

COUNTY OF MENDOCINO

SINGLE AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2014**

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COUNTY OF MENDOCINO

Single Audit Report
For the Year Ended June 30, 2014

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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 and Grand Jury
County of Mendocino
Ukiah, 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, each major fund, and the aggregate remaining fund information of the County of Mendocino (County) as of and for the year ended June 30, 2014, 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 8, 2014.

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 deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. (2014-001)

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*.

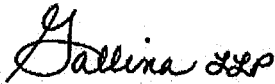
Board of Supervisors and Grand Jury
County of Mendocino
Ukiah, California

County's Response to Finding

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.



Roseville, California
December 8, 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 and Grand Jury
County of Mendocino
Ukiah, California

Report on Compliance for Each Major Federal Program

We have audited the County of Mendocino'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, 2014. 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.

Basis for Qualified Opinion on Temporary Assistance for Needy Families

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding CFDA 93.558 Temporary Assistance for Needy Families as described in finding numbers 2014-002, 2014-003, 2014-004 and 2014-005 for Eligibility and Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Board of Supervisors and Grand Jury
County of Mendocino
Ukiah, California

Qualified Opinion on Temporary Assistance for Needy Families

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Temporary Assistance for Needy Families for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

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 County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-003, 2014-004, 2014-005, and 2014-006, that we consider to be significant deficiencies.

Board of Supervisors and Grand Jury
County of Mendocino
Ukiah, California

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

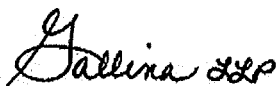
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2014, and have issued our report thereon dated December 8, 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. 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.

Other Matters

The Schedule of the Governor's Office of Emergency Services Grant Expenditures has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.



Roseville, California
December 8, 2014

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COUNTY OF MENDOCINO

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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:			
Plant and Animal Disease, Pest Control, and Animal Care:			
Pierce's Disease Control Program	10.025	12-0122-SF	\$ 19,525
Sudden Oak Death	10.025	13-0312-SF	17,019
European Grapevine Moth Quarantine	10.025	12-0485-SF	47,555
European Grapevine Moth Quarantine	10.025	13-0506-SF	92,898
Light Brown Apple Moth Trapping	10.025	12-0422-SF	875
Light Brown Apple Moth Trapping	10.025	13-0456-SF	13,515
Light Brown Apple Moth Regulatory	10.025	13-0562	3,102
Subtotal CFDA Number 10.025			<u>194,489</u>
Passed through State Department of Social Services:			
State Administrative Matching Grants for the			
Supplemental Nutrition Assistance Program	10.561	--	1,311,415
SNAP Ed CDPH-NEOP Branch	10.561	13-20517	260,395
Subtotal CFDA Number 10.561			<u>1,571,810</u>
Passed through State Department of Health Care Services:			
Special Supplemental Nutrition Program for Women,			
Infants, and Children (WIC)	10.557	11-10450	<u>957,266</u>
Total U.S. Department of Agriculture			<u>\$ 2,723,565</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct programs:			
Supportive Housing Program-Transitional Housing	14.235	--	136,502
Supportive Housing Program-Seamless Transitional Empowerment Program	14.235	--	<u>232,600</u>
Subtotal CFDA Number 14.235			<u>369,102</u>
Passed through State Department of Housing and Community Development:			
Community Development Block Grants/State's Program	14.228	--	11,233
HOME Investment Partnerships Program	14.239	--	<u>123,119</u>
Subtotal Pass-through			<u>134,352</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 503,454</u>
<u>U.S. Department of Interior</u>			
Direct Program:			
Federal Grazing Fee	15.000	10-95348	<u>116</u>
Total U.S. Department of Interior			<u>\$ 116</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MENDOCINO

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Justice</u>			
Direct Programs:			
Equitable Sharing Program	16.922	--	\$ 415,008
State Criminal Alien Assistance Program	16.606	--	30,271
COPS Technology Program	16.710	--	248,257
Byrne Justice Assistance Grant Program	16.738	--	26,692
Subtotal Direct Programs			<u>720,228</u>
Passed through the Governor's Office of Emergency Services:			
Victim Witness Assistance Program	16.575	VW13320230	<u>53,792</u>
Total U.S. Department of Justice			<u>\$ 774,020</u>
<u>U.S. Department of Labor</u>			
Passed through State Employment Development Department:			
Workforce Investment Act (Title 1 Adult Formula)	17.258	--	213,430
Workforce Investment Act (Title 1 Youth Formula)	17.259	--	259,585
Workforce Investment Act (Title 1 Dislocated Worker)	17.278	--	<u>471,277</u>
Total U.S. Department of Labor			<u>\$ 944,292</u>
<u>U.S. Department of Transportation</u>			
Direct Program:			
Airport Improvement Program	20.106	3-06-0121-10	<u>35,738</u>
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205	BRLSZD 5910(039)	260,174
Highway Planning and Construction	20.205	BRLSZD 5910(042)	57,196
Highway Planning and Construction	20.205	BRLRT 5910(041)	181,283
Highway Planning and Construction	20.205	BRLS 5910(081)	147,111
Highway Planning and Construction	20.205	RPSTPLE 5910(089)	101,362
Highway Planning and Construction	20.205	RPSTPLE 5910(090)	11,451
Highway Planning and Construction	20.205	BRLO 5910(068)	1,232,378
Highway Planning and Construction	20.205	BRLO 5910(077)	202,081
Highway Planning and Construction	20.205	BRLO 5910(076)	147,358
Highway Planning and Construction	20.205	BRLO 5910(083)	144,375
Highway Planning and Construction	20.205	BRLO 5910(084)	88,084
Highway Planning and Construction	20.205	BRLO 5910(082)	47,217
Highway Planning and Construction	20.205	BRLO 5910(086)	88,537
Highway Planning and Construction	20.205	BRLO 5910(085)	39,533
Highway Planning and Construction	20.205	BPMP 5910(087)	17,824
Highway Planning and Construction	20.205	BRLO 5910(091)	3,248
Highway Planning and Construction	20.205	BRLO 5910(093)	18,466
Highway Planning and Construction	20.205	ER 4404(014)	248,904
Highway Planning and Construction	20.205	ER 20A1(015)PR	224,269
Highway Planning and Construction	20.205	ER 20A1(011)PR	16,174

See accompanying notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MENDOCINO

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Transportation (continued)</u>			
Passed through State Department of Transportation (continued):			
Highway Planning and Construction	20.205	ER 20A1(013)PR	\$ 18,329
Highway Planning and Construction	20.205	ER 20A1(026)PR	25,890
Highway Planning and Construction	20.205	ER 20A1(007)PR	4,335
Highway Planning and Construction	20.205	ER 20A1(005)PR	7,736
Highway Planning and Construction	20.205	ER 20A1(003)PR	12,962
Highway Planning and Construction	20.205	ER 20A1(001)PR	11,004
Highway Planning and Construction	20.205	ER 20A1(024)PR	6,930
Highway Planning and Construction	20.205	ER 20A1(017)PR	8,109
Highway Planning and Construction	20.205	ER 20A1(019)PR	8,536
Subtotal CFDA Number 20.205			<u>3,380,856</u>
Total U.S. Department of Transportation			<u>\$ 3,416,594</u>
<u>U.S. Department of Environmental Protection Agency</u>			
Passed through State Department Water Resources Control Board:			
Water Quality Management Planning	66.454	07-501-551-3	300,576
Passed through State Air Pollution Control Officers Association:			
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	--	<u>21,021</u>
Total U.S. Department of Environmental Protection Agency			<u>\$ 321,597</u>
<u>U.S. Department of Health and Human Services</u>			
Direct Programs:			
Enhance the Safety of Children Affected by Parental Methamphetamine	93.087	--	452,178
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1-H79SP015269-02	23,407
Immunization Grants	93.268	11-10584	40,194
Drug Free Communities Support Program	93.276	1H79SP018206-01	96,288
Subtotal Direct Programs			<u>612,067</u>
Passed through State Department of Child Support Services:			
Child Support Enforcement	93.563	--	<u>1,536,722</u>
Passed through State Department of Social Services:			
Temporary Assistance for Needy Families	93.558	--	3,298,394
Temporary Assistance for Needy Families	93.558	--	1,130,491
Temporary Assistance for Needy Families - Assistance	93.558	--	1,884,516
Subtotal CFDA Number 93.558			<u>6,313,401</u>
Guardianship Assistance (KinGap IV-E Admin)	93.090	--	<u>91,112</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MENDOCINO

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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 (continued)</u>			
Passed through State Department of Social Services (continued):			
Foster Care – Title IV-E	93.658	--	\$ 7,020,655
CWSOIP/Probation	93.658	--	8,851
Subtotal CFDA Number 93.658			<u>7,029,506</u>
Adoption Assistance Program	93.659	--	<u>2,148,125</u>
Promoting Safe and Stable Families	93.556	--	46,705
Child Welfare Services – State Grants	93.645	--	135,431
Social Services Block Grant	93.667	--	259,738
Independent Living Program	93.674	--	65,444
Subtotal			<u>507,318</u>
Medical Assistance Program - IHSS admin	93.778	--	929,540
Medical Assistance Program - Admin	93.778	--	2,298,738
Subtotal Pass-Through			<u>19,317,740</u>
Passed through State Department of Health Care Services:			
Child Health and Disability Prevention Program	93.994	--	129,058
Health Care Program for Children in Foster Care	93.994	--	36,196
Subtotal CFDA Number 93.994			<u>165,254</u>
Maternal and Child Health Services	93.110	201323-MCAH	661,402
Subtotal Pass-Through			<u>826,656</u>
Passed through State Department of Public Health:			
CDC - National Center for Chronic Disease Prev & Health	93.531	--	255,320
Public Health Emergency Preparedness	93.069	EPO 13-23	156,887
Hospital Preparedness Program	93.889	EPO HPP 13-23	244,992
Subtotal Pass-Through			<u>657,199</u>
Passed through the State Department of Mental Health:			
Projects for Assistance in Transition from Homelessness	93.150	--	17,619
Substance Abuse Mental Health Services Administration	93.958	--	46,625
Subtotal Pass-Through			<u>64,244</u>
Passed through State Department of Alcohol and Drug Abuse Programs:			
Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	93.959	11 NNA-23	719,237
Federal Drug Medi-Cal	93.778	NNA-23	47,218
Subtotal Pass-through			<u>766,455</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MENDOCINO

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Health and Human Services (continued)</u>			
Passed through Center for Substance Abuse Treatment:			
Substance Abuse and Mental Health Services Projects (Treatment for Homeless) of Regional and National Significance	93.243	--	\$ 181,400
Total Department of Health and Human Services			\$ 23,962,483
<u>U.S. Department of Homeland Security</u>			
Passed through the Governor's Office of Emergency Services:			
Homeland Security Grant Program	97.067	2011	130,787
Homeland Security Grant Program	97.067	2012	75,017
Homeland Security Grant Program	97.067	2013	41,400
Subtotal CFDA Number 97.067			<u>247,204</u>
Emergency Management Performance Grants	97.042	--	<u>2,971</u>
Total Department of Homeland Security			\$ 250,175
Total Expenditures of Federal Awards			<u>\$ 32,896,296</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

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COUNTY OF MENDOCINO

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

NOTE 1: REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the County of Mendocino (County). The County'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 is prepared on a modified accrual basis. 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*.

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: SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the County provided federal awards to subrecipients as follows:

<u>Federal CFDA Number</u>	<u>Program Title</u>	<u>Amount Provided to Subrecipients</u>
10.557	Special Supplemental Nutrition Program for Woman, Infants, and Children	\$ 957,266
14.235	Supportive Housing Program Seamless Transitional Empowerment Program	232,600
14.235	Supportive Housing Program Transitional Housing	136,502
14.239	HOME Investment Partnerships Program	123,119
17.258, 17.259, 17.278	Workforce Investment Act (WIA) Cluster	471,277
	Total	<u>\$ 1,920,764</u>

COUNTY OF MENDOCINO

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

NOTE 5: PROGRAM CLUSTERS

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

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Federal Expenditures</u>
17.258	WIA Title I Adult Formula	\$ 213,430
17.259	WIA Title I Youth Formula	259,585
17.278	WIA Title I Dislocated Worker Formula Grant	<u>471,277</u>
		<u>\$ 944,292</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 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 7: 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 one CFDA number. Occasionally, however, this total could not be conveniently displayed because all programs under one CFDA number were not contiguous. When this occurred, this total is not shown in the Schedule, but instead is provided below:

<u>CFDA No.</u>	<u>Total Federal Expenditures</u>
93.243	\$ 204,807
93.778	3,275,496

COUNTY OF MENDOCINO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section 1

Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control 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 controls over major program: | |
| 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: | |
| Temporary Assistance for Needy Families | Qualified |
| All other 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 program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
17.258, 17.259, 17.278	Workforce Investment Act (WIA) Cluster
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
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. | \$ 986,889 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No |

COUNTY OF MENDOCINO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section 2

Financial Statement Findings

Governmental Trust Funds 2014-001

Section 3

Federal Award Findings and Questioned Costs

CFDA 93.558	2014-002
CFDA 93.558	2014-003
CFDA 93.558	2014-004
CFDA 93.558	2014-005
CFDA 17.258, 17.259, and 17.278	2014-006

COUNTY OF MENDOCINO

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Reference Number 2014-001

Governmental Trust Funds

Criteria

Under Governmental Accounting Standards Board (GASB) Statement No. 34, amounts formally held in trust but used to support the County's own programs should be reported as funds within the County's reporting entity so as to ensure all economic resources that can be used by the County are reported in their financial statements. Activity in these accounts is required to be included in the County's reporting entity, either as additional funds or transactions in existing county funds.

Use of the agency fund type is limited to resources the County holds purely in a custodial capacity for individuals or other organizations, such as school districts and special districts not governed by the County Board of Supervisors.

Condition

The County accounts for several agency funds in one consolidated fund. This fund includes accounts holding resources that cannot be used to support County functions and activities, but it also contains accounts holding resources belonging to the County. As of June 30, 2014, this consolidated fund contained pooled cash and investments of \$792 thousand, that actually belonged to County programs and were reclassified to the General Fund in the audited financial statements.

Cause

Before GASB 34 took effect, the County's current treatment was permitted. Although reporting requirements have changed, the County still has a need to account for these resources separately from other general fund resources.

Effect of Condition

By excluding transaction activity in these funds, balances for revenues and expenses in the County's own financial reports (including budgetary reports) are not complete.

There is the potential to double report revenues when resources are transferred into operating funds. Not using the accounting system to control the flow of revenues increases the potential for reporting revenues twice.

As the County does not budget for any activity occurring in agency funds, any deviations from the adopted budget are not apparent until well after the end of the fiscal year and thus cannot be addressed when they occur.

Recommendation

For each account identified as holding resources available to support County functions and activities, we recommend the Auditor-Controller's Office create a new fund in its accounting system having the full functionality of reporting revenues and expenditures.

Management Response

We continue to research this recommendation. Agency funds remain in trust until they are transferred to the departments. At that point they are recognized as revenues.

COUNTY OF MENDOCINO

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Reference Number	2014-002
Federal Program Title	Temporary Assistance for Needy Families
CFDA Number	93.558
Federal Agency	U.S. Department of Health and Human Services
Pass Through Entity	State Department of Social Services
Compliance Requirements	Eligibility and Special Tests and Provisions

Criteria

The California State Department of Social Services in administrating the California State Plan for Temporary Assistance of Needy Families (TANF) adopted regulations for the administration of the State Plan and published these regulations in the California Department of Social Services Manual of Policies and Procedures. These regulations require that an individual applying for TANF provide a birth certificate or other enumerated, alternate documents to prove birth, age, and citizenship.

Condition

Of the 40 cases selected for eligibility testing, two cases did not contain a birth certificate or other enumerated, alternate documents to prove birth, age, and citizenship for one or more of the individuals being aided on each case.

Questioned Costs

Questioned Costs were calculated by reviewing the detail of benefit payments issued after a case was no longer eligible to receive federal funding based on the documentation available to us in the files. Questioned Costs for both cases are \$7,945.

Cause

The County neglected to require the individuals applying for Federal assistance to provide a legal document proving they and/or their children are citizens of the United States prior to providing them assistance from Federal funds.

Effect of the Condition

Birth certificates or acceptable alternative documents provide vital and reliable information about TANF applicants. Without such documents to prove applicant's birth, citizenship and age, fraud in the number of individuals in a family, critical age distinctions, and possibly citizenship may be difficult to detect, resulting in individuals being granted TANF benefits to which they are not entitled under federal law.

Recommendation

We recommend the County instruct its eligibility staff to ensure all applicants provide the required documents for all individuals apply for aid in accordance with federal policies and procedures to prove birth, age, and citizenship is obtained and placed in the case before approving federal TANF benefits. When any case is identified which does not have the required documents to prove birth, age and citizenship, we recommend a Program Manager review the case to ensure the aid code assigned to the case is correct.

COUNTY OF MENDOCINO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Reference Number 2014-002 (continued)

Corrective Action Plan

The department will begin to provide further journey level instruction and training on required documentation to ensure each case complies with requirements to obtain essential documentation to verify age, birth, and citizenship. Further, cases without this documentation will be submitted to supervisors for review to ensure the correct aid is granted. A list will be generated by each supervisor and provided to their manager at monthly conferences to ensure timely follow up on these cases. This monitoring will begin effective 12-1-14 and will continue for a period of one year to ensure compliance and that staff are fully trained.

Contact information of the contact person for this corrective action plan is Bekkie Emery, Deputy Director, 707-463-7761, EmeryB@co.mendocino.ca.us

COUNTY OF MENDOCINO

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Reference Number	2014-003
Federal Program Title	Temporary Assistance for Needy Families
CFDA Number	93.558
Federal Agency	U.S. Department of Health and Human Services
Pass Through Entity	State Department of Social Services
Compliance Requirements	Eligibility and Special Tests and Provisions

Criteria

Only the financially "needy" are eligible for services, benefits, or "assistance" under the Temporary Assistance for Needy Families (TANF) (42 USC 601(a)(1) and (2); 45 CFR sections 260.20(a) and (b)).

Financially "needy" for TANF purposes means financial deprivation, i.e., lacking adequate income and resources. OMB requires each adult individual applying or receiving federal assistance to complete and return to the County a quarterly report (QR 7) or the semi-annual report (SAR 7) to report all income for the period by everyone living in the home.

Condition

Of the 40 cases selected for eligibility testing, we noted one case where the County failed to provide either a SAR 7 or a QR 7 for the period being tested.

Questioned Costs

Questioned Costs were calculated by reviewing the detail of benefit payments issued after a case was no longer eligible to receive federal funding based on the documentation available to us in the files. Questioned Costs are \$3,308.

Cause

The County neglected to require individuals applying for or receiving Federal assistance aid to submit a SAR 7 (QR 7 before September of 2013) report and to use these reports to assist them in determining eligibility before providing them with assistance from Federal funds.

Effect of the Condition

The requirement to receive and use the income reports from their clients and applicants by eligibility staff when determining eligibility aids in preventing individuals from receiving federal benefits to which they are not entitled.

Recommendation

We recommend the County review the OMB's requirements for properly issuing, receiving and reviewing completed income reports from their clients and applicants and use them in determining eligibility before TANF benefits are issued to them.

Corrective Action Plan

The department will review the OMB's requirements for properly issuing, receiving and reviewing completed income reports from our clients and applicants and use them in determining eligibility before TANF benefits are issued to them. These requirements will be reviewed with Supervisors during the supervisors meeting in November, and then subsequently reviewed with staff at unit meetings. Documentation of these reviews will be provided to the program managers and held in working files for each supervisor. This review and full implementation should be completed no later than January 1, 2015. Regular reviews will be completed to ensure ongoing compliance.

COUNTY OF MENDOCINO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Reference Number 2014-003 (continued)

Corrective Action Plan (continued)

Contact information of the contact person for this corrective action plan is Bekkie Emery, Deputy Director, 707-463-7761, EmeryB@co.mendocino.ca.us

COUNTY OF MENDOCINO

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Reference Number	2014-004
Federal Program Title	Temporary Assistance for Needy Families
CFDA Number	93.558
Federal Agency	U.S. Department of Health and Human Services
Pass Through Entity	State Department of Social Services
Compliance Requirements	Eligibility and Special Tests and Provisions

Criteria

Any family that includes an adult or minor child head of household or a spouse of the head of household who has received assistance under any State program funded by Federal TANF funds for 60 months (whether or not consecutive) is ineligible for additional federally funded TANF assistance. However, the State may extend assistance to a family on the basis of hardship, as defined by the State, or if a family member has been battered or subjected to extreme cruelty.

Condition

Of the 40 cases selected for eligibility testing, we noted two cases in which the 60-month clock used for tracking for the TANF sixty-month, time-on-aid limit showed greater than 60 months. Specifically, the two cases showed 62 months and 64 months.

Questioned Costs

Questioned Costs were calculated by reviewing the detail of benefit payments issued after a case was no longer eligible to receive federal funding based on the documentation available to us in the files. Questioned Costs for both cases are \$5,268.

Cause

The County did not have proper oversight to ensure that on cases where there are adults receiving that they did not exceed the TANF sixty-month limit on benefits using federal funds.

Effect of the Condition

By not having proper oversight over the 60-month clocks, adults could exceed the sixty-month limit, time-on-aid resulting in individuals receiving federal TANF assistance for more than sixty months in violation of federal law.

Recommendation

We recommend the County review its current system of oversight to ensure that the sixty-month, time-on-aid limit using federal funds is not exceeded.

Corrective Action Plan

The department will provide training to all staff regarding review and proper completion of the time-on-aid clocks. Additionally, staff will manually set tasks in the C-IV system to ensure timely action is taken at 56 months, 58 months and 60 months. This review training will be provided to all eligibility staff no later than February 1, 2015. Monthly reports on those clients reaching their 59th month will be provided to the Program Manager, to ensure action is taken.

Contact information of the contact person for this corrective action plan is Bekkie Emery, Deputy Director, 707-463-7761, EmeryB@co.mendocino.ca.us

COUNTY OF MENDOCINO

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Reference Number	2014-005
Federal Program Title	Temporary Assistance for Needy Families
CFDA Number	93.558
Federal Agency	U.S. Department of Health and Human Services
Pass Through Entity	State Department of Social Services
Compliance Requirements	Eligibility and Special Tests and Provisions

Criteria

Each State shall participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the Social Security Act as amended. Under the State Plan the State and County are required to coordinate data exchanges with other federally assisted benefit programs, request and use income and benefit information when making eligibility determinations, and adhere to standardized formats and procedures in exchanging information with other programs and agencies. Specifically, the State and County are required to request and obtain information as follows (42 USC 1320b-7; 45 CFR section 205.55)

Condition

Of the 40 cases selected for eligibility testing, we noted two cases where the County failed to review and clear discrepancies found in the IEVS finding search report. The discrepancies are reflecting "still in review" from July of 2013.

Questioned Costs

Questioned Costs were calculated by reviewing the detail of benefit payments issued after a case was no longer eligible to receive federal funding based on the documentation available to us in the files. Questioned Costs for both cases are \$8,525.

Cause

The County did not have proper oversight to ensure that discrepancies reported in the IEVS finding search report were reviewed and corrected in a timely manner for completeness and accuracy as to adhere to the criteria stated above.

Effect of the Condition

The IEVS system is an elaborate, federally-mandated system which compiles government information for the purpose of tracking federal program eligibility data. Not reviewing and clearing discrepancies reported in the IEVS finding search report in a timely manner could result in income earned by the client or applicant to be overlooked when determining eligibility and could result in individuals receiving benefits to which they are not entitled.

Recommendation

We recommend that the County review its current system to ensure timely reviews are being completed and cleared on all discrepancies reported on the IEVS finding search report.

Corrective Action Plan

The department has reviewed the current process for IEVS findings, and is now setting tasks, these tasks are processed daily. Due to the high volume of tasks, the department has been assigning an individual person on overtime each week to complete timely reviews of IEVS and address any discrepancies. It is expected that this change will address any pending reviews to ensure timely processing.

COUNTY OF MENDOCINO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Reference Number 2014-005 (continued)

Corrective Action Plan (continued)

Contact information of the contact person for this corrective action plan is Bekkie Emery, Deputy Director,
707-463-7761, EmeryB@co.mendocino.ca.us

COUNTY OF MENDOCINO

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

Reference Number	2014-006
Federal Program Title	Workforce Investment Act (WIA) Cluster
CFDA Number(s)	17.258, 17.259, 17.278
Federal Agency	U.S. Department of Labor
Pass-Through Entity	State Employment Development Department
Compliance Requirement	Subrecipient Monitoring

Criteria

The OMB Compliance Supplement states that grantees are responsible for an ongoing monitoring of subrecipients. This should not to be a one-time event. Each subrecipient should be monitored at least once every two years. Some of the activities to monitor include compliance with regulations and requirements, ensuring that subrecipients achieve their performance objectives within schedule and budget, and taking appropriate action when performance problems arise.

Condition

During our testing of the subrecipient monitoring compliance requirement including inquiries with the program's fiscal and program management, we noted that the regular oversight and monitoring of WIA activities of subrecipients was not being performed as required.

Questioned Costs

No costs are questioned.

Cause

The County did not monitor the WIA activities of subrecipients to ensure the recipients are using the grant funds for approved purposes.

Effect of Condition

The County is responsible for compliance with rules and regulations by its subrecipients. Without regular monitoring, the County might not be aware of problems with compliance or performance by its subrecipients.

Recommendation

We recommend that the County develop an oversight and monitoring plan which is in accordance with the requirements of the OMB Compliance Supplement and that each subrecipient has an onsite monitoring performed at least once every two years. Some of the steps in the monitoring process include:

- Develop an oversight and 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 oversight and monitoring reviews. Grantees should use standardized monitoring checklists. Oversight and monitoring procedures should also specify the steps to be followed for oversight and monitoring visits.

COUNTY OF MENDOCINO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Reference Number 2014-006 (continued)

Corrective Action Plan

The monitoring had been completed within the time frame. The oversight in getting that monitoring report to the sub-contractor for their review came with the transition of duties necessitated by an unexpectedly retiring employee. The department will work to ensure another staff person is trained as a back-up to ensure the monitoring schedule is adhered to when the responsible staff person is out of the office for any reason.

Contact information of the contact person for this corrective action plan is Doug Gherkin, Chief Financial Officer, (707) 472-2603, gherkin@co.mendocino.ca.us.

COUNTY OF MENDOCINO

**Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2014**

None

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**SUPPLEMENTARY SCHEDULE
OF
THE GOVERNOR'S OFFICE OF EMERGENCY SERVICES
GRANT EXPENDITURES**

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COUNTY OF MENDOCINO

Schedule of
the Governor's Office of Emergency Services
Grant Expenditures
For the Year Ended June 30, 2014

Program	Expenditures Claimed			Share of Expenditures Current Year		
	For the Period Through June 30, 2013	For the Year Ended June 30, 2014	Cumulative As of June 30, 2014	Federal Share	State Share	County Share
Victim Witness Assistance Program - VW13320230						
Personal services	\$ --	\$ 53,792	\$ 53,792	\$ 53,792	\$ --	\$ --
Totals	\$ --	\$ 53,792	\$ 53,792	\$ 53,792	\$ --	\$ --