

**COUNTY OF MENDOCINO**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2013**

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**COUNTY OF MENDOCINO**

Single Audit Report  
For the Year Ended June 30, 2013

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**GALLINA** LLP

CERTIFIED PUBLIC ACCOUNTANTS

**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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 30, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (2013-1 and 2013-2).

**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 Findings**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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 30, 2013



**GALLINA** LLP

CERTIFIED PUBLIC ACCOUNTANTS

**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, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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

### **Report on Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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, 2013, and have issued our report thereon dated December 30, 2013, 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.



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

The Supplementary Schedules of the California Emergency Management Agency Grants Expenditures have not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

*Gallina LLP*

Roseville, California  
December 30, 2013

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**COUNTY OF MENDOCINO**

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Food and Agriculture:			
Plant and Animal Disease, Pest Control, and Animal Care:			
Pierce's Disease Control Program	10.025	12-0122-SF	\$ 7,989
Sudden Oak Death	10.025	12-0306-SF	14,814
European Grapevine Moth Quarantine	10.025	11-0526-SF	76,098
Light Brown Apple Moth Trapping(est)	10.025	11-0502-SF	212
Subtotal CFDA 10.025			<u>99,113</u>
Passed through State Department of Social Services:			
State Administrative Matching Grants for the			
Supplemental Nutrition Assistance Program	10.561	--	1,288,044
Subtotal CFDA 10.561			<u>1,288,044</u>
Passed through State Department of Health Services:			
Special Supplemental Nutrition Program for Women,			
Infants, and Children(WIC)	10.557	11-10450	829,983
Total U.S. Department of Agriculture			<u>\$ 2,217,140</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct program:			
Supportive Housing Program-Transitional Housing	14.235	--	158,267
Supportive Housing Program-Seamless Transitional			
Empowerment Program	14.235	--	157,196
Subtotal Direct			<u>315,463</u>
Passed through State Department of Housing and Community			
Development:			
Mendocino County Rural Communities HCD	14.228		45,826
Community Development Block Grants/State's Program	14.228	--	234,398
HOME Investment Partnerships Program	14.239	--	12,221
Subtotal Pass-through			<u>292,445</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 607,908</u>
<u>U.S. Department of Interior</u>			
Passed through State Department of Public Health:			
Federal Grazing Fee	15.000	10-95348	118
Total U.S. Department of Interior			<u>\$ 118</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, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Justice</u>			
Direct programs:			
Cannabis Eradication	16.738	--	\$ 246,224
State Criminal Alien Assistance Program	16.606	--	64,396
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	--	10,553
Byrne Justice Assistance Grant Program	16.738	--	41,481
ARRA - Rural Law Enforcement Program	16.810	--	69,540
Subtotal Direct Programs			<u>432,194</u>
Passed through California Emergency Management Agency:			
Victim Witness Assistance Program	16.575	VW11300230	53,792
Anti-Drug Abuse Enforcement Program	16.738	BSCC 609-12	99,507
Equitable Sharing Funds - USDOJ	16.922	--	353,757
Subtotal Pass-through			<u>507,056</u>
Total U.S. Department of Justice			<u>\$ 939,250</u>
<u>U.S. Department of Labor</u>			
Passed through State Employment Development Department:			
Workforce Investment Act	17.278	--	<u>1,065,898</u>
Total U.S. Department of Labor			<u>\$ 1,065,898</u>
<u>U.S. Department of Transportation</u>			
Direct program:			
Airport Improvement Program	20.106	3-06-0121-06	8,026
Airport Improvement Program	20.106	3-06-0056-05	11,482
Airport Improvement Program	20.106	3-06-0121-09	19
Subtotal CFDA 20.106			<u>19,527</u>
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205	BRLSZD 5910(039)	157,046
Highway Planning and Construction	20.205	BRLSZD 5910(042)	106,927
Highway Planning and Construction	20.205	BRLRT 5910(041)	22,497
Highway Planning and Construction	20.205	BHLS 5910(093)	3,266
Highway Planning and Construction	20.205	BHLS 5910(081)	84,716
Highway Planning and Construction	20.205	BRLO 5910(068)	13,109
Highway Planning and Construction	20.205	BRLO 5910(068)	29,567
Highway Planning and Construction	20.205	BRLO 5910(077)	84,708
Highway Planning and Construction	20.205	BRLO 5910(076)	162,644
Highway Planning and Construction	20.205	BRLO 5910(083)	80,436

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, 2013

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	BRLO 5910(084)	\$ 197,697
Highway Planning and Construction	20.205	BRLO 5910(082)	262,257
Highway Planning and Construction	20.205	BRLO 5910(086)	98,483
Highway Planning and Construction	20.205	BRLO 5910(085)	237,853
Highway Planning and Construction	20.205	BPMP 5910(087)	6,509
Highway Planning and Construction	20.205	RPSTPLE 5910(089)	87,315
Highway Planning and Construction	20.205	RPSTPLE 5910(090)	6,325
Highway Planning and Construction	20.205	ER 4404-009)	81,985
Highway Planning and Construction	20.205	ER 4404-014)	11,485
Highway Planning and Construction	20.205	ER 4404-004)	138,164
Highway Planning and Construction	20.205	ER 4404-017)	339,702
Highway Planning and Construction	20.205	ER 4404-015)	3,919
Highway Planning and Construction	20.205	ER 4404-023)	138,258
Highway Planning and Construction	20.205	ER 4404-028)	40,857
Highway Planning and Construction	20.205	ER 20A1-014)EO	1,797
Highway Planning and Construction	20.205	ER 20A1-015)PR	10,695
Highway Planning and Construction	20.205	ER 20A1-009)EO	889
Highway Planning and Construction	20.205	ER 20A1-010)EO	95
Highway Planning and Construction	20.205	ER 20A1-011)PR	15,135
Highway Planning and Construction	20.205	ER 20A1-012)EO	1,778
Highway Planning and Construction	20.205	ER 20A1-013)PR	17,855
Highway Planning and Construction	20.205	ER 20A1-026)PR	5,621
Highway Planning and Construction	20.205	ER 20A1-006)EO	95
Highway Planning and Construction	20.205	ER 20A1-007)PR	15,935
Highway Planning and Construction	20.205	ER 20A1-005)PR	11,600
Highway Planning and Construction	20.205	ER 20A1-002)EO	35
Highway Planning and Construction	20.205	ER 20A1-003)PR	14,370
Highway Planning and Construction	20.205	ER 20A1-001)PR	12,480
Highway Planning and Construction	20.205	ER 20A1-024)PR	6,029
Highway Planning and Construction	20.205	ER 20A1-023)EO	882
Highway Planning and Construction	20.205	ER 20A1-016)EO	130
Highway Planning and Construction	20.205	ER 20A1-017)PR	5,244
Highway Planning and Construction	20.205	ER 20A1-018)EO	224
Highway Planning and Construction	20.205	ER 20A1-019)PR	4,828
Subtotal CFDA 20.205			<u>2,521,441</u>
Total U.S. Department of Transportation			<u>\$ 2,540,968</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, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Environmental Protection Agency</u>			
Passed through State Department Water Control Board:			
Water Quality Management Planning	66.460	07-501-551-03	\$ 346,144
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>17,350</u>
Total U.S. Department of Environmental Protection Agency			<u>\$ 363,494</u>
<u>U.S. Department of Health and Human Services</u>			
Direct programs:			
Enhance the Safety of Children Affected by Parental Methamphetamine	93.087	--	535,783
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1-H79SP015269-02	397,076
Immunization Grants	93.268	11-10584	41,256
Drug Free Communities Support Program	93.276	2-H79SP13148-10	118,805
Subtotal Direct			<u>1,092,920</u>
Passed through State Department of Child Support Services:			
Child Support Enforcement	93.563	--	<u>1,558,479</u>
Passed through State Department of Social Services:			
Temporary Assistance for Needy Families	93.558	--	5,275,192
Foster Care – Title IV-E	93.658	--	7,141,922
Adoption Assistance Program	93.659	--	1,941,744
Promoting Safe and Stable Families	93.556	--	56,037
Child Welfare Services – State Grants	93.645	--	158,074
In Home Supportive Services	93.667	--	254,502
Independent Living Program	93.674	--	68,286
Subtotal Pass-through			<u>14,895,757</u>
Passed through State Department of Health Care Services:			
Child Health and Disability Prevention Program	93.994	--	114,259
Health Care Program for Children in Foster Care	93.994	--	41,793
Subtotal CFDA 93.994			<u>156,052</u>
Maternal and Child Health Services	93.110	200923	200,698
Medical Assistance Program(SS)	93.778	--	1,471,389
Medical Assistance Program(PH)	93.778	--	1,742,694
Subtotal			<u>3,414,781</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, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Health and Human Services (continued)</u>			
Passed through State Department of Health Care Services (continued):			
Public Health Emergency Preparedness-EST	93.069	EPO CDC 13-23	\$ 112,320
Public Health Emergency Preparedness-EST	93.069	EPO CDC 12-23	69,716
Subtotal CFDA 93.069			<u>182,036</u>
Hospital Preparedness Program	93.889	EPO HPP 11-23	138,593
Hospital Preparedness Program	93.889	EPO HPP 10-23	23,713
Subtotal CFDA 93.889			<u>162,306</u>
HIV Care Formula Grants - Ryan White	93.917	10-95271	63,448
Subtotal Pass-through			<u>3,978,623</u>
Passed through the State Department of Mental Health:			
Projects for Assistance in Transition from Homelessness	93.150	--	18,410
Substance Abuse Mental Health Services Administration	93.958	--	50,053
Subtotal Pass-through			<u>68,463</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	406,420
Federal Drug Medi-Cal-EST	93.778	NNA23	19,201
Subtotal Pass-through			<u>425,621</u>
Passed through Center for Substance Abuse Treatment:			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	--	50,777
Subtotal Pass-through			<u>50,777</u>
Total Department of Health and Human Services			<u>\$ 22,070,640</u>
<u>U.S. Department of Homeland Security</u>			
Passed through California Emergency Management Agency:			
Homeland Security Grant Program(SHERIFF?)	97.067	2010-0085	142,971
Subtotal CFDA 97.067			<u>142,971</u>
Total Department of Homeland Security			<u>\$ 142,971</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 29,948,387</u></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, 2013

**NOTE 1: REPORTING ENTITY**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the County of 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:

Amount Federal <u>CFDA</u>	<u>Program Title</u>	<u>Provided to Subrecipients</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	\$ 829,983
14.235	Supportive Housing Program Seamless Transitional Empowerment Program	158,267
14.235	Supportive Housing Program Transitional Housing	157,196
14.239	HOME Investment Partnerships Program	12,221
17.278	Workforce Investment Act	<u>1,065,898</u>
	Total	<u>\$ 2,223,565</u>

**COUNTY OF MENDOCINO**

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

**NOTE 5: PROGRAM CLUSTERS**

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

<u>Federal CFDA #</u>	<u>Program Title</u>	<u>Federal Expenditures</u>
<u>JAG Program Cluster</u>		
16.738	Byrne Justice Assistance Grant Program	\$ 287,705
16.738	Byrne JAG-Anti-Drug Abuse Enforcement Program	99,507
16.804	ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Governments	<u>10,553</u>
		<u>\$ 397,765</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>
14.228	\$ 280,224
16.738	387,212
93.243	447,853
93.778	3,233,284

**COUNTY OF MENDOCINO**

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

**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?  | No            |
| b. Significant deficiencies identified not considered to be material weaknesses?  | None Reported |
| 2. Type of auditor's report issued on compliance for major programs:  | Unmodified    |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | No            |

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
93.558	Temporary Assistance for Needy Families
93.658	Foster Care – Title IV-E
93.659	Adoptions Assistance Program

- |   |            |
|---|------------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs.       | \$ 898,452 |
| 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, 2013

**Section 2**

Financial Statement Findings

SEFA Preparation	2013-1
Governmental Trust Funds	2013-2

**Section 3**

Federal Award Findings and Questioned Costs

None reported.

# COUNTY OF MENDOCINO

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

**Reference Number** 2013-1

### *SEFA Preparation*

#### Criteria

Statement on Auditing Standard No. 115, *Communicating Internal Control Related Matters Identified in a Audit* (SAS 115), applies to the County's current year fiscal audit. The standard provides guidance in that if an entity is unable to draft its own financial statements, there may be a material weakness or significant deficiency. External auditors cannot be part of the County's internal controls, including controls over the preparation of the financial statements, and are prohibited from auditing their own work as doing so impairs their independence. These same requirements apply to the Schedule of Expenditures of Federal Awards (SEFA).

The Schedule of Expenditures of Federal Awards (SEFA), while not a part of the basic financial statements, is audited in relation to the basic financial statements, in accordance with the requirements of OMB Circular A-133. OMB Circular A-133 requires auditors to determine major programs and perform risk determinations based on a complete SEFA prior to performing fieldwork.

#### Condition

In the process of obtaining the County's federal expenditures and reconciliations to the general ledger by grant and by program we were unable to obtain the federal expenditures and reconciliations for many of the grants and programs in a timely manner. This delay resulted in significant changes to the required risk assessment process that determines which major programs must be audited.

#### Cause

The Auditor-Controller's Office relies on the departments to identify federal expenditures by grant and by program and does not currently have an adequate system in place for following up on missing or inaccurate information.

#### Effect of Condition

Not having an adequate system in place for compiling the SEFA can result in missing or inaccurate federal expenditures being reported. Since the external auditors must identify the County's major programs using its SEFA, inaccurate balances may result in additional work and audit fees if a new major program is identified upon completion of fieldwork.

#### Recommendation

We recommend that the County review all expenditures reported on the SEFA for accuracy and completeness and compare what is reported to the general ledger. We further recommend that the County ensure that all departments have provided their federal expenditures, including loans, in-kind and other federal awards. We also recommend that the County have more than one person review the SEFA prior to submitting it for the audit to help ensure that all grants and programs are reported in a timely manner.

**COUNTY OF MENDOCINO**

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

**Reference Number**                      2013-1 (continued)

Management Response

The Auditor-Controller's Office has hired a new accountant who will be reconciling and reviewing all SEFA expenditure information received from the departments. Once the information has been compiled for the year, another accountant within the office will review the information. Both accountants will compare information to the previous year to insure accuracy and ensure that all grants and program data is reported in a timely manner.

# COUNTY OF MENDOCINO

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

**Reference Number** 2013-2

### *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, 2013, 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.

**COUNTY OF MENDOCINO**

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

**Reference Number**                      2013-2 (continued)

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**

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

None

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**SUPPLEMENTARY SCHEDULES  
OF  
THE CALIFORNIA EMERGENCY  
MANGAGEMENT AGENCY GRANTS EXPENDITURES**

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**COUNTY OF MENDOCINO**

Schedule of the California Emergency  
Management Agency Grants Expenditures  
For the Year Ended June 30, 2013

Program	Expenditures Claimed			Share of Expenditures Current Year		
	For the Period Through June 30, 2012	For the Year Ended June 30, 2013	Cumulative As of June 30, 2013	Federal Share	State Share	County Share
Grant Name: VW11300230 - Victim Witness Assistance Program						
Personal services	\$ --	\$ 53,792	\$ 53,792	\$ 53,792	\$ --	\$ --
Totals	\$ --	\$ 53,792	\$ 53,792	\$ 53,792	\$ --	\$ --
Grant Name: BSCC 609-12 - Anti-Drug Abuse Enforcement Program						
Personal services	\$ --	\$ 99,507	\$ 99,507	\$ 99,507	\$ --	\$ --
Totals	\$ --	\$ 99,507	\$ 99,507	\$ 99,507	\$ --	\$ --
Grant Name: Equitable Sharing Funds - USDOJ						
Personal services		\$ 353,757	\$ 353,757	\$ 353,757	\$ --	\$ --
Totals	\$ --	\$ 353,757	\$ 353,757	\$ 353,757	\$ --	\$ --