA Number 97.042			<u>155,921</u>
2010 Homeland Security Grant Program	97.067	2010-0085	147,545
2011 Homeland Security Grant Program	97.067	2011-SS-0077	148,898
Subtotal CFDA Number 97.067			<u>296,443</u>
Total U.S. Department of Homeland Security			<u>\$ 452,364</u>
Total Expenditures of Federal Awards			<u><u>\$ 29,537,910</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MADERA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

NOTE 1: REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the County of Madera. The County of Madera's 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 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County and is presented based on Generally Accepted Accounting Principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 3: RELATIONSHIP TO FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's financial statements. Federal award revenues are reported principally in the County's financial statements as intergovernmental revenues in the General and Special Revenue funds and grant revenue in the Enterprise funds.

NOTE 4: SUBRECIPIENTS

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the County of Madera provided federal awards to subrecipients as follows:

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Amount Provided to Subrecipients</u>
14.228	Neighborhood Stabilization Program-3/Federal Program – City of Madera	\$ 547,567

COUNTY OF MADERA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

NOTE 5: PROGRAM CLUSTERS

Federal programs, which must be audited together as a program cluster, include the following:

Child Nutrition Cluster:

10.553	School Breakfast Program	\$	35,441
10.555	National School Lunch Program		<u>55,173</u>
	Total	\$	<u>90,614</u>

NOTE 6: PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the County either determined that no identifying number is assigned for the program or was simply unable to obtain an identifying number from the pass-through entity.

NOTE 7: LOANS WITH CONTINUING COMPLIANCE REQUIREMENT

Outstanding federally-funded program loans, with a continuing compliance requirement, carried balances as of June 30, 2013 as follows:

Federal CFDA#	Program Title	Amount Outstanding		
		July 1, 2012	New Loans	June 30, 2013
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	\$ 3,701,812	\$ 35,000	\$ 3,736,812
14.239	HOME Investment Partnerships Program	<u>1,645,634</u>	--	<u>1,645,634</u>
	TOTAL	<u>\$ 5,347,446</u>	<u>\$ 35,000</u>	<u>\$ 5,382,446</u>

NOTE 8: TOTAL FEDERAL AWARDS EXPENDED BY CFDA NUMBER

When there is more than one program under a single CFDA number, the Schedule of Expenditures of Federal Awards presents totals of all programs under the on CFD number. Occasionally, however, the total could not be conveniently displayed because all programs under on CFDA were not contiguous. When this occurred this total is not shown on the schedule, but instead provided here.

93.767	397,390
93.778	2,353,535

COUNTY OF MADERA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section 1

Financial Statements

Summary of Auditor's Results

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | Yes |
| 4. Identification of major programs: | |

CFDA Number

Name of Federal Program

10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
14.239	HOME Investment Partnerships Program
93.563	Child Support Enforcement
93.558	Temporary Assistance for Needy Families
93.658	Foster Care – Title IV-E
93.778	Medical Assistance Program

- | | |
|---|--------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$ 1,047,611 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No |

COUNTY OF MADERA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section 2

Financial Statement Findings

2013-001	Financial Reporting Process
2013-002	Account Reconciliations
2013-003	Cash Reconciliations
2013-004	Late Reporting
2013-005	Transfer of Construction in Progress

Section 3

Federal Award Findings and Questioned Costs

2013-006	CFDA Number 93.563
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COUNTY OF MADERA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

Reference Number 2013-001
FINANCIAL REPORTING PROCESS

Criteria:

An agency's accounting and reporting system where detailed transactions are recorded should be the basis for generating periodic financial reports as well as annual financial statements.

Condition:

The County relies on the use of IFAS, its accounting and financial reporting system, throughout the year for periodic budget to actual reporting. For year-end reporting, the County uses Engagement to post numerous adjustments that are not reflected in IFAS. The postings to Engagement are not subject to the same level of review and approval as adjustments made to IFAS and therefore the risk of errors is greater.

During the audit, we noted that the following balances were adjusted in Engagement and not in IFAS.

- Cash
- Accounts payable
- Accounts receivable
- Capital assets, including accumulated depreciation
- Claims liability
- Compensated absences
- Unearned/Unavailable Revenue
- Interfund balances
- Long term liabilities
- Notes and loans receivable
- Net position

Cause:

The County relies on Engagement for mapping its accounts and generating draft financial statements, a feature that IFAS has not been programmed for. In addition, any adjustments noted during the final review process are made only to Engagement thereby resulting in differences between the two systems used.

Further, postings to many of the aforementioned accounts are based on extensive Excel spreadsheets, which the County depends on to track accruals, account balances, and fund groupings.

Effect of Condition:

When information in one system differs from information posted in another system the risk of misstatements increases and reconciling amounts between the two systems becomes more complicated.

An over dependence on Excel spreadsheets may lead to gaps in the audit trail and difficulties in tracing back accounting changes.

COUNTY OF MADERA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Reference Number 2013-001 (continued)

Recommendation:

We recommend that the County limit the use of Engagement to “top –sided” adjustments only so that in effect the balances reflected in IFAS agree to the amounts reported in Engagement. By ensuring that all adjustments to the financial statements are reflected in the agency’s general ledger users can better rely on the information to make informed decisions.

Management Response:

The goal to post audit adjustments to IFAS is still a work in progress as we have encountered posting issues due to fund groupings between IFAS and Engagement. The Auditor-Controller’s office is in the process of evaluating the financial system processes with our IFAS system consultants. We anticipate better utilization and efficiency of IFAS once the recommendations are implemented; therefore, resulting in elimination or reduction of “top-sided” adjustments.

COUNTY OF MADERA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Reference Number 2013-002

ACCOUNT RECONCILIATIONS

Criteria:

Account reconciliations should be performed periodically to ensure the accuracy of the balances in the general ledger.

Condition:

During the audit, we noted that the following balances were either not recorded in the general ledger, or the balances were not current due to inadequate account reconciliations:

- Cash
- Cash with fiscal agent
- Capital assets, including accumulated depreciation

Cause:

The County did not reconcile the general ledger accounts of aforementioned accounts to supporting documentation for June 30, 2013.

Effect of Condition:

By not reconciling all assets and liabilities in the general ledger to supporting documentation, the risk of material misstatement in increased.

Recommendation:

The County should adopt a policy requiring year-end reconciliation of all balance sheet accounts to their subsidiary ledgers in order to ensure that accuracy of the annual financial statements. Balance sheet reconciliations quickly identify errors and needed corrections. If reconciliations are performed infrequently, errors and adjustments can occur, resulting in the need for significant corrections when the reconciliations are performed. Any reconciling differences should be corrected before the books are closed for the month end.

Management Response:

Implementations of reconciliation process are in place for cash and capital assets.

COUNTY OF MADERA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Reference Number 2013-003
CASH RECONCILIATIONS

Criteria:

Account reconciliations should be performed periodically to ensure the accuracy of the balances in the general ledger.

Condition:

During the audit we noted that cash balances as reported on the compiled financial statements differed from amounts reported in the County's general ledger system and by the Treasury by approximately \$4.4 million. Adjustments were made to cash and investment balances for those funds that contained material differences to reconcile cash per the Treasurer and other records to the accounting books and records.

Cause:

The use of dual accounting systems and a lack of reconciliation between the two systems is the primary reason for the large difference noted in the reported cash balances. The County has not been performing a reconciliation between its general ledger system (IFAS) and the system used to compile the financial statements (Engagement).

Effect of Condition:

By not performing timely cash reconciliations between amounts reported by the Treasurer to amounts reported in the general ledger followed by a reconciliation between the general ledger and the amounts used to compile the financial statements, the risk that material misstatements will not be detected and corrected on a timely basis increases.

Recommendation:

We recommend that the Auditor-Controller's office perform reconciliations between the general ledger balances and the Treasurer's records on a routine basis to ensure that any variances are resolved in a timely manner.

Management Response:

We are now working on implementing reconciliation procedures with the Treasury to close the gaps in the process.

COUNTY OF MADERA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Reference Number 2013-004
LATE REPORTING

Criteria:

Concepts Statement No. 1 of the Governmental Accounting Standards Board (GASB) identifies timeliness of financial reporting as one of the key characteristics in meeting the needs of the decision makers.

Condition:

The delivery of the financial statements and supporting evidential matter to the auditors was significantly delayed.

Cause:

The Auditor-Controller's Office experienced significant turnover with its staff in the last few years. There were inadequate written policies and procedures in place to allow for new staff to produce financial reports in a timely manner.

Effect of Condition:

By not providing financial reports to the decision makers in a timely manner, the value of the information presented within the financial reports is diminished.

Recommendation:

We recommend that the Auditor-Controller's Office improve its policies and procedures to allow for timely financial reporting. The following steps could be used to avoid future delays:

- Identify additional resources to assist in completing and performing financial reporting functions.
- Identify critical due dates and develop a listing of assignments based on available resources to meet those due dates.
- Hold periodic meetings to monitor the progress of assignments and responsibilities.
- Conduct management review of financial statements and audit schedules prior to presenting them to the auditors.

Management Response:

We are in the process of hiring additional accountant staff. We will have key staff assigned to each section of the audit assignments. Goals are set to prioritize assignments in order to meet due dates.

COUNTY OF MADERA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Reference Number 2013-005
TRANSFER OF CONSTRUCTION IN PROGRESS

Criteria:

Accumulated project costs that are completed and placed in service as a depreciable asset should be removed from construction in progress as soon as the transfer occurs.

Condition:

During our audit of capital assets, we noted that construction in progress in governmental activities was overstated by approximately \$3.6 million due to a building being placed in service during the year and not being retired from construction in progress.

Cause:

When the behavioral health building was placed in service during the year and properly transferred from construction in progress to structures and improvements to begin depreciation, the County did not remove the accumulated project costs from construction and progress in its BNA asset management database.

Effect of Condition:

By not adjusting construction in progress for a completed project placed in service during the year, the County is overstating its capital asset balance.

Recommendation:

We recommend the County reconcile its year-end construction in progress account balance in the BNA asset management system to the schedule of construction projects maintained by the various departments. We also recommend that the County scan all of the outstanding projects reported in the BNA management system during closing to ensure the listing of projects is accurate.

Management Response:

We are in the process of developing reconciliation of fixed assets in BNA to Countywide schedules of construction projects. Fiscal year 2013 was the first year the county used BNA as their fixed assets tracking tool. With the additional procedure we are developing and the increased experience level of staff, we anticipate better accuracy in reporting in the future.

COUNTY OF MADERA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Reference Number	2013-006
Federal Program Title	Child Support Enforcement
CFDA Number	93.563
Federal Agency	U.S. Department of Health and Human Services
Pass Through Entity	State Department of Child Support Services
Compliance Requirement	Activities allowed or Unallowed and Allowable Costs/Cost Principles

Criteria:

Direct payroll charges to federal grants for employee time spent on grant functions must be supported with the documentation required by OMB Circular A-87. Where the applicable employees worked on an allowable grant activity as well as non-grant related activities and/or activities related to other grants, required documentation consists of reports signed by each employee accounting for the total number of hours worked and showing an actual distribution of those hours to grant and non-grant functions. These reports must be prepared at least monthly and should coincide with one or more pay periods. Substitute methods may be used, but only if such methods have been approved by the Federal agency overseeing the grant (2 CFR 225, Appendix B § (8) (h)).

Condition:

During our review we noted a combination of two (2) employees and/or supervisors, where signatures were missing from the timesheets examined for August 2012 and October 2012 pay dates. In addition, one employee's timesheet reflected 52 hours but the total hours reflected in the detailed Payroll Registers was 56 hours for the June 2013 pay date.

Questioned Costs:

No costs are questioned.

Perspective:

We randomly selected 40 employee payroll transactions to test. Of the 40 timesheets we examined, we noted two timesheets where the Department neglected to have the employees and/or supervisors sign the timesheets. In addition, the Department neglected to review and correct a timesheet that reflected fewer hours than recorded in the detail Payroll Registers.

Effect of the Condition:

Failing to produce and retain the required personnel activity reports renders substantiation of personnel time spent on grant functions difficult. If reports are not signed or otherwise verifiably authorized by employees, the time records could be modified without the employees' approval, resulting in incorrect payroll charges to federal awards.

Cause:

The Department did not have proper oversight to ensure that timesheets are being completed and reviewed as required.

Recommendation:

When reviewing and approving employee hours recorded on timesheets, we recommend that supervisory personnel review and compare the timesheet to the payroll registers to ensure that the all employees time is recorded and reported properly with the Department's accounting system.

COUNTY OF MADERA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Reference Number 2013-006 (continued)

Corrective Action Plan – Audit Finding #1:

Tania Say, Director, and Penny Peltzer, Administrative Assistant, will thoroughly review all time cards to ensure that the supervisor's signature and the employee's signature is on each timesheet at the end of the timesheet period. Employees and supervisors were also informed of the importance of turning in a timesheet with all signatures in place on time each month.

Anticipated Completion Date: This action was implemented with the last timesheet period ending 9/26/14. We implemented the plan originally based on the on-site exit interview. We will continue the Corrective Action Plan when the next timesheet period ends 10/24/14 and will continue to implement the process at the end of each timesheet period. The plan will be an ongoing process to ensure our records are reporting time appropriately and with the proper signatures.

Corrective Action Plan – Audit Finding #2:

Corrective Action Plan: Tania Say, Director, and Penny Peltzer, Administrative Assistant, will thoroughly review the Payroll Register and compare the hours paid to the hours submitted on the timesheet. This incident involved an Extra Help employee, who is paid an hourly rate. All Extra Help, hourly employee's timesheets will be reviewed and compared to the Payroll Register to ensure that the hours paid completely match the hours submitted to the Auditor's Office on the timesheet.

Anticipated Completion Date: This action was implemented on 9/30/14, the most recent pay date. However, the plan will be an ongoing process to ensure employees are actually paid the hours reported on his or her timesheet.

Contact Information for Responsible Official:

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COUNTY OF MADERA

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2013

Reference Number 2012-007
Federal Program Title Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii
Home Investment Partnerships Program
CFDA Number(s) 14.228 and 14.239
Federal Agency U.S. Department of Housing and Urban Development
Pass-Through Entity State Department of Housing and Community Development
Compliance Requirement Subrecipient Monitoring

Recommendation:

We recommend that the County develop a monitoring plan which is in accordance with the requirements of the HUD's CDBG Grantee Handbook and that each subrecipient is monitored at least once every two years. Some of the steps in the monitoring process include:

- Develop a monitoring plan at the beginning of each program year in order to match available resources with the needs and capacity of funded subrecipients.
- Standardize monitoring procedures designed to ensure consistency and thoroughness in monitoring reviews. Grantees should use standardized monitoring checklists or guidebooks. Monitoring procedures should also specify the steps to be followed for monitoring visits. You may want to refer to the State CDBG Program's monitoring checklists located in Chapter 12 of the Grant Management Manual.

Status:

Implemented

Reference Number 2012-008
Federal Program Title Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii
Home Investment Partnerships Program
CFDA Number(s) 14.228 and 14.239
Federal Agency U.S. Department of Housing and Urban Development
Pass-Through Entity State Department of Housing and Community Development
Compliance Requirement Procurement Suspension and Debarment

Recommendation:

We recommend that the Department implement procedures which require that on any federally-funded transaction, which equals or exceeds \$25,000 or for any amount with a subrecipient, that the Department check to make sure that the other party to the transaction is not suspended or debarred. Lists of suspended and debarred parties are available online from the System for Award Management (SAM) <<http://www.sam.gov/portal/public/SAM/#>>.

Status:

Implemented