

COUNTY OF SAN BENITO
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**COUNTY OF SAN BENITO
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2017**

Independent Auditors' 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
Independent Auditors' 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 the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	10
Schedule of Findings and Questioned Costs	12
Summary Schedule of Prior Audit Findings	18
Supplementary Schedules of the Department of Community Services and Development	20



INDEPENDENT AUDITORS' 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

The Honorable Board of Supervisors
County of San Benito
Hollister, 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 San Benito (the County), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 28, 2018. Our audit includes a reference to other auditors who audited the financial statements of First 5 San Benito, a discretely presented component unit, as described in our report on the County's financial statements. This report does not include the results of the other auditor's testing of internal control 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 of, we considered the County's internal control over financial reporting (internal control) to determine 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 have not been identified. However, as described in the accompanying schedule of 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 as items 2017-001 through 2017-004 to be material weaknesses.

A significant deficiency is a deficiency, or 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 as item 2017-005 to be a significant deficiency.

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 County'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.



CliftonLarsonAllen LLP

Roseville, California
March 28, 2018



INDEPENDENT AUDITORS' 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 THE UNIFORM GUIDANCE

The Honorable Board of Supervisors
County of San Benito
Hollister, California

Report on Compliance for Each Major Federal Program

We have audited the County of San Benito's (the County) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-006. Our opinion on each major program is not modified with respect to these matters.

The County's response to the noncompliance 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.

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 the Uniform Guidance, 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2017-006, which we consider 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.

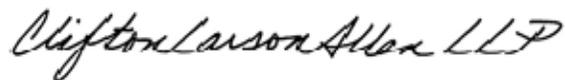
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2017, and have issued our report thereon dated March 28, 2018, that contained an unmodified opinion on those financial statements. We did not audit the financial statements of First 5 San Benito, a discretely presented component unit. Those statements were audited by other auditors whose reports have been furnished to us, and in our opinion, insofar as it relates to the amounts included for First 5 San Benito, is 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 the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Matters

The supplementary schedules of the Department of Community Services and Development have not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



CliftonLarsonAllen LLP

Roseville, California
March 28, 2018

**COUNTY OF SAN BENITO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Department of Agriculture</u>				
Passed through State Department of Food and Agriculture:				
Asian Citrus Psyllid (ACP)	10.025	16-8506-1221-CA	\$ 64,864	\$ -
Asian Citrus Psyllid (ACP)	10.025	16-8506-1211-CA	48,003	-
Pierce's Disease/GWSS	10.025	16-8506-0484-CA	9,763	-
Light Brown Apple Moth	10.025	15-8506-1164-CA	1,412	-
Light Brown Apple Moth	10.025	15-8506-1164-CA	7,395	-
Pest Detection (Insect)	10.025	16-8506-1399-CA	16,212	-
Pierce's Disease/GWSS	10.025	14-8506-0484-CA	5,917	-
Subtotal - CFDA 10.025			153,566	-
Passed through the State Department of Public Health/County of Monterey:				
Supplemental Nutrition Assistance Program Education	10.561	A-12642	163,173	-
Passed through State Department of Social Services:				
State Administrative Matching Grants for the SNAP - CalFresh	10.561		1,024,175	-
State Administrative Matching Grants for the SNAP - CalFresh Employment & Training	10.561		16,404	-
State Administrative Matching Grants for the SNAP - CalFresh Employment & Training	10.561		62,941	-
Subtotal - SNAP Cluster			1,266,693	-
Total U.S. Department of Agriculture			\$ 1,420,259	\$ -
<u>U.S. Department of Housing and Urban Development</u>				
Direct Program:				
Helping Hands	14.267	CA1072L9T061503	220,902	220,902
Passed through State Department of Housing and Community Development:				
Community Development Block Grant/State Program	14.228	14-CDBG-10044	70,185	-
Community Development Block Grant/State Program	14.228	16-CDBG-11153	3,546	-
Community Development Block Grant/State Program	14.228	14-CDBG-9898	132,880	-
Subtotal - CDBG Cluster			206,611	-
Home Investment Partnership Program (outstanding loan)	14.239		1,633,011	-
Passed through City of San Jose:				
HOPWA	14.541	HOP-15-002	31,154	-
Passed through City of Salinas:				
ESG	14.231	ESG	26,055	-
Total U.S. Department of Housing and Urban Development			\$ 2,117,733	\$ 220,902

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF SAN BENITO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Department of Justice</u>				
Direct Programs:				
Domestic Cannabis Eradication/Suppression Program	16.111	2016-41	\$ 2,565	\$ -
Domestic Cannabis Eradication/Suppression Program	16.111	2017-39	1,809	-
Subtotal - CFDA 16.111			4,374	-
State Criminal Alien Assistance Program (SCAAP)	16.616		25,043	-
Passed through Board of State and Community Corrections:				
Justice Assistance Grant	16.738	637-16	105,927	-
Justice Assistance Grant	16.738	637-17	98,447	-
Subtotal - CFDA 16.738			204,374	-
Passed through the Governor's Office of Emergency Services:				
Crime Victim Assistance (VOCA)	16.575	VW 16-33-0350	64,357	-
Crime Victim Assistance (XC)	16.575	VW 16-01-0350	28,053	-
Subtotal - CFDA 16.575			92,410	-
Total U.S. Department of Justice			\$ 326,201	\$ -
<u>U.S. Department of Labor</u>				
Passed through State Employment Department:				
WIOA - Adult 201	17.258	K7102062	24,293	-
WIOA - Adult 202	17.258	K7102062	143,636	-
WIOA - Youth 301	17.259	K7102062	156,698	-
WIOA - Dislocated Worker 501	17.278	K7102062	37,211	-
WIOA - Dislocated Worker 502	17.278	K7102062	143,983	-
WIOA - Rapid Response 540	17.278	K7102062	17,322	-
WIOA - Rapid Response 541	17.278	K7102062	87,966	-
WIOA - Lay Off Aversion 292 & 293	17.278	K7102062	1,667	-
WIOA - Adult 202	17.258	K698385	173	-
WIOA - Youth 301	17.259	K698385	39,755	-
WIOA - Dislocated Worker 502	17.278	K698385	47,618	-
WIOA - Rapid Response 541	17.278	K698385	1,646	-
Subtotal - WIA Cluster			701,968	-
Total U.S. Department of Labor			\$ 701,968	\$ -
<u>U.S. Department of Transportation</u>				
Passed through the State Department of Transportation:				
Highway Planning and Construction - FHWA	20.205	BRLO-5943(063)	86,637	-
Highway Planning and Construction - FHWA	20.205	BRLS-5943(062)	15,593	-
Highway Planning and Construction - FHWA	20.205	BRLS-5943(043)	129,109	-
Highway Planning and Construction - FHWA	20.205	BRLS-5943(056)	8,201	-
Highway Planning and Construction - FHWA	20.205	BRLO-5943(054)	10,287	-
Highway Planning and Construction - FHWA	20.205	BRLO-5943(055)	5,595	-
Highway Planning and Construction - FHWA	20.205	STPIX-5943(057)	5,995	-
Highway Planning and Construction - FHWA	20.205	BRLO-NBIL(531)	568	-
Subtotal - CFDA 20.205			261,985	-
Total U.S. Department of Transportation			\$ 261,985	\$ -
<u>Internal Revenue Service</u>				
Direct Program:				
VITA	21.009		7,050	-
Total Internal Revenue Service			\$ 7,050	\$ -

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF SAN BENITO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Health and Human Services				
Passed through the State Department of Social Services:				
Adoption Assistance	93.659		\$ 676,995	\$ -
Adoption Eligibility (Adoption Assistance)	93.659		12,804	-
Subtotal - CFDA 93.659			689,799	-
CalWorks/Temporary Assistance for Needy Families (TANF)	93.558		589,826	-
Fraud Incentive (CalWorks/TANF)	93.558		6,738	-
Child Welfare Services TANF Program	93.558		415,178	-
Calworks CEC Programs	93.558		2,598,918	-
Subtotal - TANF Cluster			3,610,660	-
Foster Care Assistance (Title IV-E)	93.658		234,632	-
Commercially Sexually Exploited Children (Title IV-E)	93.658		21,938	-
Child Welfare Services IV-E (Title IV-E)	93.658		578,480	-
Foster Title IV-E	93.658		53,211	-
Licensing (Title IV-E)	93.658		7,521	-
Non CWS Allocation (Title IV-E)	93.658		66,981	-
Subtotal - CFDA 93.658			962,763	-
Social Services Block Grant (Title XX)	93.667		51,576	-
Social Services Block Grant Funding Augmentation (Title XX)	93.667		69,426	-
Licensing Title XX	93.667		194	-
Subtotal - CFDA 93.667			121,196	-
Stephanie Tubbs Jones Child Welfare Services Program (CWS IV-B)	93.645		151,134	-
Chafee Foster Care Independence Program (Independent Living)	93.674		42,628	-
Promoting Safe and Stable Families	93.556		77,572	-
Passed through the State Department of Public Health:				
CDC Public Health Emergency Preparedness (PHEP)	93.069	14-10533 A01	114,670	-
Hospital Preparedness Program (HPP)	93.889	14-10533 A01	154,116	-
Cities Readiness Initiative (CRI)	93.074	14-10533 A01	9,916	-
Ebola	93.074	14-10915	40,302	-
Subtotal - CFDA 93.074			50,218	-
Immunization Assistance Program (IAP/IZ)	93.268	15-10444	36,058	-
Maternal, Child and Adolescent Health (MCAH)	93.994	201635	196,225	-
Adolescent Family Life Program (AFLP)	93.994	201635	33,058	-
Subtotal - CFDA 93.994			229,283	-
Passed through the State Department of Health Care Services:				
California Children's Services (CCS)	93.767		71,354	-
Child Health and Disability Prevention (CHDP)	93.767	16-52411-1840-741-03	66,179	-
HCPFC	93.767	16-52508-1840-741-03	5,722	-
California Children's Services (DTT)	93.767		95,368	-
Subtotal - CFDA 93.767			238,623	-
In-Home Supportive Services Program	93.788		194,560	-
Medical Assistance Program	93.778		1,203,055	-
Subtotal - Medicaid Cluster			1,397,615	-
Passed through the State Department of Child Support Services:				
Child Support Enforcement	93.563		1,013,158	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF SAN BENITO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Department of Health and Human Services (continued)</u>				
Passed through the State Department of Health Human Services:				
Prevention and Treatment of Substance Abuse Block Grant	93.959	14-90087	\$ 518,852	\$ -
Passed through State Community Services Development Department:				
Low Income Housing Energy Assistance Program	93.568	16B-4030	62,744	-
Low Income Housing Energy Assistance Program	93.568	17B-3030	25,090	-
Subtotal - CFDA 93.568			<u>87,834</u>	<u>-</u>
Community Services Block Grant	93.569	16F-5552	32,078	-
Community Services Block Grant	93.569	16F-5034	105,113	-
Community Services Block Grant	93.569	15B-3031	4,884	-
Community Services Block Grant	93.569	17F-2034	155,221	-
Subtotal - CFDA 93.569			<u>297,296</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>\$ 9,793,475</u>	<u>\$ -</u>
<u>U.S. Department of Homeland Security</u>				
Passed through City and County of San Francisco				
Urban Area Security Initiative	97.067	5939	67,855	-
Passed through the State Governor's Office of Emergency Services:				
FED-HSGP - Homeland Security Grant Program	97.067	2016-00102	20,385	-
FED-HSGP - Homeland Security Grant Program	97.067	2015-00078	8,514	-
Subtotal - CFDA 97.067			<u>96,754</u>	<u>-</u>
FED-EMPG - Emergency Management Performance Grant	97.042	2016-0010	137,103	-
Total U.S. Department of Homeland Security			<u>\$ 233,857</u>	<u>\$ -</u>
Total Expenditures of Federal Awards			<u>\$ 14,862,528</u>	<u>\$ 220,902</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF SAN BENITO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs of the County of San Benito for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 CATALOG OF FEDERAL DOMESTIC (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2017 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier and the word "unknown" were used.

NOTE 4 INDIRECT COST RATE

The County has elected not to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

NOTE 5 LOANS WITH CONTINUING COMPLIANCE REQUIREMENTS

Outstanding federally-funded program loans, with a continuing compliance requirement, carried balances as of June 30, 2017 as follows:

<u>CFDA No.</u>	<u>Federal Program</u>	<u>Outstanding Loans</u>	<u>Loans with Continuing Compliance Requirements</u>
14.239	Home Investment Partnership Program	\$1,552,444	\$1,633,011

COUNTY OF SAN BENITO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017

NOTE 6 PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

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

**COUNTY OF SAN BENITO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? x yes none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
93.558	Temporary Assistance for Needy Families
93.563	Child Support Services
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes x no

**COUNTY OF SAN BENITO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings

2017-001 – Statement of Expenditures of Federal Awards

Type of Finding: Material Weakness

Condition: The County does not have a policy in place to ensure that amounts reported on the Schedule of Expenditures of Federal Awards (SEFA) are accurate.

Criteria: The auditee’s responsibility per the Uniform Guidance, section 200.508 part b, is to “prepare appropriate financial statements, including the schedule of expenditures of federal awards.

The SEFA, while not part of the basic financial statements, is audited in relation to the basic financial statements, in accordance with the requirements of the Uniform Guidance. The Uniform Guidance requires auditors to determine major programs and perform risk assessments based on information reported on the SEFA.

Context: In the process of reconciling the County’s federal expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA) to claims submitted to the State of California, we noted that the County incorrectly calculated the federal share of expenditures for the Medical Assistance Program, CFDA No. 93.778. Program expenditures for the Medical Assistance Program were overstated on the SEFA by \$1,203,055. In addition, the County incorrectly calculated the federal share of expenditures for the Temporary Assistance for Needy Families Program (TANF). Program expenditures for the TANF program were overstated by \$1,263,067.

Effect: The lack of controls in place over the financial reporting function increases the risk that the wrong federal programs will be selected for testing. In addition, once the error is corrected, the County may incur additional costs to ensure that the correct federal programs are tested in compliance with the Single Audit Act.

Cause: The County does not have an adequate system in place for compiling the SEFA and ensuring that the SEFA reflects only the federal portion of the programs’ expenditures.

Repeat Finding: The finding is a repeat of a finding in the immediate prior year. Prior year finding was 2016-004.

Recommendation: The County should adopt a process that reconciles expenditures and revenues under federal programs to ensure the completeness of the SEFA. Additionally, this reconciliation should include the provisions for any applicable sharing ratios so that the portions of federal, state and county can be identified, and the federal portion of the expenditures can be properly reported on the SEFA.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding. The County has begun the process of implementing changes. County staff responsible for preparation of the SEFA has attended training and management will continue to find additional opportunities for training for SEFA preparers. Most importantly, the County Auditor will require departmental SEFA preparers to provide additional documentation that reconciles expenditures and revenues under federal programs to ensure the completeness of the SEFA, prior to submission of the final SEFA.

**COUNTY OF SAN BENITO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

2017-002 - Other Postemployment Benefits Liability (OPEB)

Type of Finding: Material Weakness

Condition: The County does not have a policy in place to provide reasonable assurance that financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented, or detected and corrected, by the organization's internal controls.

Criteria: Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

Context: While performing audit procedures, it was noted that management does not have internal controls in place to provide reasonable assurance that financial statement balances are calculated correctly.

Effect: The lack of controls in place over the financial reporting function increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected.

Cause: The County has not provided adequate oversight and review over the calculation of the other postemployment benefits liability (OPEB). The draft financial statements overstated the liability by \$2.1 million due in part to an overstatement in the prior year for \$1.7 million and an overstatement of the current year liability of \$600 thousand. The County did not consider the medical insurance payments made on behalf of retirees in the calculation of the OPEB liability.

Repeat Finding: The finding is a repeat finding in the immediate prior year. Prior year finding was 2016-003.

Recommendation: The County should evaluate its financial reporting processes and controls, to determine whether additional controls over the preparation of annual financial statements can be implemented to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding. County staff is dedicated to extended training in governmental GAAP and will pursue additional training opportunities to ensure accurate financial reporting.

2017-003 - Pension Liability and Related Deferred Inflows and Deferred Outflows

Type of Finding: Material Weakness

Condition: The County does not have a policy in place to provide reasonable assurance that financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented, or detected and corrected, by the organization's internal controls.

COUNTY OF SAN BENITO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Criteria: Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

Context: While performing audit procedures, it was noted that management does not have internal controls in place to provide reasonable assurance that financial statement balances are calculated correctly.

Effect: The lack of controls in place over the financial reporting function increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected.

Cause: The County has not provided adequate oversight and review over the calculation of the net pension liability and the associated deferred inflows and deferred outflows of resources. The draft financial statements overstated the net pension liability by \$2.1 million and deferred outflows by \$2.3 million.

Repeat Finding: The finding is a repeat finding in the immediate prior year. Prior year finding was 2016-007.

Recommendation: The County should evaluate its financial reporting processes and controls, to determine whether additional controls over the preparation of annual financial statements can be implemented to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding. County staff is dedicated to extended training in governmental GAAP and will pursue additional training opportunities to ensure accurate financial reporting.

2017-004 – Accounts Receivable and Unearned Revenues

Type of Finding: Material Weakness

Condition: During our audit, we noted that the County had several instances where accounts receivable that related to the year under audit were not properly accrued. Missed accruals totaled \$484,000.

Criteria: Generally accepted accounting principles (GAAP) requires that an accounts receivable be reported for grant funding when the County's eligibility requirements have been met and the reimbursement has not been received. Furthermore, for governmental funds that use the current financial resources measurement focus and the modified basis of accounting, revenues are recognized when measurable and available. The County policy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Context: While performing audit procedures, it was noted that various receivables for grant funding applicable to services rendered prior to the end of year, were not properly accrued. We noted that payments for these invoices was received in September, prior to the closing of the books.

Effect: The fund financial statements for the Human Services Agency understated its receivables by \$484,000.

COUNTY OF SAN BENITO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Cause: The County did not sufficiently analyze receipts and billings for its grant programs to ensure that accounts receivable were properly recorded for reimbursements not yet received.

Repeat Finding: The finding is a repeat finding in the immediate prior year. Prior year finding was 2016-001.

Recommendation: We recommend that the County adopt policies for departments to provide supporting documentation to the Auditor Controller's office in a timely manner to allow for sufficient analysis of accruals and cash receipts to allow for proper recording of these transactions.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding. The County will reinforce its requirements to departments in regards to revenue accruals. In addition to the annual year-end closing instructions provided to all fiscal departmental personnel, the County Auditor's office will develop procedures for revenue recognition and accrual, which will be made available to all departments.

2017-005 - Loans Receivable

Type of Finding: Significant Deficiency

Condition: During the audit it was noted a prior period adjustment was recorded by the County to recognize loans receivable from prior periods.

Criteria: Reconciliations of receivables will ensure proper valuation of the outstanding loan balances and provide a means of preventing and detecting errors or fraud.

Context: HOME program loans issued during fiscal years 2000 & 2001 were not recorded in the loans receivable balance. The County realized the loans were omitted from the loans receivable balance when a payment for one of the loans was received during the fiscal year. The County recorded a prior period adjustment to recognize the outstanding loan balances that were issued during these years.

Effect: The County will not detect errors or fraud in a timely manner. Also, the lack of a reconciliation process at year-end resulted in a prior period adjustment related to receivable accounts at year-end.

Cause: The County did not properly record and reconcile loans receivable when the loans were issued to recipients.

Repeat Finding: This is not a repeat finding.

Recommendation: The County should evaluate its financial reporting processes and controls, to determine whether additional controls over the preparation of annual financial statements can be implemented to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding. The referenced program will be administered by the Health 7 Human Services Agency (HHSA) of the County effective fiscal year 2017-2018. The HHSA will maintain oversight of the federal program.

**COUNTY OF SAN BENITO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Section III – Findings and Questioned Costs – Major Federal Programs

2017-006 Medical Assistance Program Eligibility

Federal Agency: U.S. Department of Health and Human Services

Federal Program Title: Medical Assistance Program

CFDA Number: 93.778

Pass-Through Agency: California Department of Health Care Services

Pass-Through Number: N/A

Award Period: July 1, 2016 – June 30, 2017

Type of Finding: Material Weakness in Internal Control over Compliance – Other Noncompliance

Condition: During our testing, we noted that eight (8) of forty case files selected for testing were either missing a current year redetermination or included a redetermination that is considered late.

Criteria: The OMB Compliance Supplement, Part 4, Section 93.778, Sub-section E notes that the agency is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plan. Annual redeterminations are required as part of these eligibility requirements.

Questioned Costs: None.

Context: Annual redeterminations are required to ensure that only eligible participants continue to receive Medical Assistance Program benefits. Missing or late redeterminations for eight (8) out of our sample population of 40 indicates a systemic problem with the process. The sample was a statistically valid sample.

Effect: If the County fails to complete a redetermination or completes it late, program participants may continue to receive benefits, they are no longer eligible for.

Cause: The County does not have sufficient controls in place to ensure the timely completion of annual redeterminations for its program participants.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the County focus on casefiles with due and overdue redeterminations to reduce backlog and become current with renewals.

Views of responsible officials: There is no disagreement with the audit finding. The County is aware of several open eligibility worker vacancies that are in active recruitment. It is the department's position that once these positions are filled this backlog will no longer be a finding. In addition, County management will work closely with Health and Human Services Agency management to ensure adequate support is available for program administrative staff.

JOE PAUL GONZALEZ
CLERK, AUDITOR & RECORDER
E-Mail: jgonzalez@cosb.us



OFFICE OF THE COUNTY AUDITOR
481 Fourth Street, Second Floor
Hollister, California 95023
Telephone: (831) 636-4090
Facsimile: (831) 635-9340

COUNTY OF SAN BENITO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The County of San Benito respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2016.

Audit Period: July 1, 2015 – June 30, 2016

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS – FINANCIAL STATEMENT AUDIT

2016-001 – REVENUE RECOGNITION

Condition: During our audit, we noted that the County had multiple instances where revenue recognition principles were not applied properly.

Status: See current year finding 2017-003.

Reason for finding's recurrence: The County Auditor's office is actively working towards developing documented procedures for revenue recognition and accruals, which will be made available to all departments.

Corrective Action: County staff will reinforce revenue accrual procedures and will prepare documentation to distribute to all County departments.

2016-002 – COMPENSATED ABSENCES

Condition: During our audit, it was noted that the County had accrued \$300,000 into governmental funds for compensated absences when the related employees had not left active service by the end of the fiscal period.

Status: Corrective action implemented in the current year.

2016-003 – OTHER POST-EMPLOYMENT BENEFITS

Condition: During our audit, it was noted that the liability and expenditures for OPEB expected to be made from current financial resources were not properly allocated from the general fund to other applicable funds where the expenditure should be recognized.

Status: Corrective action implemented in the current year

COUNTY OF SAN BENITO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED JUNE 30, 2017

2016-004 – STATEMENT OF EXPENDITURE OF FEDERAL AWARDS REPORTING

Condition: In the process of obtaining the County's federal expenditures and reconciling to the general ledger by grant and by program, we noted an additional program that was omitted from the SEFA that resulted in a significant understatement of expenditures and another major program to be audited.

Status: See current year finding 2017-001.

Reason for finding's recurrence: There were deficiencies in the County's SEFA review process.

Corrective Action: The County has already begun the process of implementing changes. County staff responsible for the preparation of the SEFA has attended training and management will continue to find additional opportunities for training for SEFA preparers. The County Auditor will require that departments submit the NOFA prior to completion of the SEFA. Most importantly, the County Auditor will require departmental SEFA preparers provide additional documentation that reconciles expenditures and revenues under federal programs to ensure the completeness of the SEFA, prior to submission of the SEFA.

2016-005 – CAPITAL ASSETS

Condition: During our audit, it was noted that additional cost was improperly added to capital assets and assets constructed by the County were not properly recorded as placed into service in prior years.

Status: Corrective action implemented in the current year.

2016-006 – CASH

Condition: During our audit, it was discovered that one of the County's cash accounts had been included within both the general cash reconciliation and the cash with fiscal agent reconciliation as of June 30, 2016.

Status: Corrective action implemented in the current year.

2016-007 – PENSION LIABILITY AND RELATED DEFERRED INFLOWS AND OUTFLOWS

Condition: During our audit, it was noted that the County had over accrued their net pension liability and deferred inflows and outflows.

Status: Corrective action implemented in the current year.

**COUNTY OF SAN BENITO
SUPPLEMENTARY SCHEDULE OF THE DEPARTMENT OF
COMMUNITY SERVICES AND DEVELOPMENT
STATEMENT OF REVENUES AND EXPENDITURES
(SEE INDEPENDENT AUDITORS' REPORT, PAGES 1 AND 2)**

**CSD Contract No. 16F-5552 (CSBG – \$32,078)
For the Period June 1, 2016 through May 31, 2017**

	July 1, 2016 through May 31, 2017	Total Audited Costs	Total Reported Expenses	Total Budget
REVENUE				
Grant Revenue	\$ 32,078	\$ 32,078		\$ -
Total Revenue	32,078	32,078		-
EXPENDITURES				
Administration:				
Other Costs	32,078	32,078	-	32,078
Subtotal	32,078	32,078	-	32,078
Total Expenditures	32,078	32,078	\$ -	32,078
REVENUE OVER (UNDER) COSTS	\$ -	\$ -		\$ (32,078)

COUNTY OF SAN BENITO
SUPPLEMENTARY SCHEDULE OF THE DEPARTMENT OF
COMMUNITY SERVICES AND DEVELOPMENT
STATEMENT OF REVENUES AND EXPENDITURES
(SEE INDEPENDENT AUDITORS' REPORT, PAGES 1 AND 2)

CSD Contract No. 16F-5534 (CSBG – \$105,113)
For the Period July 1, 2016 through June 30, 2017

	July 1, 2016 through Dec. 31, 2016	January 1, 2017 through June 30, 2017	Total Audited Costs	Total Reported Expenses	Total Budget
REVENUE					
Grant Revenue	\$ 197,347	\$ 69,292	\$ 266,639		\$ -
Total Revenue	<u>197,347</u>	<u>69,292</u>	<u>266,639</u>		<u>-</u>
EXPENDITURES					
Administration:					
Salaries and Wages	21,733	5,587	27,320	\$ 27,320	27,053
Fringe Benefits	8,135	2,060	10,195	10,195	13,256
Operating Expenses	<u>3,771</u>	<u>26,876</u>	<u>30,647</u>	<u>30,647</u>	<u>27,896</u>
Subtotal Administrative Costs	<u>33,639</u>	<u>34,523</u>	<u>68,162</u>	<u>68,162</u>	<u>68,205</u>
Program Costs:					
Salaries and Wages	48,374	35,004	83,378	83,378	80,384
Fringe Benefits	15,655	11,632	27,287	27,287	34,179
Operating Expenses	20,898	14,694	35,592	35,592	36,371
Other Costs	<u>42,962</u>	<u>9,260</u>	<u>52,222</u>	<u>52,222</u>	<u>47,500</u>
Subtotal Program Costs	<u>127,889</u>	<u>70,590</u>	<u>198,479</u>	<u>198,479</u>	<u>198,434</u>
Total Expenditures	<u>161,528</u>	<u>105,113</u>	<u>266,641</u>	<u>\$ 266,641</u>	<u>266,639</u>
REVENUE OVER (UNDER) COSTS	<u>\$ 35,819</u>	<u>\$ (35,821)</u>	<u>\$ (2)</u>		<u>\$ (266,639)</u>

**COUNTY OF SAN BENITO
SUPPLEMENTARY SCHEDULE OF THE DEPARTMENT OF
COMMUNITY SERVICES AND DEVELOPMENT
STATEMENT OF REVENUES AND EXPENDITURES
(SEE INDEPENDENT AUDITORS' REPORT, PAGES 1 AND 2)**

**CSD Contract No. 15B-3031 (LIHEAP – \$4,884)
For the Period January 1, 2015 through December 31, 2016**

	Jan. 1, 2015 through June 30, 2015	July 1, 2015 through Dec. 31, 2016	Jan. 1, 2016 through June 30, 2016	July 1, 2016 through Dec. 31, 2016	Total Audited Costs	Total Reported Expenses	Total Budget
REVENUE							
Grant Revenue	\$ 56,292	\$ 35,087	\$ 14,339	\$ 4,884	\$ 110,602	\$ 110,602	\$ 110,602
Total Revenue	<u>56,292</u>	<u>35,087</u>	<u>14,339</u>	<u>4,884</u>	<u>110,602</u>	<u>110,602</u>	<u>110,602</u>
EXPENDITURES							
Administration:							
Administrative Costs	13,738	3,848	992	-	18,578	18,578	18,578
Subtotal Administration	<u>13,738</u>	<u>3,848</u>	<u>992</u>	<u>-</u>	<u>18,578</u>	<u>18,578</u>	<u>18,578</u>
Program Costs:							
Assurance 16	12,486	16,303	109	-	28,898	28,898	28,898
Intake	11,416	17,442	-	-	28,858	28,858	28,858
Outreach	10,856	7,103	77	-	18,036	18,036	18,036
Training and Technical Assistance	5,880	1,312	22	-	7,214	7,214	7,214
SWEATS	-	-	-	4,884	4,884	4,884	4,884
WPO	2,191	939	1,004	-	4,134	4,134	4,134
Subtotal Program Costs	<u>42,829</u>	<u>43,099</u>	<u>1,212</u>	<u>4,884</u>	<u>92,024</u>	<u>92,024</u>	<u>92,024</u>
Total Expenditures	<u>56,567</u>	<u>43,099</u>	<u>2,204</u>	<u>4,884</u>	<u>110,602</u>	<u>\$ 110,602</u>	<u>110,602</u>
REVENUE OVER (UNDER) COSTS							
	<u>\$ (275)</u>	<u>\$ (8,012)</u>	<u>\$ 12,135</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>