

**COUNTY OF CALAVERAS,
CALIFORNIA**



**SINGLE AUDIT ACT
REPORTS AND SCHEDULES
FOR THE YEAR ENDED
JUNE 30, 2013**

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COUNTY OF CALAVERAS
Single Audit Act
For the Year Ended June 30, 2013

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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**

To the Board of Supervisors and Grand Jury
County of Calaveras
San Andreas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Calaveras, California, (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 18, 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.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies. (13-FS-01, 13-FS-02 and 13-FS-03)

To the Board of Supervisors and Grand Jury
County of Calaveras
San Andreas, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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 responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script, appearing to read "Smith & Newell", is written over the printed name of the firm.

Smith & Newell, CPAs
Yuba City, California
December 18, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

To the Board of Supervisors and Grand Jury
County of Calaveras
San Andreas, California

Report on Compliance for Each Major Federal Program

We have audited the County of Calaveras, California'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.

To the Board of Supervisors and Grand Jury
County of Calaveras
San Andreas, California

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 items 13-SA-01, 13-SA-02 and 13-SA-03. Our opinion on each major federal program is not modified with respect to these matters.

The County's responses to the noncompliance 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 the responses.

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.

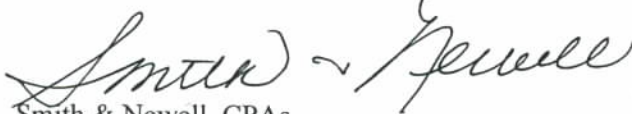
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

To the Board of Supervisors and Grand Jury
County of Calaveras
San Andreas, California

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County of Calaveras, California, (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. We issued our report thereon dated December 18, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Supplemental Schedules of Revenue and 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.



Smith & Newell, CPAs
Yuba City, California
December 18, 2013

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

Federal Program/Pass Through Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through State Department of Food and Agriculture:			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	11-0495-SF	\$ 1,533
Plant and Animal Disease, Pest Control, and Animal Care	10.025	12-0082-SF	19,487
Plant and Animal Disease, Pest Control, and Animal Care	10.025	12-0117	20,351
Plant and Animal Disease, Pest Control, and Animal Care	10.025	12-0317-SF	1,601
Plant and Animal Disease, Pest Control, and Animal Care	10.025	12-0413-SF	934
Subtotal 10.025			<u>43,906</u>
Passed through State Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	CEC-05-2013	583,900
Passed through State Controller's Office:			
Schools and Roads - Grants to Counties	10.666	1100235A	105,095
Total U.S. Department of Agriculture			<u>732,901</u>
Department of Housing and Urban Development			
Passed through State Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Program Income	9,681
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Outstanding Loans	1,547,606
Subtotal 14.228			<u>1,557,287</u>
Home Investment Partnerships Program	14.239	Outstanding Loans	1,996,411
Total Department of Housing and Urban Development			<u>3,553,698</u>
U.S. Department of the Interior			
Direct Program:			
Payments in Lieu of Taxes	15.226	-	226,259
Total U.S. Department of the Interior			<u>226,259</u>
U.S. Department of Justice			
Direct Program:			
Public Safety Partnership and Community Policing Grants	16.710	-	128,479
Edward Byrne Memorial Competitive Grant Program	16.751	-	617
Passed through Board of State and Community Corrections:			
Crime Victim Assistance	16.738	BSCC 615-12	137,670
Passed through State Emergency Management Agency:			
Crime Victim Assistance	16.575	VW 1217 0050	43,549
Total U.S. Department of Justice			<u>310,315</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

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

Federal Program/Pass Through Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
U.S. Department of Transportation			
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205	BHLO-5930 (029)	\$ 30,491
Highway Planning and Construction	20.205	BR NBIL (516)	4,716
Highway Planning and Construction	20.205	BR NBIL (517)	2,024
Highway Planning and Construction	20.205	BRLO-5930 (038)	54,363
Highway Planning and Construction	20.205	BRLO-5930 (039)	47,992
Highway Planning and Construction	20.205	BRLO-5930 (058)	20,309
Highway Planning and Construction	20.205	BRLO-5930 (059)	134,128
Highway Planning and Construction	20.205	BRLO-5930 (060)	153,360
Highway Planning and Construction	20.205	BRLO-5930 (061)	66,694
Highway Planning and Construction	20.205	BRLO-5930 (062)	37,064
Highway Planning and Construction	20.205	BRLO-5930 (063)	47,260
Highway Planning and Construction	20.205	BRLO-5930 (064)	9,482
Highway Planning and Construction	20.205	BRLO-5930 (065)	6,959
Highway Planning and Construction	20.205	BRLO-5930 (066)	2,578
Highway Planning and Construction	20.205	BRLO-5930 (067)	20,577
Highway Planning and Construction	20.205	BRLS-5930 (037)	55,518
Highway Planning and Construction	20.205	CML-5930 (036)	172,158
Highway Planning and Construction	20.205	HPP-5930 (041)	4,849
Highway Planning and Construction	20.205	HRRRL-5930 (033)	133,594
Highway Planning and Construction	20.205	HRRRL-5930 (034)	2,191
Highway Planning and Construction	20.205	HSIPL-5930 (048)	843
Highway Planning and Construction	20.205	HSIPL-5930 (049)	168,704
Highway Planning and Construction	20.205	HSIPL-5930 (056)	767,280
Subtotal 20.205			<u>1,943,134</u>
Formula Grants for Other Than Urbanized Areas	20.509	642105	<u>299,497</u>
Total U.S. Department of Transportation			<u>2,242,631</u>
Election Assistance Commission			
Direct Program:			
Help America Vote Act Requirements Payments	90.401	-	<u>13,404</u>
Total Election Assistance Commission			<u>13,404</u>
U.S. Department of Health and Human Services			
Passed through State Department of Social Services:			
Promoting Safe and Stable Families	93.556	CEC-05-2013	21,542
Stephanie Tubbs Jones Child Welfare Services Program	93.645	CEC-05-2013	190,306
Chafee Foster Care Independence Program	93.674	CEC-05-2013	71,788
Temporary Assistance for Needy Families	93.558	CEC-05-2013	1,751,132
Temporary Assistance for Needy Families	93.558	800-05-2013	<u>857,420</u>
Subtotal 93.558			<u>2,608,552</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

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

<u>Federal Program/Pass Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services (Continued)			
Passed through State Department of Social Services (Continued):			
Foster Care - Title IV-E	93.658	CEC-05-2013	\$ 680,098
Foster Care - Title IV-E	93.658	800-05-2013	<u>660,653</u>
Subtotal 93.658			<u>1,340,751</u>
Adoption Assistance	93.659	CEC-05-2013	76,800
Adoption Assistance	93.659	800-05-2013	547,019
ARRA - Adoption Assistance	93.659	800-05-2013	<u>(172)</u>
Subtotal 93.659			<u>623,647</u>
Passed through State Department of Community Services and Development:			
Community Services Block Grant	93.569	12F-4406	175,704
Community Services Block Grant	93.569	13F-3006	<u>52,609</u>
Subtotal 93.569			<u>228,313</u>
Passed through State Department of Health Services:			
Medical Assistance Program	93.778	IHSS	93,409
Medical Assistance Program	93.778	MCAH	36,644
Medical Assistance Program	93.778	HCPCFC	21,231
Medical Assistance Program	93.778	CHDP	64,656
Medical Assistance Program	93.778	CCS	<u>54,026</u>
Subtotal 93.778			<u>269,966</u>
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements			
	93.074	EPO 10-06	87,752
Immunization Cooperative Agreements	93.268	26269-00	25,000
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds			
	93.531	1017789	161,133
Children's Health Insurance Program	93.767	CCS	13,244
Maternal and Child Health Services Block Grant to the States	93.994	MCH	61,225
Passed through State Department of Mental Health Services:			
Block Grants for Community Mental Health Services	93.958	3B09SM010005	101,913
Passed through State Department of Alcohol and Drug Programs:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	10-NNA05	<u>460,947</u>
Total U.S. Department of Health and Human Services			<u>6,266,079</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

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

<u>Federal Program/Pass Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
Department of Homeland Security			
Passed through State Office of Emergency Services:			
Emergency Management Performance Grants	97.042	2012-0027	\$ 134,254
Homeland Security Grant Program	97.067	2011-0077	19,421
Homeland Security Grant Program	97.067	2012-00123	<u>14,011</u>
Subtotal 97.067			<u>33,432</u>
Total Department of Homeland Security			<u>167,686</u>
Total			<u><u>\$ 13,512,973</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

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

1. REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the County of Calaveras. The County of Calaveras 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 of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. The accompanying Schedule of Expenditures of Federal Awards, is presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in the notes to the County financial statements. In addition, the outstanding balance of prior year's loans that have significant continuing compliance requirements have been included in total federal expenditures.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree or can be reconciled with amounts reported in the related federal financial assistance reports.

4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree or can be reconciled with amounts reported in the County's basic financial statements.

5. 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.

6. AMERICAN RECOVERY AND REINVESTMENT ACT EXPENDITURES

In accordance with requirements under OMB Circular A-133, expenditures for federal awards under the American Recovery and Reinvestment Act of 2009 (ARRA) are separately identified by inclusion of the prefix "ARRA" on the Schedule of Expenditures of Federal Awards.

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

7. LOANS WITH CONTINUING COMPLIANCE REQUIREMENTS

The County participates in certain federal award programs that sponsor revolving loan programs, which are administered by the County. These programs require servicing arrangements with the County. The funds are returned to the programs upon repayment of the principal and interest. In accordance with Subpart B, Section 205 of the U.S. Office of Management and Budget Circular A-133, the County has reported the outstanding balance of loans from previous years that have significant continuing compliance requirements as of June 30, 2013, along with the value of total outstanding and new loans made during the current year.

The programs listed below had the following aggregate, federally funded loans outstanding at June 30, 2013:

Federal CFDA	Program Title	Amount Outstanding	
		July 1, 2012	June 30, 2013
14.228	Community Development Block Grants/State's Program and Non- Entitlement Grants in Hawaii	\$ 1,547,606	\$ 1,556,141
14.239	Home Investment Partnerships Program	1,996,411	2,048,312
	Total	<u>\$ 3,544,017</u>	<u>\$ 3,604,453</u>

8. CALIFORNIA EMERGENCY MANAGEMENT AGENCY GRANT EXPENDITURES

The following schedule represents expenditures for U.S. Department of Justice grants passed through the State of California, Emergency Management Agency (CalEMA), as well as CalEMA funded grant expenditures for the year ended June 30, 2013. This information is included in the County's single audit report at the request of CalEMA.

Program	Expenditures Claimed			Share of Expenditures Current Year		
	For the Period Through	For the Year Through	Cumulative As of	Federal Share	State Share	County Share
	June 30, 2012	June 30, 2013	June 30, 2013			
<u>VW12170050 - Victim Witness Assistance</u>						
Personal services	\$ -	\$ 91,128	\$ 91,128	\$ 43,549	\$ 47,579	\$ -
Operating expenses	-	13,824	13,824	-	13,824	-
Equipment	-	-	-	-	-	-
Totals	<u>\$ -</u>	<u>\$ 104,952</u>	<u>\$ 104,952</u>	<u>\$ 43,549</u>	<u>\$ 61,403</u>	<u>\$ -</u>

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

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements	<u>Status</u>
1. Type of auditor's report issued	Unqualified
2. Internal controls over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
3. Noncompliance material to financial statements noted?	No

Federal Awards

1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
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 OMB Circular A-133 Section 510(a)?	Yes
4. Identification of major programs:	
14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	
14.239 HOME Investment Partnerships Program	
93.558 Temporary Assistance for Needy Families	
93.658 Foster Care - Title IV-E	
93.659 Adoption Assistance	
93.659 ARRA - Adoption Assistance	
93.778 Medical Assistance Program	
93.959 Block Grants for the Prevention and Treatment of Substance Abuse	
5. Dollar threshold used to distinguish between Type A and Type B programs?	\$ 405,389
6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

Reconciliation of Five Pay Property Tax Collection Trust	13-FS-01
General Ledger	13-FS-02
Cash and Investment Reporting	13-FS-03

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

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	13-SA-01
14.239	HOME Investment Partnerships Program	13-SA-02
93.658	Foster Care - Title IV-E	13-SA-03

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

13-FS-01 Reconciliation of Five Pay Property Tax Collection Trust (Significant Deficiency)

Condition

At the time of our audit we noted that the cash balance of the five pay property tax trust was approximately \$108,281 less than the schedule of property tax held to be apportioned. We also noted there was unidentified deposits held in the current unsecured and prior unsecured tax trusts of approximately \$21,597 and \$7,453 respectively.

Cause

The County had not reconciled the monies held in the property tax trust in prior years.

Criteria

Good internal control over money held in the property tax trusts requires that the balance be reconciled to specific deposits.

Effect of Condition

The cash held in the five pay property tax trust is approximately \$108,2814 less than the schedule of tax held to be apportioned. There was approximately \$29,050 of unidentified deposits held in the current and prior unsecured tax trusts.

Recommendation

We recommend that all tax trust be reconciled to a detail reconciliation of monies that should be held in trust.

Corrective Action Plan

The County acknowledges and agrees with this finding. Over the many years, there have been many methods on recording delinquent payments, including installment tax payments. Over the last 3 years, this Auditor-Controller has established sound methods based on recommendations from the State Controller and independent auditors to limit outages like this. It is our intention to isolate the adjusting entries and work with the Treasurer-Tax Collector on a reconciliation procedure to ensure this doesn't occur in the future.

13-FS-02 General Ledger (Significant Deficiency)

Condition

The general ledger as presented for audit contained misstatements in salaries payable, fund balance, and unavailable revenues. The journal entry to record salaries and benefits payable was recorded in reverse and resulted in a significant change in the liabilities and expenditures/expenses of the County.

Cause

The County did not accurately review salaries payable, fund balance, and unavailable revenue accounts as recorded in the general ledger.

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

13-FS-02 General Ledger (Significant Deficiency) (Continued)

Criteria

Government auditing standards require independent auditors to evaluate unadjusted misstatements of financial statements and to make a determination of whether the net unadjusted audit differences cause the financial statements to be materially misstated.

Effect of Condition

Salaries payable, fund balance, and unavailable revenues were misstated and required adjustment.

Recommendation

We recommend that the County properly record salaries payable and unavailable revenues, and refrain from posting entries directly to fund balance.

Corrective Action Plan

The Auditor-Controller acknowledges and agrees with this finding. Our procedures have been updated accordingly and no fund balance adjustments will be made directly going forward.

13-FS-03 Cash and Investment Reporting (Significant Deficiency)

Condition

During our audit we noted that the Treasurer's Monthly Investment Report did not accurately reflect the cost of the investment owned by the County as reflected on the County general ledger and there had been no reconciliation between the Treasurer's Monthly Investment Report cost and the cost reported by the asset management company. The cost of investments reflected in the monthly investment report was different than the cost reported by the asset company by approximately \$133,000 in which approximately \$82,000 was due to timing of amortization of premiums and discounts and \$51,000 was due to County errors in the calculation of the amortization of the premiums and discounts.

Cause

The County Treasurer contracts with an asset management company to provide monthly reports of the County's investments. These reports are used as the Treasurer's monthly investment reports to the Board of Supervisors. The monthly reports received from the asset management company amortize the discounts and premiums of the County's investments on a daily basis, whereas the County Treasurer amortizes the discounts and premiums when interest is received on investments (every six months, varying for each investment). The investment reflected on the County general ledger are the balances provided by the Treasurer, therefore the cost of investments listed on the Monthly Investment Reports provided to the Board of Supervisors does not agree to the cost reflected on the County general ledger. In addition, we noted calculation errors in the Treasurer's amortization of the premiums and discounts of investments.

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

13-FS-03 Cash and Investment Reporting (Significant Deficiency) (Continued)

Criteria

Good internal control and reporting requires that the cost of investment reported each month agree to the actual cost of the investment purchased and reflected on the County general ledger and if there is a difference in the cost that a reconciliation be prepared to account for the difference in cost.

Effect of Condition

Information included on the Monthly Investment Report as of June 30, 2013, did not agree to the general ledger of the County.

Recommendation

We recommend that the cost of investments on the Treasurer's Monthly Investment Report be reconciled to the cost of the investments owned by the County as reflected on the County general ledger.

Corrective Action Plan

Due to staffing and the Treasurer's budget constraints, the investment software program once used was eliminated. In order to accurately reconcile investments on a daily basis as well as a monthly, a software program would have to be purchased and implemented again. The cost would be between \$4,500 and \$6,000 annually. This will be brought forth as part of the 2014/15 fiscal year budget to fund.

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

13-SA-01

Name: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
CFDA #: 14.228
Federal Grantor: U.S. Department of Housing and Urban Development
Pass Through Entity: State Department of Housing and Community Development
Award No.: Various
Year: 2012/2013

Condition

During our audit of CDBG loans receivable files, we noted that documentation of homeowner's insurance was missing from two of the ten files tested.

Cause

Monitoring of compliance with loan provisions was inadequate.

Criteria

The loan promissory note requires that loan recipients maintain homeowner's insurance on the property acquired with loan funds.

Effect of Condition

The County was not verifying that loan recipients were maintaining homeowner's insurance as required in the loan promissory note.

Questioned Costs

No costs are questioned. All ten loan recipients were eligible to receive CDBG loans. The problem was that the County was not verifying compliance with the requirements of the loan promissory note.

Recommendation

We recommend that the County verify that all CDBG loan recipients have the required homeowner's insurance and maintain documentation on an annual basis.

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

13-SA-01 (CONTINUED)

Corrective Action Plan

The establishment of Loan Policy and Procedures were adopted by the department in 2013 and implemented as of July 2013 with the submittal of annual statements and letters advising each borrower of the contractual agreements which included the maintenance of insurance. Per the policy, the department will issue annual statements each July. Contracted staff conducted an onsite visual inspection of each unit and corresponded with each borrower via mail. During this process the department was able to obtain a majority of the insurance certificates for the loans provided by the County of Calaveras. The audit identified five units that currently have not provided insurance certificates. AR00087- 99-HOME-0359 is a loan that was lost in Bankruptcy in 2006 and has now been removed from the County portfolio; AR000088 - 99-HOME-0359 had a current certification although it was not in the Portfolio Binder at the time of the audit fieldwork; the remaining units will be issued letters of non-compliance and the department will move forward with collecting the required certifications. Any action required will be approved by the County Board of Supervisors.

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

13-SA-02

Name: HOME INVESTMENT PARTNERSHIPS PROGRAM
CFDA #: 14.239
Federal Grantor: U.S. Department of Housing and Urban Development
Pass Through Entity: State Department of Housing and Community Development
Award No.: Various
Year: 2012/2013

Condition

During our audit of HOME loans receivable files, we noted that documentation of homeowner's insurance was missing from three of the ten files tested.

Perspective

Monitoring of compliance with loan provisions was inadequate.

Criteria

The loan promissory note requires that loan recipients maintain homeowner's insurance on the property acquired with loan funds.

Effect of Condition

The County was not verifying that loan recipients were maintaining homeowner's insurance as required in the loan promissory note.

Questioned Costs

No costs are questioned. All ten loan recipients were eligible to receive HOME loans. The problem was that the County was not verifying compliance with the requirements of the loan promissory note.

Recommendation

We recommend that the County verify that all HOME loan recipients have the required homeowner's insurance and maintain documentation on an annual basis.

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

13-SA-02 (CONTINUED)

Corrective Action Plan

The establishment of Loan Policy and Procedures were adopted by the department in 2013 and implemented as of July 2013 with the submittal of annual statements and letters advising each borrower of the contractual agreements which included the maintenance of insurance. Per the policy, the department will issue annual statements each July. Contracted staff conducted an onsite visual inspection of each unit and corresponded with each borrower via mail. During this process the department was able to obtain a majority of the insurance certificates for the loans provided by the County of Calaveras. The audit identified five units that currently have not provided insurance certificates. AR00087 - 99-HOME-0359 is a loan that was lost in Bankruptcy in 2006 and is no longer a part of the County portfolio; AR000088 - 99-HOME-0359 had a current certification in the Portfolio Binder and is current; the remaining units will be issued letters of non-compliance and the department will move forward with collecting the required certifications. Any action required will be approved by the County Board of Supervisors.

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

13-SA-03

Name: FOSTER CARE - TITLE IV-E
CFDA #: 93.658
Federal Grantor: U.S. Department of Health and Human Services
Pass Through Entity: State Department of Social Services
Award No.: Various
Year: 2012/2013

Condition

Federal eligibility requires that the determination of the child's eligibility for foster care be documented in the case record on the Determination for Federal AFDC-FC Eligibility form (the FC 3). The County does document eligibility on the FC 3 by the completion of the form, however, a signature is required on the FC 3. The Eligibility Worker must sign the FC 4 and check the appropriate box, which indicates recipient's eligibility or non-eligibility.

On one of thirty-four cases tested, the FC 3 was completed but not signed by the Eligibility Worker.

Perspective

Appropriate training or review procedures concerning required forms completion was inadequate.

Criteria

The County is not in compliance with Federal eligibility requirements for the Foster Care - Title IV-E program.

Effect of Condition

When the FC 3 is not available for review or signed by the Eligibility Worker and/or the federal eligibility or non-eligibility box is not marked, the likelihood of errors in eligibility determination is increased.

Questioned Costs

No costs are questioned. The one case was eligible for Federal Foster Care. The problem was that their eligibility was not properly documented, as required, on the FC 3.

Recommendation

We recommend that the County require that the FC 3's be signed by the Eligibility Worker and that this person check the appropriate box showing determination of the recipient eligibility on the bottom of this form. We also recommend that the County incorporate into their review process procedures to ensure that the FC 3's are properly completed and executed.

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

13-SA-03 (Continued)

Corrective Action Plan

Calaveras County understands the importance of the FC 3's completion to ensure that Foster Care is processed correctly. Our Foster Care Worker will review all of the FC 3's for signatures to make sure they are complete. As cases are approved, the Supervisor will be notified and the case reviewed by the Supervisor.

COUNTY OF CALAVERAS
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2013

<u>Audit Reference</u>	<u>Status of Prior Year Recommendations</u>
12-FS-01	Reconciliation of Five Pay Property Tax Collection Trust Recommendation We recommend that all tax trust be reconciled to a detail reconciliation of monies that should be held in trust. Status Not Implemented
12-FS-02	Road Inventory Recommendation We recommend that the Road department perform period test counts of inventory and adjust the balances in CAMS as necessary. We also recommend that the department examine the exiting inventory control procedures to ensure that effective procedures are being followed. Status Implemented
12-FS-03	General Ledger and Capital Assets Recommendation We recommend that the County properly identify and record accounts receivable, accounts payable and deferred revenue and that capital asset depreciation schedules be prepared, reviewed and approved prior to the start of the annual audit. Status Not Implemented
12-FS-04	Excess Proceeds in the Tax Loss Reserve Recommendation We recommend that the County review the cash balance held in the tax loss reserve fund and consider transferring excess funds to the General fund. Status Implemented

COUNTY OF CALAVERAS
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2013

<u>Audit Reference</u>	<u>Status of Prior Year Recommendations</u>
12-SA-01	<p>Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii</p> <p>Recommendation</p> <p>We recommend that the County verify that all CDBG loan recipients have the required homeowner's insurance and maintain documentation on an annual basis.</p> <p>Status</p> <p>Not Implemented</p>
12-SA-02	<p>Home Investment Partnerships Program</p> <p>Recommendation</p> <p>We recommend that the County verify that all HOME loan recipients have the required homeowner's insurance and maintain documentation on an annual basis.</p> <p>Status</p> <p>Not Implemented</p>

**Supplemental Schedules of Revenue and Expenditures
Passed Through State Department of Community
Services and Development**

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COUNTY OF CALAVERAS
Supplemental Statement of Revenue and Expenditure
CSD Contract No. 12F-4406 (CSBG)
For the Period January 1, 2012 Through June 30, 2013

	<u>January 1 through June 30, 2012</u>	<u>July 1, 2012 through June 30, 2013</u>	<u>Totals</u>
<u>Revenue</u>			
Grant revenue	\$ 70,839	\$ 175,704	\$ 246,543
Total Revenue	<u>\$ 70,839</u>	<u>\$ 175,704</u>	<u>\$ 246,543</u>
<u>Expenditures</u>			
Administrative Costs:			
Salaries and wages	\$ -	\$ 16,838	\$ 16,838
Fringe benefits	-	5,095	5,095
Operating expenses	<u>4,577</u>	<u>3,075</u>	<u>7,652</u>
Total Administrative Costs	<u>4,577</u>	<u>25,008</u>	<u>29,585</u>
Program Costs:			
Subcontractor services	<u>66,262</u>	<u>150,696</u>	<u>216,958</u>
Total Program Costs	<u>66,262</u>	<u>150,696</u>	<u>216,958</u>
Total Expenditures	<u>\$ 70,839</u>	<u>\$ 175,704</u>	<u>\$ 246,543</u>

COUNTY OF CALAVERAS
Supplemental Statement of Revenue and Expenditure
CSD Contract No. 13F-3006 (CSBG)
For the Period January 1, 2013 Through June 30, 2013

	January 1 through June 30, 2013	Totals
<u>Revenue</u>		
Grant revenue	\$ 114,031	\$ 114,031
Total Revenue	<u>\$ 114,031</u>	<u>\$ 114,031</u>
<u>Expenditures</u>		
Administrative Costs:		
Salaries and wages	\$ 7,212	7,212
Fringe benefits	2,256	2,256
Operating expenses	<u>3,991</u>	<u>3,991</u>
Total Administrative Costs	<u>13,459</u>	<u>13,459</u>
Program Costs:		
Subcontractor services	<u>39,150</u>	<u>39,150</u>
Total Program Costs	<u>39,150</u>	<u>39,150</u>
Total Expenditures	<u>\$ 52,609</u>	<u>\$ 52,609</u>