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# COUNTY OF MONO

## SINGLE AUDIT REPORT

## JUNE 30, 2008

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4/28/09

**COUNTY OF MONO**

Single Audit Report
For the Year Ended June 30, 2008

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BARTIG, BASLER & RAY, LLP
A GALLINA LLP COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

# 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 Mono
Bridgeport, California

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 Mono, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 9, 2009. We conducted our audit in accordance with auditing standards 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

In planning and performing our audit, we considered County of Mono's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Mono's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Mono'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of



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findings and questioned costs as findings 08-FS-1, 08-FS-2, 08-FS-3, 08-FS-4, 08-FS-5 and 08-FS-6 to be a significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider items 08-FS-1, 08-FS-2, 08-FS-3, 08-FS-4, 08-FS-5 and 08-FS-6 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Mono'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 reported to management of County of Mono in a separate letter dated January 9, 2009.

County of Mono'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 of Mono's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Board of Supervisors, Grand Jury, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

BARTIG, BASLER & RAY, LLP
A Gallina LLP Company

Bartig, Basler & Ray, LLP

Roseville, California
January 9, 2009

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# REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Supervisors
County of Mono
Bridgeport, California

Compliance

We have audited the compliance of the County of Mono, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The County of Mono'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 of Mono's management. Our responsibility is to express an opinion on the County of Mono'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 of Mono'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 on the County of Mono's compliance with those requirements.

In our opinion, the County of Mono complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. 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 item 08-SA-2.



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Board of Supervisors
County of Mono

Internal Control Over Compliance

The management of the County of Mono 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 of Mono's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 of Mono's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questions costs as items 08-SA-1 and 08-SA-2 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 08-SA-2 to be a material weakness.

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

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, 2008, and have issued our report thereon dated January 9, 2009. Our audit was performed for the purpose of forming opinions on the financial statements

that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Office of Emergency Services and Department of Corrections and Rehabilitation Supplementary Schedules, beginning on page 26, have not been subjected to auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

This report is intended solely for the information of the Board of Supervisors, Grand Jury, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

BARTIG, BASLER & RAY, LLP
A Gallina LLP Company

Bartig, Basler & Ray, LLP

Roseville, California
January 9, 2009

# COUNTY OF MONO

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Disbursements/ Expenditures |
|---|---|---|---|
| U.S. Department of Agriculture | | | |
| Passed through State Department of Social Services: | | | |
| Food Stamps | 10.551* | -- | $ 349,901 |
| State Administrative Matching Grants for Food Stamp Program | 10.561* | -- | 222,239 |
| Subtotal | | | 572,140 |
| Passed through State Controller's Office: | | | |
| Schools and Roads - Grants to States | 10.665 | PL 106-363 | 319,997 |
| Total U.S. Department of Agriculture | | | $ 892,137 |
| U.S. Dept. of Housing and Urban Development | | | |
| Passed through State Dept. of Housing and Community Development: | | | |
| Community Development Block Grant | 14.228* | 05-STBG-1384 | 778,189 |
| Economic Development Block Grant | 14.228* | 06-EDBG-2614 | 33,250 |
| Total U.S. Dept. of Housing and Urban Development | | | $ 811,439 |
| U.S. Department of the Interior | | | |
| Direct Program: | | | |
| Payments in Lieu of Taxes | 15.226* | -- | 574,999 |
| Total U.S. Department of the Interior | | | $ 574,999 |
| U.S. Department of Justice | | | |
| Direct Program: | | | |
| State Criminal Alien Assistance Program | 16.606 | -- | 38,759 |
| Passed through State Office of Emergency Services: | | | |
| Victim Witness Assistance Program | 16.575 | VW07170260 | 28,938 |
| Anti Drug Abuse Program | 16.579 | DC07180260 | 112,761 |
| Total U.S. Department of Justice | | | $ 180,458 |
| U.S. Department of Labor | | | |
| Passed through Employment Development Department via Kern County ETR: | | | |
| Workforce Investment Act - Adult | 17.258 | -- | 39,600 |
| Workforce Investment Act - Youth | 17.259 | -- | 39,600 |
| Workforce Investment Act - Dislocated Worker | 17.260 | -- | 39,600 |
| Total U.S. Department of Labor | | | $ 118,800 |

* Major Program

# COUNTY OF MONO

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Disbursements/ Expenditures |
|---|---|---|---|
| U.S. Department of Transportation | | | |
| Direct Program: | | | |
| Airport Improvement Program | 20.106 | -- | $ 398,365 |
| Passed through State Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | EA 09-995123-L | 229,725 |
| Passed through State Office of Emergency Services: | | | |
| Hazardous Materials Emergency Preparedness | 20.703 | 7033-150 | 10,000 |
| Total U.S. Department of Transportation | | | $ 638,090 |
| U.S. Department of Education | | | |
| Passed through State Department of Alcohol and Drug Programs: | | | |
| Drug-Free Schools and Communities - State Grants | 84.186 | SDF 03-39 | 125,259 |
| Total U.S. Department of Education | | | $ 125,259 |
| U.S. Department of Health and Human Services | | | |
| Passed through State Department of Social Services: | | | |
| Family Preservation and Support Services | 93.556 | -- | 9,168 |
| Temporary Assistance for Needy Families | 93.558* | -- | 755,885 |
| Child Support Enforcement | 93.563* | -- | 885,604 |
| Help America Vote Act ( HAVA ) | 93.617 | -- | 1,528 |
| Child Welfare Services – State Grants | 93.645 | -- | 10,386 |
| Foster Care – Title IV-E | 93.658* | -- | 240,971 |
| Adoption Assistance | 93.659 | -- | 1,491 |
| In-Home Supportive Services | 93.667 | -- | 59,832 |
| Independent Living | 93.674 | -- | 11,313 |
| Subtotal | | | 1,976,178 |
| Passed through State Department of Health Services: | | | |
| CDC | 93.069 | -- | 149,677 |
| Pandemic Flu | 93.069 | -- | 24,233 |
| Maternal and Child Health Services | 93.110 | 2007-26 | 84,036 |
| Immunization | 93.268 | -- | 8,050 |
| Immunization Project CVIIS | 93.268 | -- | 11,977 |
| California Children's Services | 93.767 | -- | 112,539 |
| Health Care Program for Children in Foster Care | 93.767 | -- | 6,314 |
| Medical Assistance Program | 93.778 | -- | 199,777 |
| Hospital Emergency Prepardness and Response | 93.889 | -- | 207,469 |
| HIV Care Formula Grants | 93.917 | -- | 5,088 |
| Children's Health and Disability Prevention | 93.994 | -- | 81,973 |
| Subtotal | | | 891,133 |

* Major Program

## COUNTY OF MONO

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Disbursements/ Expenditures |
|---|---|---|---|
| U.S. Department of Health and Human Services (continued) | | | |
| Passed through State Department of Alcohol and Drug Programs: | | | |
| Block Grants for Prevention and Treatment of Substance Abuse (SAPT) | 93.959 | -- | $ 365,278 |
| Total U.S. Department of Health and Human Services | | | $ 3,232,589 |
| U.S. Department of Homeland Security | | | |
| Passed through State Office of Homeland Security: | | | |
| FY 2007-08 Homeland Security Grant Program - SHSP | 97.073 | 2007-0008 | 65,514 |
| FY 2007-08 Homeland Security Grant Program - LETPP | 97.074 | 2007-0008 | 58,100 |
| FY 2007-08 Homeland Security Grant Program - EMPG | 97.042 | 2007-6 | 51,543 |
| Total U.S. Department of Homeland Security | | | $ 175,157 |
| Total Expenditures of Federal Awards | | | $ 6,748,928 |

* Major Program

# COUNTY OF MONO

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Note 1: **General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the County of Mono. The County of Mono 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 Entity and is presented 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 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.

Note 4: **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.

Note 5: **Subrecipients**

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

| Federal CFDA | Program Title | Amount Provided to Subrecipients |
|---|---|---|
| 14.228 | Community Development Block Grant | $ 778,189 |

Note 6: **Program Clusters**

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

| Federal CFDA | Program Title | Federal Expenditures |
|---|---|---|
| Food Stamp Cluster: | | |
| 10.551 | Food Stamps | $ 349,901 |
| 10.561 | State Administrative Matching Grants for Food Stamp Program | 222,239 |
| | TOTAL | $ 572,140 |
| WIA Cluster: | | |
| 17.258 | Workforce Investment Act – Adult | $ 39,600 |
| 17.259 | Workforce Investment Act – Youth | 39,600 |
| 17.260 | Workforce Investment Act – Youth | 39,600 |
| | TOTAL | $ 118,800 |
| Homeland Security Cluster: | | |
| 97.073 | FY 2007-08 Homeland Security Grant Program – SHSP | $ 65,514 |
| 97.074 | FY 2007-08 Homeland Security Grant Program – LETPP | 58,100 |
| | TOTAL | $ 123,614 |

# COUNTY OF MONO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

**Section 1** — Summary of Auditor's Results

Financial Statements

| | |
|---|---|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses | No |
| 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: | Unqualified |
| 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 |
|---|---|
| 10.551 | Food Stamps |
| 10.561 | State Administrative Matching Grants for Food Stamps |
| 14.228 | Community Development Block Grant |
| 15.226 | Payments in Lieu of Taxes |
| 93.558 | Temporary Assistance for Needy Families (TANF) |
| 93.563 | Child Support Enforcement |
| 93.658 | Foster Care – Title IV-E |

| | |
|---|---|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | $ 300,000 |

# COUNTY OF MONO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

**Section 1** (continued)

| Federal Awards (continued) | Summary of Auditor's Results |
|---|---|
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No |

**Section 2**

Financial Statement Findings

| | |
|---|---|
| SEFA Preparation | Finding 08-FS-1 |
| Apportionment of Property Taxes | Finding 08-FS-2 |
| Capital Assets | Finding 08-FS-3 |
| Accounting for Cash Drawdowns from Fiscal Agent | Finding 08-FS-4 |
| Deferral of Revenues | Finding 08-FS-5 |
| Accounts Receivable: Year-end Review | Finding 08-FS-6 |

**Section 3**

Federal Award Findings and Questioned Costs

| | |
|---|---|
| CFDA 14.228 | Finding 08-SA-1 |
| CFDA 93.658 | Finding 08-SA-2 |

| Program | Findings/Noncompliance |
|---|---|
| **Finding 08-FS-1** | **SEFA Preparation**<br>Reporting Requirement: Material Weakness |

Criteria

Statement on Auditing Standard No. 112, *Communicating Internal Control Related Matters Identified in a Audit* (SAS 112), provides guidance in that if an entity is unable to draft its own financial statements, there may be a material weakness or significant deficiency. We believe this same requirement applies to the Schedule of Expenditures of Federal Awards (SEFA).

The County should have the capacity to prepare a SEFA in accordance with generally accepted accounting principles. To carry out this responsibility, the County must have proper internal controls over financial reporting in place. Proper internal controls over financial reporting include, but are not limited to, internal controls that identify misstatements in the SEFA, retaining staff competent in SEFA reporting and related oversight roles, and adequate design of internal control over the preparation of the SEFA.

Condition

During the audit of the County's financial statements we discovered that the County received federal Community Development Block Grant funds to help remodel the County's courthouse. Since the funds are federal they should have been reported on the SEFA but originally were not.

Cause

In the past the County has relied on the outside auditors to prepare the SEFA and help identify all federal programs. This year the County has assigned staff to prepare the SEFA and identify all federal programs. Staff did a commendable job for this being the first year but the proper controls were not in place to ensure all federal programs were reported.

Effect of Condition

Not having an adequate system for reporting all federal expenditures on the SEFA can cause inaccuracies in reporting federal expenditures,

| Program | Findings/Noncompliance |
|---|---|
| **Finding 08-FS-1 (continued)** | Effect of Condition (continued)<br><br>inaccurate analysis of major programs, and required program audits to be missed. In this case a major program was missed in the original major program analysis because it was not reported.<br><br>Recommendation<br><br>We recommend that the County continue to make the improvements it has begun in relation to preparation of the SEFA. We also recommend that the County find a way to incorporate identification of federal funds within its accounting system.<br><br>Corrective Action Plan<br><br>As was noted, in the past external auditors had always prepared the SEFA. Fiscal Year 2007-08 was the first year Mono County itself prepared the SEFA. Prior policy had been to have departments with the Federal monies work directly with the external auditors to develop this information. As the County performed these services for the first time, the County uncovered many previously unreported Federal Programs and has made a concerted effort to locate and list all existing Federally funded programs. In addition, the Board of Supervisors agenda and contract files are regularly monitored to insure that new programs are picked up. Furthermore, as new unfamiliar revenue sources appear, the departments are contacted and documentation regarding those revenues is obtained and reviewed for applicability. |
| **Finding 08-FS-2** | **Apportionment of Property Taxes**<br>Reporting Requirement: Material Weakness<br><br>Criteria<br><br>The apportionment of secured property taxes from the Secured Collections Trust fund should be based on the County's actual collections since the County is not on the Teeter Plan. Uncollected taxes should be recognized as receivable and should be offset by the Allowance for Uncollectible Taxes equal to the amount determined to be uncollectible. |

| Program | Findings/Noncompliance |
|---|---|

**Finding 08-FS-2 (continued)**

Condition

The County's over apportionment of cash in the Secured Collections Trust fund resulted in a negative cash balance of $4.8 million at year-end compared to $291 thousand in the previous year (see table below).

Secured Collections Trust Analysis

| | Fiscal Year | | | |
|---|---|---|---|---|
| Account Name | 2008 | 2007 | 2006 | 2005 |
| Cash – Secured | $ (5,166,055) | $ (307,342) | $ (15,376) | $ 332,057 |
| Current Secured Collections | (54,096,897) | (47,491,459) | (42,441,515) | (35,595,909) |
| Apportioned Taxes | 58,955,609 | 47,783,426 | 42,788,948 | 35,413,420 |
| Net Apportioned | $ (4,858,712) | $ (291,967) | $ (347,433) | $ 182,489 |

Cause

At the time of the audit, the County was not able to determine the cause for the significant over apportionment.

Effect of Condition

The County's over apportionment of property taxes resulted in a $4.8 million deficit in the County's Secured Collections Trust fund at year-end. Additionally, the over apportionment of taxes could result in the overstatement of taxes revenue within the primary government.

Recommendation

We recommend the County analyze its apportionment process to ensure it does not over apportion its property tax collections in future years.

Corrective Action Plan

The County was aware there was a problem with the apportionment process in the property tax system, but because of the inability to

| Program | Findings/Noncompliance |
|---|---|
| **Finding 08-FS-2 (continued)** | Corrective Action Plan (continued)<br><br>pinpoint the cause of the problem (and other issues), the County received Board of Supervisor permission and implemented a new property tax system in fiscal year 2008-09. The problem with the apportionment process in the old system was ascertained during the conversion process and will be corrected no later than December 2009. |
| **Finding 08-FS-3** | **Capital Assets**<br>Reporting Requirement – Material Weakness<br><br>Criteria<br><br>All expenditures incurred to construct a capital asset should be included in construction in progress in the year in which the expenditure occurred. Also, internal controls over the recording of capital assets should be sufficient to prevent or detect material duplicate entries into the capital asset system.<br><br>Condition<br><br>Management was not able to review the balances recorded in the capital asset system at year-end.<br><br>During our audit, we noted the following deficiencies:<br><br>1) A year-end accrual of $1,215,416 was made for a payment on the Lundy Lake Road project, but was not added to the capital asset system for capitalization.<br>2) Equipment valued at $208,750 was added to the capital asset system twice.<br><br>Cause<br><br>During the year, the County migrated to a new system to track capital asset balances. While the new system provides a great improvement to the control environment over capital asset balances, the lack of regular oversight over the system resulted in significant audit adjustments to the County's capital asset balances at year-end. |

| Program | Findings/Noncompliance |
|---|---|
| **Finding 08-FS-3 (continued)** | Effect of Condition<br><br>By not reconciling the capital asset system with the general ledger on a regular basis, the County could materially misstate its capital asset balances. Also, a lack of a thorough review by management could result in material misstatements that could have otherwise been prevented with manager oversight.<br><br>Recommendation<br><br>We recommend that the County implement a process to reconcile between the capital asset system and the general ledger on a regular basis. This will allow the County to identify any items not entered into the system or entered incorrectly. Also, we recommend that the County implement a process to ensure capital asset balances are reviewed by management on a regular basis.<br><br>Management Response<br><br>As 2007-08 was a conversion year, changing from an Excel format to a new Capital Asset system, not all reconciliation was completed at the time of the audit. County staff discovered the double recordation of the asset and made a correction after the report was initially given to the audit team. To assist further that no addition are missed, the Auditor staff now has access to CAMS (Cost Accounting Management System), to monitor activity outside "normal" capital asset expenditure accounts and to monitor potential work-in-progress projects. |
| **Finding 08-FS-4** | **Accounting for Cash Drawdowns from Fiscal Agent**<br>Reporting Requirement – Material Weakness<br><br>Criteria<br><br>Accounts receivable represent future claims to cash for goods or services that have been provided. A cash drawdown is essentially a transfer of cash from one account to another with no impact on revenues and expenses. |

| Program | Findings/Noncompliance |
|---|---|
| **Finding 08-FS-4 (continued)** | Condition<br><br>The County recorded a future cash drawdown from a trustee bank account as accounts receivable and revenue which resulted in an overstatement of $514,566 to these accounts at year-end.<br><br>Cause<br><br>The County has historically accounted for cash drawdowns as revenue and has relied on the external auditors to properly reclassify the revenue to a reduction in the cash with fiscal agent account balance.<br><br>Effect or Potential Effect<br><br>The County's recognition of accounts receivable and corresponding revenue without regard to the criteria for earnings resulted in an overstatement of revenues and accounts receivable at year end.<br><br>Recommendation<br><br>We recommend the County modify its accounting for cash drawdowns from its trustee bank account by recording the following entry at the time of the drawdown from the trustee bank account to the Treasury:<br><br>Cash in Treasury $ XXXX<br>Cash with Fiscal Agent $ XXXX<br><br>Corrective Action Plan<br><br>County Staff makes note of this observation and will monitor future drawdowns to ensure they are recorded properly. |
| **Finding 08-FS-5** | **Deferral of Revenues**<br>Reporting Requirement – Material Weakness<br><br>Criteria<br><br>Revenues that are not available to pay for current obligations should be recorded as deferred revenues during the fiscal year earned in the |

| Program | Findings/Noncompliance |
|---|---|
| **Finding 08-FS-5 (continued)** | Criteria (continued) |

governmental fund statements. The County has defined revenues as available to pay for current obligations when the cash is received within 60 days of the end of the fiscal year.

Condition

Accounts receivable of $565,232 not collected within 60 days of the end of the accounting period was improperly recognized as revenue instead of deferred revenue in the governmental fund statements.

Cause

The County recognizes revenue when it meets the criteria for being earned without consideration of the availability of revenues to pay current obligations.

Effect or Potential Effect

The County's misclassification of revenue resulted in an over-statement of available revenues for the period.

Recommendation

We recommend the County modify its closing process to include reviewing its accounts receivable entries to identify the portion of the receivable balances not received within the County's 60 day availability period. Once the deferred revenue is identified, the County should record the following entry:

| | | |
|---|---|---|
| Accounts Receivable | $ XXXX | |
| Deferred Revenue | | $ XXXX |

Corrective Action Plan

This is only the second year the County has not accrued on a receipt-by-receipt basis and has used estimates. At year-end the revenues were fully expected to materialize. We will now monitor more closely to insure that the receivables expected and accrued have in fact been received within the requisite time frame. Unfortunately we

| Program | Findings/Noncompliance |
|---|---|
| **Finding 08-FS-5 (continued)** | Corrective Action Plan (continued)<br><br>were caught in a "Catch-22" scenario at that time. Once we close the books to provide the information to our auditors, the books cannot then be reopened to make changes from accrued revenue to deferred revenue. While we are investigating new financial systems that may have this capability, it may have to remain as a note to our auditors that expected monies were not received in a timely manner thus requiring a change in classification that we cannot at this time reflect in our books. |
| **Finding 08-FS-6** | **Accounts Receivable: Year-end Review**<br>Reporting Requirement – Material Weakness<br><br>Criteria<br><br>Internal controls over the recording of accounts receivable should be sufficient to prevent or detect material errors, including duplicate journal entries.<br><br>Condition<br><br>The County recorded duplicate journal entries for an account receivable in the amount of $231,934 which caused accounts receivable to be overstated at year end. Also, a County department incorrectly recorded cash receipts as a reduction to accounts receivable instead of to a revenue account resulting in an understatement of accounts receivable and revenue by $157,884.<br><br>Cause<br><br>The County did not perform a thorough review of the accounts receivable account balances at year-end.<br><br>Effect or Potential Effect<br><br>The County's duplicate entry for accounts receivable caused accounts receivable to be overstated by $231,934 at year end while the County's misposting of cash receipts caused accounts receivable and revenues to be understated by $157,884 at year end. |

| Program | Findings/Noncompliance |
|---|---|

**Finding 08-FS-6 (continued)**

Recommendation

We recommend the County analyze controls over accounts receivable reporting to determine why duplicate recognition of accounts receivable and other mispostings during fiscal year 2007-2008 was not prevented or detected prior to the audit.

Corrective Action Plan

This condition is reflective of using department provided estimates. Unfortunately multiple dollar detailed estimates were received at various times and when the journal entries were prepared, it was not picked up that on different submissions, some of the same receivables were listed thus double posted. In order to minimize this occurrence in the future a prepared form will be required to be submitted and only one per department or budget unit barring some unusual circumstance. In addition, it will be more closely monitored to ensure receipts for accrued items are not posted directly into the receivables account.

**Finding 08-SA-1**

Community Development Block Grant
CFDA 14.228

Award No. 05-STBG-1384
Year: 07/08

| | |
|---|---|
| *Federal Grantor:* | *U.S. Department of Housing and Urban Development* |
| *Pass-Through Entity:* | *California Department of Housing and Community Development* |
| *Compliance Requirement:* | *Cash Management* |
| *Reporting Requirement:* | *Significant Deficiency* |

Criteria

When federal funds are provided to a grantee in advance, federal regulations require that grantees minimize the time that elapses between receipt of federal funds and the subsequent disbursement of those funds for program purposes (49 CFR 18.21(c)). If a grantee earns interest in excess of $100 on advances held undisbursed for a period of time, this excess interest must be calculated and remitted to the grantor agency on at least a quarterly basis (49 CFR 18.21(i)).

Condition

During our review of payments to the County's subrecipient, we

| Program | Findings/Noncompliance |
|---|---|
| **Finding 08-SA-1 (continued)**<br><br>Community Development Block Grant CFDA 14.228 | Condition (continued)<br><br>observed that the County requested advances before paying the subrecipient. In each case there was time that elapsed between the receipt of the advance and the payment to the subrecipient. We determined that the County earned about $867 more than the allowed $100 in interest revenue from these advances. We also noted that these funds had not been returned to the grantor on a quarterly basis as required.<br><br>Questioned Costs<br><br>We do not question any costs because no costs were incorrectly claimed. Instead, we recommend that the interest earned as described above be returned to the California Department of Housing and Community Development.<br><br>Perspective<br><br>We do not believe any further information would assist in providing proper perspective.<br><br>Effect of Condition<br><br>When federal funds are advanced and held undisbursed for a period of time, the potential exists for interest to accumulate that may need to be returned to the federal government. It could also affect the County's ability to receive federal advances in the future.<br><br>Recommendation<br><br>We recommend that the Department develop a procedure to calculate and return interest earned on federal funds in excess of $100 to the grantor, unless instructed otherwise. Further, if the Department wishes to draw federal funds in advance, we recommend that draws be requested only when the Department is prepared to disburse those funds immediately upon receipt. |

| Program | Findings/Noncompliance |
|---|---|

**Finding 08-SA-1 (continued)**

Community Development Block Grant CFDA 14.228

Corrective Action Plan

Mono County understands the issue detailed in your finding and does not dispute that interest was earned on funds that were advanced for grant 05-STBG-1384. We have reviewed our existing process for payment of the advance funds to our subrecipient and determined areas where the process can be improved to ensure payments are made promptly. We do not anticipate any future issues in this regard.

Contact Person: Kelly Garcia, Assistant Director of Mono County Department of Public Works; (760) 932-5440

**Finding 08-SA-2**

Foster Care
CFDA 93.668

Award No.
N/A
Year: 07/08

| | |
|---|---|
| *Federal Grantor:* | *U.S. Department of Housing and Urban Development* |
| *Pass-Through Entity:* | *California Department of Social Services* |
| *Compliance Requirement:* | *Reporting; Allowable Costs* |
| *Reporting Requirement:* | *Material Weakness; Material Non-Compliance in Relation to a Compliance Supplement Audit Objective* |

Criteria

All County Information Notice No. I-91-08 has some questions and answers on the California Wraparound Program (Senate Bill 163). Question number 3 in that notices states: "What is the source of funding for Wraparound?" Part of the answer to this question is: "Federal AFDC-FC (Title IV-E) cannot be used to pay for Wraparound services. Therefore, federal AFDC-FC cannot be claimed when a federally-eligible child in Wraparound is placed at home. However, when a federally-eligible child is in an eligible placement, the county can claim the federal share of the actual placement costs."

Condition

During our audit of the Foster Care program we noted that there was one federally-eligible child that was part of the Wraparound program. We noted that the county claimed not only payments made to eligible placements but also claimed the group home rate when the child was living at home.

| Program | Findings/Noncompliance |
|---|---|
| **Finding 08-SA-2 (continued)**<br><br>Foster Care<br>CFDA 93.668<br><br>Award No.<br>N/A<br>Year: 07/08 | Questioned Costs<br><br>We determined that the amount incorrectly claimed on the federal CA-800 under the SB 163 column to be $39,321. However, it appears that this amount should have been claimed on the non-federal CA-800 for Foster Care.<br><br>Perspective<br><br>It appears the county had an incorrect understanding of how to claim federally-eligible children under the Wraparound program.<br><br>Effect of Condition<br><br>When expenditures are claimed in the wrong areas on reports sent to the state it results in the state reimbursing the county with funds from incorrect sources. In this case funds should not have been from a federal source for the expenditures described above but should have been from state and county sources only.<br><br>Recommendation<br><br>We recommend that the Department amend the claims it has submitted with this incorrect understanding to correct the CA-800s. We also recommend that the county correctly claim these expenditures in the future.<br><br>Corrective Action Plan<br><br>Mono county agrees with the finding and will adjust the CA 800 's to reflect corrected costs. We have taken actions to correctly claim these costs on future CA 800 claims. |

## COUNTY OF MONO

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2008

| Audit Reference Number | Status of Prior Year Audit Findings |
|---|---|
| **Finding 05-SA-2**<br><br>Temporary Assistance for Needy Families (TANF)<br>CFDA 93.558<br><br>Award No. n/a<br>Year: 04/05 | Recommendation<br><br>We recommend that a review process be implemented with County personnel to see that IEVS are requested, reviewed, compared to the case record, and used in determining eligibility for TANF benefits. We further recommend that the County review its internal controls for tracking the IEVS report once they request them from the State to ensure the County is receiving them in a timely manner so the IEVS can be used to determine eligibility.<br><br>Status<br><br>Corrected. |
| **Finding 06-SA-1**<br><br>Food Stamps<br>CFDA 10.551 & 10.561<br><br>Award No. n/a<br>Year: 05/06 | Recommendation<br><br>We recommend that the County perform daily EBT Food Stamp reconciliations and properly document them. The County might consider using a spreadsheet which cumulatively shows the reconciliations, along with maintaining the backup on reconciling items for at least one year.<br><br>Status<br><br>Corrected. |
| **Finding 07-SA-1**<br><br>Medical Assistance Program<br>CFDA 93.778<br><br>Award No. n/a<br>Year: 06/07 | Recommendation<br><br>We recommend that the Department review this omission to request, review, and compare the IEVS to information in the case record. We recommend that the Department attempt to determine why the current system of controls failed to prevent these exceptions and that the Department establish and communicate a policy designed to ensure that IEVS information is requested, received, and reviewed and that this review is documented in each case.<br><br>Status<br><br>Corrected. |

# SUPPLEMENTARY SCHEDULES

## COUNTY OF MONO

Office of Emergency Services and Department of Corrections
and Rehabilitation Supplementary Schedules
For the Year Ended June 30, 2008

**California Office of Emergency Services**

The following represents expenditures for Office of Emergency Services programs for the year ended June 30, 2008. The amount reported in the Schedule of Expenditures of Federal Awards is determined by calculating the federal portion of the current year expenditures.

| | Expenditures Claimed | | | Share of Expenditures Current Year | | |
|---|---|---|---|---|---|---|
| Program | For the Period Through June 30, 2007 | For the Year Ended June 30, 2008 | Cumulative As of June 30, 2008 | Federal Share | State Share | County Share |
| DC07180260 | | | | | | |
| Personal services | $ -- | $ -- | $ -- | $ -- | $ -- | $ -- |
| Operating expenses | -- | 112,761 | 112,761 | 112,761 | -- | -- |
| Equipment | -- | -- | -- | -- | -- | -- |
| Totals | $ -- | $ 112,761 | $ 112,761 | $ 112,761 | $ -- | $ -- |
| VW07170260 | | | | | | |
| Personal services | $ -- | $ 66,960 | $ 66,960 | $ 28,938 | $ 38,022 | $ -- |
| Operating expenses | -- | 3,500 | 3,500 | -- | 3,500 | -- |
| Equipment | -- | -- | -- | -- | -- | -- |
| Totals | $ -- | $ 70,460 | $ 70,460 | $ 28,938 | $ 41,522 | $ -- |
| CalMMET - MH06010260 | | | | | | |
| Personal services | $ -- | $ 2,148 | $ 2,148 | $ -- | $ 2,148 | $ -- |
| Operating expenses | -- | 144,000 | 144,000 | -- | 144,000 | -- |
| Equipment | -- | 87,000 | 87,000 | -- | 87,000 | -- |
| Totals | $ -- | $ 233,148 | $ 233,148 | $ -- | $ 233,148 | $ -- |
| VB07050260 | | | | | | |
| Contract Services | $ -- | $ 83,306 | $ 83,306 | $ -- | $ 83,306 | $ -- |
| Personnel | -- | 2,764 | 2,764 | -- | 2,764 | -- |
| Equipment | -- | -- | -- | -- | -- | -- |
| Totals | $ -- | $ 86,070 | $ 86,070 | $ -- | $ 86,070 | $ -- |