

COUNTY OF MADERA
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



This page intentionally left blank

**COUNTY OF MADERA
SINGLE AUDIT RPEORT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2017**

INDEPENDENT AUDITORS' 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	1
INDEPENDENT AUDITORS' 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 THE UNIFORM GUIDANCE	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	11
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	14

This page intentionally left blank



INDEPENDENT AUDITORS' 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

The Honorable Board of Supervisors
County of Madera
Madera, California

We have audited, in accordance with the 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Madera (the County), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 30, 2017. Our report includes a reference to other auditors who audited the financial statements of the Community Action Partnership of Madera County and the Madera County Workforce Investment Corporation, discretely presented component units, 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.

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.

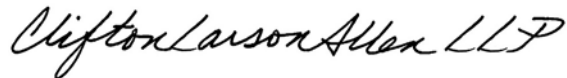
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



CliftonLarsonAllen LLP

Roseville, California
December 30, 2017



INDEPENDENT AUDITORS' 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 THE UNIFORM GUIDANCE

The Honorable Board of Supervisors
County of Madera
Madera, California

Report on Compliance for Each Major Federal Program

We have audited the County of Madera's (the County) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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, 2017. 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.

As described in Note 1 to the Schedule, the County of Madera's basic financial statements include the operations of the Madera County Workforce Investment Corporation (MCWIC) which reported \$2,776,463 in federal awards, which are not included in the County of Madera's Schedule for the fiscal year ended June 30, 2017. Our audit, described below, did not include the operations of MCWIC because MCWIC engaged other auditors to perform an audit in accordance with Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items [2017-001]. Our opinion on each major federal program is not modified with respect to these matters.

County of Madera's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. County of Madera'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 the Uniform Guidance, 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 a 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.

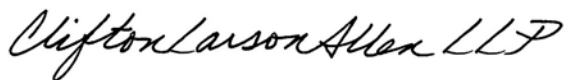
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item [2017-001] that we consider to be a material weakness.

County of Madera's response 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2017, and have issued our report thereon dated December 30, 2017, that contained an unmodified opinion on those financial statements. We did not audit the Community Action Partnership of Madera County and the Madera County Workforce Investment Corporation, which represents 100 percent of the assets, liabilities and revenues of the discretely presented component units, as of and for the year ended June 30, 2017. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Community Action Partnership of Madera County and the Madera County Workforce Investment Corporation, is based solely on the report of the auditors. 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 the Uniform Guidance and is not a required part of the 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 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.



CliftonLarsonAllen LLP

Roseville, California
January 26, 2018

**COUNTY OF MADERA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Department of Agriculture</u>				
Direct Programs:				
Rural Utilities Service	10.760	RUS 1780-12	\$ 146,278	\$ -
Rural Housing Service (Oakhurst Library)	10.766	9460005181	40,557	-
Passed through State Department of Food and Agriculture:				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	16-0516-SF	45,014	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	116-0348-SF	43,969	-
Subtotal			<u>88,983</u>	<u>-</u>
Passed through the State Department of Education:				
School Breakfast Program	10.553		29,592	-
National School Lunch Program	10.555		53,878	-
Subtotal - Child Nutrition Cluster			<u>83,470</u>	<u>-</u>
Passed through the State Department of Public Health:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	14-20508	404,155	-
Passed through the State Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		2,928,382	-
Subtotal - SNAP Cluster			<u>3,332,537</u>	<u>-</u>
Passed through the State Department of Public Health:				
WIC Special Supplemental Nutrition Program for Women, Infants, and Childrer	10.557	15-100090 A01	1,724,776	-
Total U.S. Department of Agriculture			<u>\$ 5,416,601</u>	<u>\$ -</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed through the State Department of Public Health:				
Housing Opportunities for Persons with AIDS	14.241	16-10300	58,575	-
Passed through State Department of Housing and Community Development:				
Community Development Block Grants/Entitlement Grants	14.228	15-CDBG-10573	630,929	50,447
Community Development Block Grants/Entitlement Grants (outstanding loan)	14.228		3,487,926	-
Subtotal			<u>4,118,855</u>	<u>50,447</u>
Home Investment Partnership Program (outstanding loan)	14.239		1,825,250	-
Total U.S. Department of Housing and Urban Development			<u>\$ 6,002,680</u>	<u>\$ 50,447</u>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Edward Byrne Memorial JAG	16.738	BSCC 601-15 A1	106,392	-
Passed through the City of Madera:				
ADA - Edward Byrne Memorial Justice Assistance Grant	16.738	BSCC 601-17	91,536	-
Edward Byrne Memorial JAG	16.738	2014-DJ-BX-0705	29,426	-
Subtotal			<u>227,354</u>	<u>-</u>
Passed through the Governor's Office of Emergency Services:				
Crime Victim Assistance	16.575	VW16300200	304,852	-
Passed through the Drug Enforcement Administration:				
Domestic Cannabis Eradication	16.579	2016-26	27,502	-
Domestic Cannabis Eradication	16.579	2017-25	32,802	-
Subtotal			<u>60,304</u>	<u>-</u>
Total U.S. Department of Justice			<u>\$ 592,510</u>	<u>\$ -</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF MADERA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Department of Labor</u>				
Passed through the Employment Development Department via County ETR:				
Employment Service/Wagner - Peyser Funded Activities	17.207		\$ 2,374	\$ -
Workforce Innovation and Opportunity Act - National Emergency Grant	17.277		417,474	231,941
WIOA Adult Program	17.258		1,071,971	-
WIOA Youth Activities	17.259		659,589	315,644
WIOA Dislocated Worker Formula Grants	17.278		615,055	-
Subtotal - WIOA Cluster			<u>2,346,615</u>	<u>315,644</u>
Total U.S. Department of Labor			<u>\$ 2,766,463</u>	<u>\$ 547,585</u>
<u>U.S. Department of Transportation</u>				
Passed through the State Department of Transportation:				
Highway Planning and Construction	20.205		563,413	-
Formula Grants for Rural Areas	20.509	643141	330,004	-
Passed through the State Office of Traffic Safety:				
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	DI1626	38,011	-
Total U.S. Department of Transportation			<u>\$ 931,428</u>	<u>\$ -</u>
<u>U.S. Environmental Protection Agency</u>				
Passed through the State Water Resource Control Board:				
Clean Water State Revolving Fund	66.468	SRFLPA50	65,779	-
Clean Water State Revolving Fund	66.468	SRF12P109	31,261	-
Subtotal			<u>97,040</u>	<u>-</u>
Total U.S. Department of Energy			<u>\$ 97,040</u>	<u>\$ -</u>
<u>U.S. Department of Health and Human Services</u>				
Direct Programs:				
Food and Drug Administration-Research	93.103	G-T-1611-03548	3,000	-
Passed through the State Department of Social Services:				
Guardianship Assistance	93.090		653	-
Promoting Safe and Stable Families	93.556		158,740	-
Temporary Assistance for Needy Families	93.558		10,327,578	-
Community-Based Child Abuse Prevention Grants	93.590	ACIN I-95-16	133,113	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645		95,338	-
Foster Care - Title IV-E	93.658		5,019,829	-
Adoption Assistance	93.659		1,682,146	-
Social Services Block Grant	93.667		702,087	-
Chafee Foster Care Independence Program	93.674		53,600	-
Passed through the State Department of Health Care Services:				
Personal Responsibility Education Program	93.092	15-10311	122,104	-
Tuberculosis Control Program	93.116	2013-199	35,447	-
Projects for Assistance in Transition from Homelessness (PATH)	93.150		38,814	-
Childhood Lead Poisoning Prevention Program (CLPPP)	93.197	14-10025	43,529	-
Immunization	93.268	15-10429	59,767	-
ACA Maternal, Infant and Early Childhood, HVP	93.505	15-10163	597,959	-
HIV Care Formula Grants	93.917	16-10372/14-1051502	175,773	-
Assistance Programs for Chronic Disease Prevention and Control	93.945	14-10956	246,805	-
Block Grants for Community Mental Health Services	93.958		332,273	-
Adolescent Family Life Demonstration Projects	93.995	201620	91,136	-
Hospital Preparedness Program	93.074	EPO 17-10167	114,477	-
Public Health Emergency Preparedness	93.074	EPO 17-10167	205,605	-
Subtotal			<u>320,082</u>	<u>-</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF MADERA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Medical Assistance Program	93.778		\$ 3,529,896	\$ -
Medical Assistance Program	93.778	SB18	17,338	-
Medical Assistance Program	93.778	AB82	13,875	-
Medical Assistance Program	93.778	CHDPL 16-05	187,831	-
Subtotal - Medicaid Cluster			<u>3,748,940</u>	<u>-</u>
California Children's Services	93.767	CCS IN 16-06	416,872	-
Health Care for Children in Foster Care	93.767	CCS IN 16-06	89,560	-
Subtotal			<u>506,432</u>	<u>-</u>
Block Grants for Prevention and Treatment of Substance Abuse	93.959	10287B-C-2015	815,671	-
Children's Health and Disability Prevention	93.994	CHDPL 16-06	85,610	-
Maternal, Child and Adolescent Health	93.994	201620	53,795	-
Subtotal			<u>139,405</u>	<u>-</u>
Passed through the State Department of Child Support Services: Child Support Enforcement	93.563	LCSA 16-04	2,097,175	-
Passed through the Fresno-Madera Area Agency on Aging: Special Programs for the Aging - Title III, Part C, Nutrition Services	93.045	17-1455	55,200	-
Total U.S. Department of Health and Human Services			<u>\$ 27,602,596</u>	<u>\$ -</u>
<u>U.S. Department of Homeland Security</u>				
Passed through the State Governor's Office of Emergency Services: Emergency Management Performance Grants	97.042	EMF-2016-EP-00010	143,418	-
Total U.S. Department of Homeland Security			<u>\$ 143,418</u>	<u>\$ -</u>
Total Expenditures of Federal Awards			<u>\$ 43,552,736</u>	<u>\$ 598,032</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF MADERA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs of the County of Madera for the year ended June 30, 2017, except for federal awards received by the Madera County Workforce Investment Corporation. Madera County Workforce Investment Corporation engaged other auditors to perform an audit in accordance with the U.S. Office of Management and Budget, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200) also referred to as the Uniform Guidance.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 CATALOG OF FEDERAL DOMESTIC (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2017 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier and the word "unknown" were used.

NOTE 4 INDIRECT COST RATE

The County did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

NOTE 5 LOANS WITH CONTINUING COMPLIANCE REQUIREMENTS

Outstanding federally-funded program loans, with a continuing compliance requirement, carried balances as of June 30, 2017 as follows:

<u>CFDA No.</u>	<u>Federal Program</u>	<u>Outstanding Loans</u>	<u>Loans with Continuing Compliance Requirements</u>
14.228	Community Development Block Grant/States Program	\$ 3,418,512	\$ 3,487,926
14.239	Home Investment Partnership Program	1,726,750	1,825,250

**COUNTY OF MADERA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

NOTE 6 OTHER LOANS

Outstanding federally-funded program loans, carried balances as of June 30, 2017 as follows:

<u>CFDA No.</u>	<u>Federal Program</u>	<u>Outstanding Loans</u>
10.760	Water and Water Disposal Systems for Rural Counties	\$ 2,748,000

NOTE 7 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 determined that no identifying number is assigned for the program or the County was unable to obtain an identifying number from the pass-through entity.

**COUNTY OF MADERA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? x yes _____ no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
14.239	HOME Investment Partnership Program
93.563	Child Support Enforcement
93.558	Temporary Assistance for Needy Families
93.658	Foster Care Title IV-E
93.659	Adoption Assistance

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,306,533

Auditee qualified as low-risk auditee? _____ yes x no

**COUNTY OF MADERA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

2017 – 001

Federal agency: U.S. Department of Housing and Urban Development

Federal program title: Home Investment Partnership Program

CFDA Number: 14.239

Pass-Through Agency: California Department of Housing and Community Development

Award Period: July 1, 2016 – June 30, 2017

Type of Finding:

- Material Weakness in Internal Control over Compliance – Other Noncompliance
- Prior Year Finding

Criteria or specific requirement: Grant compliance requires that Home Investment Partnership Program loans be monitored for compliance with certain loan provisions on a regular basis. Such loan requirements are required to ensure owner occupancy and payments of property taxes and hazard insurance coverage. The requirements are noted in the California Department of Housing and Community Development Grants Management Manual, chapter 17 - Homebuyer Assistance.

Condition: We selected eleven samples out of a population of 31 HOME Program loans to test for continuing compliance. During our test of the eleven samples, we noted that the County did not have adequate documentation to show monitoring of loans receivable to ensure compliance with loan provisions for five of the samples selected.

Questioned costs: None noted.

Context: Finding is a systemic problem based on the number of exceptions. The County has implemented corrective action to reach out to loan recipients for supporting documentation to follow continuing compliance loan provisions. However, approximately half of the loans do not have documentation to support continuing compliance.

Cause: There was inadequate monitoring of loans receivable to ensure compliance with loan contract provisions.

Effect: The potential effect of non-compliance is that the property may not be owner occupied, may not be current in property tax payments, or may not have the required hazard insurance coverage. This could result in non-compliance in program requirements and potential loss on the property if uninsured damage or foreclosure occurred.

**COUNTY OF MADERA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Repeat Finding: The finding is a repeat finding in the immediately prior year. Prior year finding number was 2016-002.

Recommendation: CLA recommends the County continue to develop and implement procedures to ensure that outstanding loans continuing compliance is documented and followed in accordance with the grant loan provisions.

Views of responsible officials: There is no disagreement with the audit finding.



TODD E. MILLER, CPA
AUDITOR-CONTROLLER COUNTY OF MADERA
200 W 4th ST 2nd Floor MADERA, CALIFORNIA 93637
(559) 675-7707 / FAX (559) 661-3006 / TDD (559) 675-8970

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

FINDINGS – FINANCIAL STATEMENT AUDIT

2016-001 – CONSTRUCTION IN PROGRESS

Condition: This finding was a material weakness stating that construction in progress completed in years other than the fiscal year under audit had been transferred to assets in service.

Status: Corrected. The Auditor-Controller's office worked with Public Works to develop a more efficient system to recognize completed CIP projects during the fiscal year. Completed CIP projects have been recognized as in service in the correct period.

FINDINGS – FEDERAL AWARDS PROGRAM AUDITS

2016-002 – LOANS WITH CONTINUING COMPLIANCE

Condition: This finding was a material weakness and other non-compliance of monitoring due to non-compliance of monitoring loans with continuing compliance requirements.

Status: See current year finding 2017-001.

Reason for finding's recurrence: The Department has implemented the process of identifying outstanding loans and requesting documentation from loan recipients to comply with continuing compliance requirements. However, only half of the documentation to support continuing compliance requirements have been received. Staffing issues have inadvertently contributed to the reoccurrence of the non-compliance.

Corrective action: The County will maintain the active lists as a means of tracking those who have responded versus those who have not. After a reasonable period for those not responding, further contact will be made as required.