

**COUNTY OF YUBA
SINGLE AUDIT REPORT
JUNE 30, 2015**

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COUNTY OF YUBA

Single Audit Report
For the Year Ended June 30, 2015

Table of Contents

	<u>Page</u>
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 <i>Government Auditing Standards</i>	1-2
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.....	3-5
Schedule of Expenditures of Federal Awards.....	7-10
Notes to Schedule of Expenditures of Federal Awards	11-13
Schedule of Findings and Questioned Costs	15-22
Summary Schedule of Prior Audit Findings	23
Supplementary Schedule of the California Emergency Management Agency Grants	25
Supplementary Schedules of the Department of Community Services and Development Grant Revenues and Expenditures	27-29

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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 Honorable Members of the Board of Supervisors
of County of Yuba
Marysville, 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 Yuba (County), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 18, 2016. Other auditors audited the financial statements of the Yuba County Water Agency and the Yuba First Five Commission, discretely presented component units, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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 and significant deficiencies.

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. (2015-001, 2015-002, 2015-003, and 2015-005).

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. (2015-004).

To the Honorable Members of the Board of Supervisors
of County of Yuba
Marysville, 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 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 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 that reads "Gallina" followed by a stylized flourish.

Roseville, California
May 18, 2016

**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**

To the Honorable Members of the Board of Supervisors
of County of Yuba
Marysville, California

Report on Compliance for Each Major Federal Program

We have audited the County of Yuba'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, 2015. 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.

The County's basic financial statements include the operations of the Yuba County Housing Authority, a blended component unit of the County, which received \$1,412,958 in federal awards which is not included in the schedule for the year ended June 30, 2015. Our audit, described below, did not include the operations of the blended component unit because the entity engaged for the performance of a separate audit in accordance with OMB Circular A-133.

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 CFDA 14.228 Community Development Block Grant Program

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding CFDA 14.228 Community Development Block Grant Program as described in finding number 2015-005 for Reporting. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

To the Honorable Members of the Board of Supervisors
of County of Yuba

Qualified Opinion on CFDA 14.228 Community Development Block Grant Program

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 CFDA 14.228 Community Development Block Grant Program for the year ended June 30, 2015.

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, 2015.

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.

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 a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 2015-005 to be a material weakness.

The County's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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

To the Honorable Members of the Board of Supervisors
of County of Yuba

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2015, and have issued our report thereon dated May 18, 2016, which contained a modified opinion on those financial statements. We did not audit the financial statements of the Yuba County Water Agency and the Yuba First Five Commission, which are discretely presented component units of the County. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Yuba County Water Agency and the Yuba First Five Commission are based solely on the reports of the other auditors. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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.

Supplementary Schedules

The Supplementary Schedules of California Emergency Management Agency Grants and Supplementary Schedules of the Department of Community Services and Development Grant Revenues and Expenditures, as listed in the table of contents, have not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



Roseville, California
May 18, 2016

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COUNTY OF YUBA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U. S. Department of Agriculture</u>			
Passed through CA Department of Food & Agriculture:			
Plant and Animal Disease, Pest Control, and Animal Care - GWSS	10.025	12-8506-0484-CA	\$ 7,362
Passed through CA State Department of Social Services:			
School Breakfast Program	10.553	--	36,832
Passed through CA State Department of Education:			
National School Lunch Program	10.555	--	69,964
Passed through State Department of Social Services:			
SNAP - Food & Nutrition Service Dept of Ag	10.561	13-20525 A-01	235,698
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program C-IV	10.561	--	5,624
CALFRESH Nutritional ED	10.561	--	191,865
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program- NAFS	10.561	--	2,368,335
Subtotal CFDA Number 10.561			<u>2,801,522</u>
Passed through State Controller's Office:			
Schools and Roads - Grants to States: Title III	10.665	--	28,000
Total U.S. Department of Agriculture			<u>\$ 2,943,680</u>
<u>U. S. Department of Housing and Urban Development</u>			
Passed through State Department of Housing and Community Development:			
Community Development Block Grant/State's Program	14.228	--	9,079
Community Development Block Grant/State's Program	14.228	12-CDBG-8424	11,490
Community Development Block Grant/State's Program - Outstanding Loan Balance	14.228	--	5,073,025
Community Development Block Grant/State's Program EDI - Outstanding Loan Balance	14.228	--	168,223
Subtotal CFDA Number 14.228			<u>5,261,817</u>
HOME Investment Partnerships Program - Outstanding Loans	14.239	--	1,003,974
Subtotal CFDA Number 14.239			<u>1,003,974</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 6,265,791</u>
<u>U. S. Department of Justice</u>			
Direct Programs:			
State Criminal Alien Assistance Program (SCAAP)	16.606	2014-AP-BX-0732	\$ 135,074
Bulletproof Vest Partnership Program	16.922	--	6,998
<u>U. S. Department of Justice (continued)</u>			
Edward Byrne Memorial Justice Assistance Grant Program - Yuba County Drug Impact Program	16.738	BSCC 617-13	23,544

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF YUBA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
Edward Byrne Memorial Justice Assistance Grant Program	16.738	--	15,902
Subtotal CFDA Number 16.738			<u>39,446</u>
Passed through California Emergency Management Agency:			
Child Abuse Treatment and Advocacy	16.575	AT 14110580	186,660
Victim Witness Assistance Program	16.575	VW14280580	60,939
Unserved/Underserved Victim Advocacy and Outreach	16.575	UV14050580	125,086
Subtotal CFDA Number 16.575			<u>372,685</u>
Passed through Department of Corrections and Rehabilitation:			
Juvenile Accountability Block Grants	16.523	178-05	220,657
Total U.S. Department of Justice			<u>\$ 774,860</u>
<u>U.S. Department of Transportation</u>			
Direct Programs:			
Airport improvement Program	20.106		55,795
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205	BRLO-5916 (071)	85,320
Highway Planning and Construction	20.205	BRLO-5916 (074)	137,450
Highway Planning and Construction	20.205	BRLO-5916 (084)	140,746
Highway Planning and Construction	20.205	BRLO-5916 (087)	161,091
Highway Planning and Construction	20.205	BRLS-5916 (092)	118,528
Highway Planning and Construction	20.205	BRLO-5916 (093)	703,112
Highway Planning and Construction	20.205	BRLO-5916 (105)	36,079
Highway Planning and Construction	20.205	BRLO-5916 (106)	37,618
Highway Planning and Construction	20.205	BRLS-5916 (104)	1,103
Highway Planning and Construction	20.205	BRLS-5916 (107)	3,082
Highway Planning and Construction	20.205	CML-5916 (091)	834,957
Highway Planning and Construction	20.205	HRRRL-5916 (078)	108,907
Highway Planning and Construction	20.205	HRRRL-5916 (100)	1,137
Highway Planning and Construction	20.205	HRRRL-5916 (109)	41,037
Highway Planning and Construction	20.205	HRRRL-5916 (110)	2,633
Highway Planning and Construction	20.205	HSIPL-5916 (086)	4,576
Highway Planning and Construction	20.205	STPCML-5916 (101)	326,869
Highway Planning and Construction	20.205	STPL-5916 (094)	91,506
Highway Planning and Construction	20.205	STPL-5916 (108)	2,952,590
Highway Planning and Construction	20.205	STPLR-7500 (215)	29,393
Subtotal CFDA Number 20.205			<u>5,817,734</u>
Total U.S. Department of Transportation			<u>\$ 5,873,529</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF YUBA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U. S. Department of Health and Human Services</u>			
Passed through State Department of Public Health:			
KinGap IV-E Admin - Guardianship Asst	93.090	--	\$ 3,704
FedGap - Guardianship Assistance	93.090	--	4,428
Subtotal CFDA Number 93.090			<u>8,132</u>
Bio-Terrorism - Center for Disease Control & Prevention	93.069	14-10560 A-01	152,109
Maternal & Child Health - Title XIX	93.110	201458	64,542
Immunization Grant	93.268	13-20320	24,178
Maternal & Child Health MCH TITLE V	93.994	201458	99,772
Subtotal Pass-Through			<u>348,733</u>
Passed through State Department of Health Care Services:			
CalHEERS - Medical Assistance Prog CHIP-XXI - Med Asst Prog	93.767	490-14	<u>34,984</u>
Targeted Case Management (TCM) TITLE XIX - Medical Asst Prog	93.778	58-1318	180,263
Targeted Case Management Public Guardian	93.778	58-0712	34,209
California Children's Services - TITLE XIX - Medical Asst Prog	93.778	490-14	212,544
Children's Health & Disability Prog - TITLE XIX Medical Asst Prog	93.778	490-14	101,935
C-IV - SSA XIX - Medical Asst Prog	93.778	--	5,693
Child Welfare Services Title XIX Medical Assistance Program	93.778	--	260,109
Foster Care - TITLE XIX - Medical Asst Prog	93.778	490-14	61,761
Adult Protective Services - Medical Asst Prog - SSA Title XIX	93.778	--	144,702
In Home Supportive Services - SSA Title XIX - Medical Asst Prog	93.778	--	719,529
IHSS - Public Authority - Medical Assistance Program	93.778	--	232,000
Medi - Cal Administration (MAA) Title XIX - Medical Asst Prog	93.778	--	3,107,504
Medi-Cal Admin SSA Title XIX Med Asst Prog	93.778	13-900002	33,676
Subtotal CFDA Number 93.778			<u>5,093,925</u>
Passed through State Department of Aging:			
Multipurpose Senior Servs SSA Title XIX Med Asst Prog	93.778	--	<u>110,836</u>
Passed through State Department of Social Services:			
CalWORKS (TANF)	93.558	--	5,948,053
Child Welfare Services (TANF) C-IV	93.558	--	2,977
Child Welfare Services (TANF)	93.558	--	347,184
Cal Works Asst Timed Out Ssafety Net - TANF	93.558	--	2,983,715
Subtotal CFDA Number 93.558			<u>9,281,929</u>
EA Foster Care - Title IV-E	93.658	--	1,657,223
Child Welfare Services IV-E	93.658	--	1,089,184
Foster Care - SSA IV-E	93.658	--	53,052
Foster Family Home Licensing - SSA IV-E	93.658	--	16,957
Non CWS Allocation - SSA IV-E	93.658	--	15,842
CSEC - Foster Care Title IV-E	93.658	--	880
Monthly Visit Group Home - SSA IV-E	93.658	--	13,770
Subtotal CFDA Number 93.658			<u>2,846,908</u>
<u>U. S. Department of Health and Human Services (continued)</u>			
Adoption Assistance - IV-E ADMIN.	93.659	--	1,845,929

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF YUBA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
Adoption Assistance - IV-E ADMIN.	93.659	--	29,057
Adoptions Indep & Case Mgmt - IV-E	93.659	--	65,364
NoRecurring Adoption Expense - IV-E	93.659	--	1,683
Subtotal CFDA Number 93.659			<u>1,942,033</u>
Promoting Safe and Stable Families	93.556	--	70,326
Refugee & Entrant Asst - Voluntary Agency Prog - RCA/Hardships	93.566	--	2,001
Child Welfare Services - IV-B	93.645	--	74,870
CWS Title XX Ledger Shift/Augment - Title XX	93.667	--	206,853
CalWorks-Single Allocation - Title XX	93.667	--	72,085
Subtotal CFDA Number 93.667			<u>278,938</u>
Independent Living Program - IV-E CFCIP	93.674	--	66,885
Subtotal Pass-Through			<u>20,152,368</u>
Passed through the State Department of Child Support Services:			
Child Support Enforcement	93.563	--	2,130,219
Subtotal CFDA Number 93.563			<u>2,130,219</u>
Passed through the State Department Community Services and Development:			
Community Services Block Grant	93.569	14F-3048	179,103
Community Services Block Grant	93.569	14F-3053	170,715
Community Services Block Grant	93.569	15F-2053	61,123
Subtotal CSBG Cluster			<u>410,941</u>
Total U.S. Department of Health & Human Services			<u>\$ 22,693,528</u>
<u>U.S. Department of Homeland Security</u>			
Passed through California Emergency Management Agency:			
Emergency Management Performance Grant	97.042	2014 - 0070	\$ 281,064
Homeland Security Grant Program	97.067	2014 - 0093	50,341
Homeland Security Grant Program	97.067	2013 - 110	92,873
Subtotal CFDA Number 97.067			<u>143,214</u>
Total U.S. Department of Homeland Security			<u>\$ 424,278</u>
Total Expenditures of Federal Awards			<u><u>\$ 38,975,666</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF YUBA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Note 1: **Reporting Entity**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal awards programs of the County of Yuba (County), with the exception of Yuba County Housing Authority, which expended \$1,412,958 of federal awards, and was subject to a separate single audit by independent auditors. 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 governmental agencies, are included in the Schedule.

Note 2: **Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is prepared using the modified accrual method of accounting when federal expenditures are incurred in the governmental funds and the accrual method of accounting when the federal expenditures are incurred in the proprietary funds. 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*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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, Special Revenue and Enterprise funds.

Note 4: **Subrecipients**

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

<u>Federal CFDA#</u>	<u>Program</u>	<u>Amount</u>
10.561	SNAP – Education	\$ 193,884
10.665	Schools and Roads – Grants to States: Title III	28,000
14.228	Community Development Block Grants/State's Program	6,268
97.067	Homeland Security Grant Program - 2014	34,686
97.073	Homeland Security Grant Program - 2015	79,260

COUNTY OF YUBA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Note 5: **Loans with Continuing Compliance Requirement**

Outstanding federally-funded program loans, with a continuing compliance requirement, carried balances as of July 1, 2014 and June 30, 2015 as follows:

Federal CFDA #	Program Title	Outstanding Loans June 30, 2015	Loans with Continuing Compliance Requirements (Restated) July 1, 2014	New Loans
14.228	Community Development Block Grant/State's Program	\$ 4,816,511	\$ 5,073,025	\$ --
14.228	Community Development Block Grant/State's Program (Economic Development Initiative)	99,201	168,223	--
14.239	HOME Investment Partnerships Program	<u>930,974</u>	<u>1,003,974</u>	<u>--</u>
	Total	<u>\$ 5,846,686</u>	<u>\$ 6,245,222</u>	<u>\$ --</u>

Note 6: **Program Clusters**

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

Child Nutrition Cluster:

10.553	School Breakfast Program	\$ 36,832
10.555	National School Lunch Program	<u>69,964</u>
	Total	<u>\$ 106,796</u>

Note 7: **Pass-Through Entities' Identifying Number**

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the County determined that no identifying number is assigned for the program or the County was unable to obtain an identifying number from the pass-through entity.

COUNTY OF YUBA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Note 8: **Total Federal Awards Expended by CFDA Number**

The schedule of expenditures of federal awards does not summarize programs that are passed through difference agencies. The following summarizes those programs that cross agency funding:

<u>Program/Cluster Title</u>	<u>CFDA Number</u>	<u>Pass Through Grantor</u>	<u>Amount</u>
Medical Assistance Program	93.778	State Department of Health Care Services	\$ 5,093,925
Medical Assistance Program	93.778	State Department of Aging	110,836
Total CFDA #93.778			<u>\$ 5,204,761</u>

Note 9: **Department of Aging Federal/State Share**

During the fiscal year ended June 30, 2015, the County expended the following amounts under grants which pass through the California Department of Aging:

<u>CFDA</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
93.778	\$ 110,836	\$ 110,836

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COUNTY OF YUBA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section 1

Financial Statements

Summary of Auditor's Results

- | | |
|--|----------|
| 1. Type of auditor's report issued: | Modified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiency 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? | Yes |
| b. Significant deficiency identified not considered to be material weaknesses? | None reported |
| 2. Type of auditor's report issued on compliance for major programs: | |
| a. CFDA 14.228 Community Development Block Grant | Modified |
| b. 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 programs: | |

CFDA Number

Name of Federal Program

10.561	Supplemental Nutrition Assistance Program
14.228	Community Development Block Grant
93.558	Temporary Assistance for Needy Families
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance Program

- | | |
|---|--------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$ 1,169,270 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No |

COUNTY OF YUBA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section 2

Financial Statement Findings

Governmental Trust Funds	Finding 2015-001
Recording Audit Adjustments	Finding 2015-002
Use of Miscellaneous Revenue Account	Finding 2015-003
Accounting for Transfers between Funds	Finding 2015-004
Community Development Block Grant Loans	Finding 2015-005

Section 3

Federal Award Findings and Questioned Costs

Community Development Block Grant Loans	Finding 2015-005
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COUNTY OF YUBA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

Finding 2015-001 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 the basic financial statements. 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.

The general ledger accounting system should produce accurate financial information in a format facilitating decision making. Department heads should review financial information relevant to their departments for accuracy and completeness. A chart of accounts providing users with sufficient detail is essential in strengthening internal controls that identify and correct misstatements.

Condition

During the audit, we identified 90 funds having cash balances of approximately \$42 million that were incorrectly accounted for as agency funds in the County's accounting system. These funds hold resources acquired to support the County's functions and activities. Nearly all of the transactions in these funds for the fiscal year ended June 30, 2015, were recorded as miscellaneous revenues. Inflows of revenues and transfers from other funds were netted against outflows of expenditures and transfers to other funds.

Cause

The County's general ledger fund structure and chart of accounts is designed to satisfy older State budgetary and legal requirements. The County's general ledger structure does not readily translate to the newer financial reporting model required by current standards.

Effect of Condition

Current financial reporting standards require the County's reporting entity to include transactions and balances in these governmental trust funds in a format substantially different than currently used on the County's general ledger accounting system. By not including these funds, assets, liabilities, revenues and expenses are materially misstated. In order to include these funds, additional work is necessary to manually account for their transactions using a different model.

There is the potential for double reporting of 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.

The commingling of transactions in one account, miscellaneous revenues, prevents department heads and others from the important function of reviewing and monitoring financial activity of the County. As a result, there is an increased likelihood of misstatements going undetected and uncorrected.

Recommendation

We recommend the Auditor-Controller's Office create new funds in its accounting system to account for these governmental trust funds either as County funds having the full chart of accounts used by County operating funds capable of reporting revenues and expenditures or by including the balances and activities in existing County funds.

COUNTY OF YUBA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Finding 2015-001
GOVERNMENTAL TRUST FUNDS (continued)

View of Responsible Official and Planned Corrective Action

Management agrees with the determination of the Auditors. As our current financial system was configured to satisfy older requirements we are working to address the issue on a structural level. We are currently working to first ensure all funds are properly identified and second to adjust the configuration of the accounting system to reflect newer reporting requirements.

COUNTY OF YUBA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

Finding 2015-002 **RECORDING AUDIT ADJUSTMENTS**

Criteria

The County's general ledger should contain balances and transactions that are complete, current, and as accurate as reasonably possible. A general ledger which meets these criteria can be used in effective financial analysis, including budget to actual reviews, and will contribute to management's efforts to meet operational and financial goals.

Condition

During the audit, we noted that not all prior year's audit adjustments had been recorded in the County's general ledger, though the County is currently working with us to record all audit adjustments from the current audit. Loans receivable, for example, had to be adjusted by \$6.2 million to agree to the prior audit. We also noted instances where other adjustments made for financial reporting were not posted. This resulted in beginning equity not reconciling to the prior year's audited amounts without significant adjustments.

Cause

The County has not had a process to record audit adjustments or other adjustments for the financial statements in the general ledger.

Effect of Condition

By not recording audit adjustments and other adjustments made for the financial statements, the County's general ledger will not agree to the financial statements and will make reconciling beginning equity more difficult. In addition, management will not have ready access to current, updated financial information for financial analysis and review.

Recommendation

We recommend that audit adjustments and other post-closing adjustments be posted in the general ledger. The County may choose to record them in the fiscal year under audit or in the subsequent fiscal year, depending on their policy as well as system limitations that may be in place.

View of Responsible Official and Planned Corrective Action

Management agrees with the auditor's recommendations. Management has recorded all the audit adjustments to reconcile prior periods as of the beginning of the fiscal year and has supplied the auditors with most of the adjusting entries for the current year. Management will continue to ensure all necessary audit adjustments are posted.

COUNTY OF YUBA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

Finding 2015-003

USE OF MISCELLANEOUS REVENUE ACCOUNTS

Criteria

Revenues should be presented by source in sufficient detail to be meaningful.

Condition

The County's use of the miscellaneous revenue account includes revenues generated from other sources such as charges for services and intergovernmental revenues. During the performance of nonattest services to prepare the County's financial statements, we proposed several reclassifications of miscellaneous revenues so that revenues in the County's financial statements would be presented in sufficient detail so as to be meaningful as required by accounting standards. While the County has made very good progress in addressing the use of miscellaneous accounts, it is still cleaning up several of its generic revenue accounts to be more meaningful.

Cause

For some funds, the County's chart of accounts is not sufficiently detailed or does not include all of the accounts necessary to adequately classify all revenues by type as with some trust funds that are that include accounts for interest and miscellaneous revenues only. For the County's operating funds, revenues are posted to an all-inclusive miscellaneous revenue account because:

- There is no account in the chart of accounts within the appropriate type of revenue source which matches the revenue transaction being posted.
- There is a lack of information at the time of the transaction to accurately determine the type of revenue source.
- There is a lack of guidance from which to accurately determine the proper revenue account.

Effect of Condition

The level of detail for classifying transactions should be sufficiently categorized so as to be meaningful to management in making decisions. When charges for services or intergovernmental revenues, both significant revenue sources, are combined with miscellaneous revenues, the resulting balance becomes meaningless.

Recommendation

We recommend the following courses of action:

- Modify each fund's chart of accounts pertaining to revenues so as to capture a majority of its revenue sources within the appropriate type of revenue source for financial reporting purposes.
- Adopt and publish written guidance that ensures the accurate classification of revenues by type of revenue source.
- Periodically review transactions posted to miscellaneous revenue sources to ensure that revenues for other types of revenues such as charges for services or intergovernmental revenues are reclassified to the appropriate revenue accounts.

View of Responsible Official and Planned Corrective Action

Management agrees with auditor's recommendations. While management has reduced the improper use of miscellaneous revenue account in the current fiscal year management recognizes additional steps need to be made to completely address this issue. Management has started an internal project specifically dealing with this issue and expects full implementation in the 2015-2016 fiscal year.

COUNTY OF YUBA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

Finding 2015-004 **ACCOUNTING FOR TRANSFERS BETWEEN FUNDS**

Criteria

GAAP define an interfund transfer as a flow of cash or other assets from one fund to another when there is no reciprocating flow of any item of value back to the fund originating the transfer and no liability is created for the receiving fund to repay the originating fund. In essence, a transfer constitutes a gift or subsidy from one fund to another. When such a transfer is recorded, the incoming transfer recorded in the receiving fund must be identical in amount to the outgoing transfer recorded in the paying fund.

Transactions that involve an exchange between funds where each fund is contributing assets or services to the other fund are accounted for as reimbursements or simply as interfund charges, depending on the fund types involved in the transaction.

Condition

During our audit, we noted that the total amount recorded as incoming transfers from all funds did not equal the total amount recorded as outgoing transfers for all funds on the final trial balance provided by the County and also on the worksheet provided in connection with the audit. Some transactions are recorded as transfers by one fund but recorded as revenue or expenditures by the other fund. We also noted that charges by the internal service funds to other funds were recorded as transfers in rather than charges for services as required by GAAP.

Cause

The County does not have written policies or guidelines which adequately define transfers or provide guidance on the proper recording of transactions between funds.

Effect of Condition

If true transfers of resources between funds are not simultaneously recorded as incoming transfers in receiving funds and outgoing transfers in paying funds, then by definition the transaction has been recorded incorrectly and revenues and expenditures in the affected funds will likely be misstated. Although such misstatements are likely to be identified before the financial statements are finalized, the process of evaluating and correcting the transactions after they have already been recorded can be time-consuming. In addition, if the transaction in question constitutes a reimbursement or charge for goods or services and not a true transfer, recognizing either a transfer in or a transfer out would result in a misstatement both of transfers and of the affected funds' revenues and expenditures.

Recommendation

We recommend that the Auditor-Controller's office adopt a policy that entries to the incoming transfer account may only be made if a corresponding entry is also made to an outgoing transfer account. Further, we recommend that an appropriate staff member balance the incoming and outgoing transfer accounts on a periodic basis so that any discrepancies can be quickly identified and corrected.

View of Responsible Official and Planned Corrective Action

Management agrees with the determination of the auditors. We are developing procedures and policies to address this issue. Management has implemented a plan to address this issue and expect full implementation of the project in the 2015-2016 fiscal year.

COUNTY OF YUBA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

Reference Number	2015-005
Federal Program Title	Community Development Block Grant
CFDA Number	14.228
Federal Agency	U.S. Department of Housing and Urban Development
Pass Through Entity	State of California Department of Housing and Community Development
Compliance Requirement	Reporting

Criteria

Grantees are responsible for managing the day to day operations of their CDBG Program and ensuring funds are used in keeping with program requirements. Monitoring is the primary tool that grantees use to ensure that CDBG projects are being carried out in accordance with program requirements. Administrative and financial monitoring ensures that the grantee is tracking funds, using proper methods of recordkeeping, and managing finances appropriately (Section 105(a)(12)(B)(v), 570.206, 570.503).

Condition

During our review we noted that the aging report used to maintain CDBG loans was not complete and required multiple prior period adjustments. 14 deferred loans were not previously recorded in the loan tracking system that should have been. There were also 10 prior year loans in which the total disbursed amounts were previously recorded incorrectly.

Questioned Costs

All costs are questioned due to the inability to substantiate loan balances.

Cause

The County has experienced a lot of turnover in the department administering the loans, which can lead to significant delays in the accounting and reporting processes. There is a lack of written procedures in place that could aid new staff in efficiently maintaining the loans. Furthermore, there is a lack of reconciliation process of the loan aging report to the general ledger, which includes addressing the inflows and outflows caused by collections and repayments during the fiscal year.

Effect of the Condition

Failing to maintain and review loan reports could lead to inaccurate reporting and misstatement of loan balances.

Recommendation

We recommend the adoption of a policy whereby a monitoring process of the reporting system for tracking loans is developed, procedures are written, and external staff familiar with processes is involved while overseen by the Auditor-Controller Office. Also, we recommend that reconciliation of the general ledger to the loan aging report be performed at least once during the year to ensure accuracy. Any discrepancies found should be investigated, and the aging report updated based on historical recipient files.

COUNTY OF YUBA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

View of Responsible Official and Planned Corrective Action

The County agrees with the auditor recommendation. Management will work specifically with the department overseeing the program to ensure an adequate system is utilized for tracking the loans and that appropriate policies, procedures and trainings are established and implemented for the ongoing monitoring of the loan balances. Additionally, management will ensure periodic reconciliations of the loan balances to the general ledger are performed. The Auditor-Controller's Office expects full implementation in the 2015-2016 fiscal year.

COUNTY OF YUBA

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

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 of California Department of Social Services
Compliance Requirement	Special Test and Provisions

Recommendation

We recommend the Department ensure there are procedures in place (i.e. case file check-list), for eligibility workers to follow to make sure IEVS verifications are performed along with renewals on an annual basis.

Status

During our audit we examined appropriate and sufficient documentation to determine that the above recommendation has been implemented.

**SUPPLEMENTARY SCHEDULE
OF
THE CALIFORNIA EMERGENCY
MANAGEMENT AGENCY**

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COUNTY OF YUBA

Schedule of the California Emergency Management Agency
For the Year Ended June 30, 2015

California Emergency Management Agency Grants

The following represents expenditures for California Emergency Management Agency (Cal EMA) programs for the year ended June 30, 2015. The amount reported in the Schedule of Expenditures of Federal Awards is determined by calculating the federal portion of the current year expenditures.

Program	Expenditures Claimed			Share of Expenditures Current Year		
	For the Period Through June 30, 2014	For the Year Ended June 30, 2015	Cumulative As of June 30, 2015	Federal Share	State Share	County Share
AT14110580 - Child Abuse Treatment and Advocacy						
Personal services	\$ 127,527	\$ 183,337	\$ 310,864	\$ 183,337	\$ --	\$ --
Operating expenses	1,603	3,323	4,926	3,323	--	--
Totals	<u>\$ 129,130</u>	<u>\$ 186,660</u>	<u>\$ 315,790</u>	<u>\$ 186,660</u>	<u>\$ --</u>	<u>\$ --</u>
VW14280580 - Victim Witness Assistance Program						
Personal services	\$ 124,111	\$ 129,828	\$ 253,939	\$ 60,939	\$ 68,889	\$ --
Operating expenses	4,410	5,853	10,263	--	5,853	--
Totals	<u>\$ 128,521</u>	<u>\$ 135,681</u>	<u>\$ 264,202</u>	<u>\$ 60,939</u>	<u>\$ 74,742</u>	<u>\$ --</u>
UV14050580 - Unserved/Underserved Victim Advocacy and Outreach						
Personal services	\$ 115,273	\$ 123,871	\$ 239,144	\$ 123,871	\$ --	\$ --
Operating expenses	2,861	1,215	4,076	1,215	--	--
Totals	<u>\$ 118,134</u>	<u>\$ 125,086</u>	<u>\$ 243,220</u>	<u>\$ 125,086</u>	<u>\$ --</u>	<u>\$ --</u>
BSCC 617-13 - Yuba County Drug Impact Program FINAL 9/30/14						
Personal services	\$ --	\$ 7,733	\$ 7,733	\$ 7,733	\$ --	\$ --
Operating expenses	--	15,811	15,811	15,811	--	--
Totals	<u>\$ --</u>	<u>\$ 23,544</u>	<u>\$ 23,544</u>	<u>\$ 23,544</u>	<u>\$ --</u>	<u>\$ --</u>
178-05 - Yuba County Juvenile Justice Crime Prevention Act						
Personal services	\$ --	\$ 171,159	\$ 171,159	\$ 171,159	\$ --	\$ --
Operating expenses	--	49,498	49,498	49,498	--	--
Totals	<u>\$ --</u>	<u>\$ 220,657</u>	<u>\$ 220,657</u>	<u>\$ 220,657</u>	<u>\$ --</u>	<u>\$ --</u>

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**SUPPLEMENTARY SCHEDULES
OF THE DEPARTMENT
OF
COMMUNITY SERVICES
AND DEVELOPMENT
GRANT REVENUES AND EXPENDITURES**

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COUNTY OF YUBA

Supplemental Schedule of Revenue and Expenditures
 CSD Contract No. 14F-3053
 For The Period January 1, 2014 through December 31, 2014

	January 1, 2015 through June 30, 2015	July 1, 2014 through December 31, 2014	Totals
<u>Revenue</u>			
Grant revenue	\$ 66,323	\$ 77,522	\$ 143,845
Interest income	(360)	190	(170)
Total Revenue	<u>\$ 65,962</u>	<u>\$ 77,712</u>	<u>\$ 143,674</u>
<u>Expenditures</u>			
Administrative Costs:			
Salaries and wages	\$ 8,515	\$ 14,221	\$ 22,735
Fringe benefits	2,815	3,207	6,022
Communication	--	46	46
Consumable supplies	--	188	188
A-87 Charges	4,000	--	4,000
Other costs	600	--	600
Subtotal Administrative Costs	<u>15,930</u>	<u>17,662</u>	<u>33,592</u>
Program Costs:			
Other costs	72,402	64,721	137,123
Subtotal Program Costs	<u>72,402</u>	<u>64,721</u>	<u>137,123</u>
Total Expenditures	<u>\$ 88,332</u>	<u>\$ 82,383</u>	<u>\$ 170,715</u>

COUNTY OF YUBA

Supplemental Schedule of Revenue and Expenditures
CSD Contract No. 15F-2053
For The Period January 1, 2015 through December 31, 2015

	January 1, 2015 through June 30, 2015	Totals
<u>Revenue</u>		
Grant revenue	\$ 109,990	\$ 109,990
Interest income	161	161
Total Revenue	<u>\$ 110,150</u>	<u>\$ 110,150</u>
<u>Expenditures</u>		
Administrative Costs:		
Salaries and wages	\$ 12,327	\$ 12,327
Fringe benefits	1,022	1,022
Other costs	35	35
Subtotal Administrative Costs	<u>13,384</u>	<u>13,384</u>
Program Costs:		
Other costs	47,740	47,740
Subtotal Program Costs	<u>47,740</u>	<u>47,740</u>
Total Expenditures	<u>\$ 61,123</u>	<u>\$ 61,123</u>

COUNTY OF YUBA

Supplemental Schedule of Revenue and Expenditures
 CSD Contract No. 14F-3048
 For The Period January 1, 2014 through December 31, 2014

	January 1, 2015 through June 30, 2015	July 1, 2014 through December 31, 2014	Totals
<u>Revenue</u>			
Grant revenue	\$ 72,610	\$ 95,978	\$ 168,588
Interest income	(343)	183	(161)
 Total Revenue	 <u>\$ 72,267</u>	 <u>\$ 96,161</u>	 <u>\$ 168,428</u>
<u>Expenditures</u>			
Administrative Costs:			
Salaries and wages	\$ 807	\$ 9,786	\$ 10,593
Fringe benefits	980	1,919	2,898
Insurance	--	2,077	2,077
Communication	92	--	92
Consumable supplies	--	105	105
A-87 Charges	3,000	--	3,000
Other costs	1,200	550	1,750
Subtotal Administrative Costs	<u>6,078</u>	<u>14,437</u>	<u>20,515</u>
Program Costs:			
Other costs	101,004	57,584	158,588
Subtotal Program Costs	<u>101,004</u>	<u>57,584</u>	<u>158,588</u>
 Total Expenditures	 <u>\$ 107,082</u>	 <u>\$ 72,021</u>	 <u>\$ 179,103</u>