

COUNTY OF SAN BENITO
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2018



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**COUNTY OF SAN BENITO
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YEAR ENDED JUNE 30, 2018**

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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, the discretely presented component unit, 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, 2018, 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 29, 2019. 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, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 that we consider to be significant deficiencies.

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*.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 29, 2019



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, 2018. 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 First 5 San Benito for the year ended June 30, 2018, a discretely presented component unit which may have received federal awards, and which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2018. Our audit described below did not include the operations of this entity. Other auditors were engaged to perform the audit of the First 5 San Benito, if required, in accordance with Uniform Guidance.

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, 2018.

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 2018-003. Our opinion on each major program is not modified with respect to this matter.

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 2018-003, 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, 2018, and have issued our report thereon dated March 29, 2019, 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 29, 2019

COUNTY OF SAN BENITO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

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	17-8506-1211-CA	\$ 17,277	\$ -
Asian Citrus Psyllid (ACP)	10.025	18-8506-1211-CA	40,166	-
Pierce's Disease/GWSS	10.025	16-8506-0484-CA	10,316	-
Light Brown Apple Moth	10.025	17-8506-1164-CA	7,609	-
Pest Detection	10.025	AP17PPQFO000C108	29,510	-
European Grapevine Moth	10.025	17-8506-1317-CA	11,291	-
European Grapevine Moth	10.025	18-8506-1317-CA	13,486	-
Sudden Oak Death	10.025	17-8506-0572-CA	174	-
Subtotal - CFDA 10.025			129,829	-
Passed through the State Department of Public Health/County of Monterey:				
Supplemental Nutrition Assistance Program Education	10.561	A-12642	199,025	-
Passed through State Department of Social Services:				
State Administrative Matching Grants for the SNAP - CalFresh	10.561		1,203,093	-
State Administrative Matching Grants for the SNAP - CalFresh	10.561		158	-
State Administrative Matching Grants for the SNAP - CalFresh Employment & Training	10.561		16,531	-
State Administrative Matching Grants for the SNAP - CalFresh Employment & Training Enhanced	10.561		15,840	-
State Administrative Matching Grants for the SNAP - CalFresh Employment & Training Support Services	10.561		1,292	-
Subtotal - SNAP Cluster			1,435,939	-
Total U.S. Department of Agriculture			\$ 1,565,768	\$ -
<u>U.S. Department of Housing and Urban Development</u>				
Direct Program:				
Helping Hands	14.267	CA1072L9T061604	197,091	-
Passed through State Department of Housing and Community Development:				
Community Development Block Grant/State Program	14.228	16-CDBG-11153	410,463	-
Community Development Block Grant/State Program	14.228	14-CDBG-9898	560,624	-
Subtotal - CDBG Cluster			971,087	-
Home Investment Partnership Program (outstanding loan)	14.239		1,652,444	-
Passed through City of San Jose:				
HOPWA	14.241	HOP-15-002A	32,244	-
Passed through City of Salinas:				
ESG	14.231	ESG	132,726	-
Total U.S. Department of Housing and Urban Development			\$ 2,985,592	\$ -

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, 2018

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	2017-39	\$ 5,789	\$ -
Domestic Cannabis Eradication/Suppression Program	16.111	2018-37	3,617	-
Subtotal - CFDA 16.111			9,406	-
Passed through Board of State and Community Corrections:				
Justice Assistance Grant	16.738	637-16	96,352	-
Passed through the Governor's Office of Emergency Services:				
Crime Victim Assistance (VOCA)	16.575	VW 16-33-0350	77,905	-
Crime Victim Assistance (VOCA)	16.575	VW 17-34-0350	74,981	-
Crime Victim Assistance (XC)	16.575	VW 16-01-0350	81,498	-
Subtotal - CFDA 16.575			234,384	-
Total U.S. Department of Justice			\$ 340,142	\$ -
<u>U.S. Department of Labor</u>				
Passed through the City of Sunnyvale:				
WIOA - NOVA	17.258	K8106650	12	-
Passed through State Employment Department:				
WIOA - Adult 201	17.258	K8106658	24,984	-
WIOA - Adult 202	17.258	K7102062	22,848	-
WIOA - Adult 202	17.258	K8106658	155,243	-
WIOA - Youth 301	17.259	K7102062	45,512	-
WIOA - Youth 301	17.259	K8106658	106,786	-
WIOA - Dislocated Worker 501	17.278	K8106658	33,749	-
WIOA - Dislocated Worker 502	17.278	K7102062	54,471	-
WIOA - Dislocated Worker 502	17.278	K8106658	133,002	-
WIOA - Rapid Response 540	17.278	K8106658	15,604	-
WIOA - Rapid Response 541	17.278	K7102062	4,434	-
WIOA - Rapid Response 541	17.278	K8106658	33,988	-
WIOA - Lay Off Aversion 292 & 293	17.278	K7102062	29,437	-
WIOA - Lay Off Aversion 292 & 293	17.278	K8106658	5,575	-
Subtotal - WIA Cluster			665,645	-
Total U.S. Department of Labor			\$ 665,645	\$ -
<u>U.S. Department of Transportation</u>				
Passed through the State Department of Transportation:				
Highway Planning and Construction - FHWA	20.205	BRLO-5943(063)	61,263	-
Highway Planning and Construction - FHWA	20.205	BRLS-5943(062)	76,298	-
Highway Planning and Construction - FHWA	20.205	BRLS-5943(043)	74,343	-
Highway Planning and Construction - FHWA	20.205	BRLS-5943(056)	18,543	-
Highway Planning and Construction - FHWA	20.205	BRLO-5943(054)	16,096	-
Highway Planning and Construction - FHWA	20.205	BRLO-5943(055)	74,845	-
Highway Planning and Construction - FHWA	20.205	STPLX-5943(057)	79,759	-
Highway Planning and Construction - FHWA	20.205	BRLO-NBIL(531)	18,367	-
Subtotal - CFDA 20.205			419,514	-
Passed through the State Department of Transportation:				
State and Community Highway Safety	20.600	PS18025	15,483	-
Total U.S. Department of Transportation			\$ 434,997	\$ -
<u>Internal Revenue Service</u>				
Direct Program:				
Volunteer Income Tax Assistance (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, 2018

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		\$ 694,067	\$ -
Adoption Eligibility (Adoption Assistance)	93.659		28,335	-
Adoption SS Admin	93.659		1,157	-
Subtotal - CFDA 93.659			723,559	-
CalWorks/Temporary Assistance for Needy Families (TANF)	93.558		646,386	-
Child Welfare Services TANF Program	93.558		242,636	-
Calworks CEC Programs	93.558		2,170,538	-
CalWorks Migration	93.558		164	-
Subtotal - TANF Cluster			3,059,724	-
Foster Care (Title IV-E)	93.658		37,523	-
Foster Care Assistance (Title IV-E)	93.658		288,625	-
Child Welfare Services IV-E (Title IV-E)	93.658		468,379	-
Commercially Sexually Exploited Children (Title IV-E)	93.658		20,554	-
Non CWS Allocation (Title IV-E)	93.658		39,488	-
Continuum of Care Reform (Title IV-E)	93.658		135,283	-
Statewide Automated Child Welfare Information System (Title IV-E)	93.658		9,040	-
Subtotal - CFDA 93.658			998,892	-
Social Services Block Grant (Title XX)	93.667		51,576	-
Social Services Block Grant Funding Augmentation (Title XX)	93.667		92,568	-
Subtotal - CFDA 93.667			144,144	-
Guardianship Assistance Program	93.090		16,141	-
Stephanie Tubbs Jones Child Welfare Services Program (CWS IV-B)	93.645		50,594	-
Chafee Foster Care Independence Program (Independent Living)	93.674		20,121	-
Promoting Safe and Stable Families	93.556		42,210	-
Passed through the State Department of Public Health:				
CDC Public Health Emergency Preparedness (PHEP)	93.069	17-10185	113,452	-
Hospital Preparedness Program (HPP)	93.889	17-10185	102,678	-
Cities Readiness Initiative (CRI)	93.074	17-10185	6,004	-
Immunization Assistance Program (IAP/IZ)	93.268	17-10342	30,183	-
Maternal, Child and Adolescent Health (MCAH)	93.994	201735	196,888	-
Passed through the State Department of Health Care Services:				
California Children's Services (CCS)	93.767		115,321	-
Child Health and Disability Prevention (CHDP)	93.767	17-52411-1840-741-03	92,770	-
Health Care Program ofr Children in Foster Care (HCPCFC)	93.767	17-52509-1840-741-03	14,130	-
Subtotal - CFDA 93.767			222,221	-
In-Home Supportive Services Program	93.778		208,857	-
Medical Assistance Program (WPC)	93.778		239,293	-
Medical Assistance Program	93.778		1,155,722	-
Subtotal - Medicaid Cluster			1,603,872	-
Passed through the State Department of Child Support Services:				
Child Support Enforcement	93.563		1,077,630	-

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, 2018

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	17-94152	\$ 518,852	\$ -
Passed through State Community Services Development Department:				
Low Income Housing Energy Assistance Program	93.568	16B-4030	2,822	-
Low Income Housing Energy Assistance Program	93.568	17B-3030	80,763	-
Low Income Housing Energy Assistance Program	93.568	18B-3030	53,044	-
Subtotal - CFDA 93.568			<u>136,629</u>	<u>-</u>
Community Services Block Grant	93.569	18B-5034	160,222	-
Community Services Block Grant	93.569	17F-2034	111,418	-
Subtotal - CFDA 93.569			<u>271,640</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>\$ 9,335,434</u>	<u>\$ -</u>
<u>Executive Office of the President</u>				
Passed through County of San Mateo				
High Intensity Drug Trafficking Areas Program (HIDTA)	95.001		10,990	-
Total U.S. Department of Labor			<u>\$ 10,990</u>	<u>\$ -</u>
<u>U.S. Department of Homeland Security</u>				
Passed through the State Governor's Office of Emergency Services:				
FED-HSGP - Homeland Security Grant Program	97.067	2017-0083	23,663	-
FED-HSGP - Homeland Security Grant Program	97.067	2016-00102	65,812	-
FED-HSGP - Homeland Security Grant Program	97.067	2015-00078	49,504	-
Subtotal - CFDA 97.067			<u>138,979</u>	<u>-</u>
Federal Emergency Management Agency	97.036	PW 562	49,980	-
FED-EMPG - Emergency Management Performance Grant	97.042	2017-0007	106,686	-
Total U.S. Department of Homeland Security			<u>\$ 295,645</u>	<u>\$ -</u>
Total Expenditures of Federal Awards			<u>\$ 15,641,263</u>	<u>\$ -</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, 2018**

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, 2018. 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 2018 *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, 2018 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	\$1,622,819	\$1,652,444

COUNTY OF SAN BENITO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2018

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, 2018**

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? _____ yes x 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
14.228	Community Development Block Grant
93.558	Temporary Assistance for Needy Families
93.658	Foster Care Title IV-E
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, 2018

Section II – Financial Statement Findings

2018 – 001 Unrecorded Liability

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: During our audit, CLA noted that a disbursement for a paid settlement was not recorded in the correct period under audit.

Criteria: Generally accepted accounting principles (GAAP) requires that expenditures be recorded during the period in which the goods or services are received. A settlement agreement was approved during the period under audit, thus the liability and expense should have been recognized during the fiscal year.

Context: While performing audit procedures, CLA noted a disbursement made subsequent to the audit period ending date that was not recorded in the correct period. The disbursement was for a settlement that was approved during the fiscal year under audit, but was not disbursed until the subsequent period. Thus an accrued liability and expense should have been recorded for this disbursement.

Effect: As a result of this condition, an audit adjustment for \$263,000 was recorded to increase the general fund for accounts payable and non-payroll expenses as these balances were understated.

Cause: Due to the nature of the disbursement being a confidential settlement, the County staff did not correctly identify the disbursement as a liability and expense that needed to be recognized during the fiscal year 2017/18.

Repeat Finding: Not a repeat finding.

Recommendation: CLA recommends the County review all disbursements subsequent to the audit period ending date to ensure the year-end accounts payable and expense balances are complete.

Views of responsible officials and planned corrective actions: There is not disagreement with the audit finding. The County will implement procedures to work closely with the County Counsel's office to inquire about any potential legal and confidential settlements.

2018 – 002 Accrued Liabilities

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: During our audit it was noted an understatement in accrued liabilities and cash for the County year-end payroll accrual.

Criteria: Generally accepted accounting principles (GAAP) requires that expenditures be recorded during the period in which the goods or services are received. The County had recorded the year end

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YEAR ENDED JUNE 30, 2018

payroll accrual for final pay period of the fiscal year, but CLA noted entries were recorded subsequent to the payroll accrual which prematurely relieved a significant portion of the payroll accrual.

Context: While performing audit procedures, CLA noted the payroll accrual appeared to be understated. After inquiry and review of entries recorded into the liability accounts, it was noted that an entry recorded to 6/30/18 prematurely relieved a significant portion of the accrued payroll.

Effect: As a result of this condition, an audit adjustment for \$758,017 was recorded to correct the accrued payroll liability and cash balances as these balances were understated.

Cause: During the payroll processing, the County's financial system automatically records the entries to debit the payroll liability account and credit cash on the last day of the pay period, rather than the check issuance date. In FY 17/18, the last day of the pay period occurred in the month of June, creating a reduction of the payroll liability and cash in the wrong fiscal year.

Repeat Finding: Not a repeat finding.

Recommendation: CLA recommends the County review all asset and liability accounts subsequent to the audit period ending date to ensure the year-end account balances are complete.

Views of responsible officials and planned corrective actions: There is not disagreement with the audit finding. The County will implement procedures to review all system-generated accrual journal entries to ensure accurate year-end account balances. The County will pursue recommendations of software upgrades to ensure accurate automated system journal entries for payroll processing.

Section III – Findings and Questioned Costs – Major Federal Programs

2018-003 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, 2017 – June 30, 2018

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

Condition: During our testing, we noted that three (3) 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 three (3) out of our

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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 a repeat finding from the prior year.

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.

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CSD Contract No. 17F-2034 (CSBG – \$111,418)
For the Period January 1, 2017 through December 31, 2017

	January 1, 2017 through June 30, 2017	July 1, 2017 through December 31, 2017	Total Audited Costs	Total Reported Expenses	Total Budget
REVENUE					
Grant Revenue	\$ 189,777	\$ 76,862	\$ 266,639		\$ -
Total Revenue	<u>189,777</u>	<u>76,862</u>	<u>266,639</u>		<u>-</u>
EXPENDITURES					
Administration:					
Salaries and Wages	19,823	8,758	28,581	\$ 28,581	27,053
Fringe Benefits	6,471	4,724	11,195	11,195	13,256
Operating Expenses	<u>17,333</u>	<u>7,757</u>	<u>25,090</u>	<u>25,090</u>	<u>27,896</u>
Subtotal Administrative Costs	43,627	21,239	64,866	64,866	68,205
Program Costs:					
Salaries and Wages	37,119	47,797	84,916	84,916	80,384
Fringe Benefits	12,082	15,773	27,855	27,855	34,179
Operating Expenses	15,723	23,195	38,918	38,918	36,371
Other Costs	<u>46,670</u>	<u>3,414</u>	<u>50,084</u>	<u>50,084</u>	<u>47,500</u>
Subtotal Program Costs	<u>111,594</u>	<u>90,179</u>	<u>201,773</u>	<u>201,773</u>	<u>198,434</u>
Total Expenditures	<u>155,221</u>	<u>111,418</u>	<u>266,639</u>	<u>\$ 266,639</u>	<u>266,639</u>
REVENUE OVER (UNDER) COSTS	<u>\$ 34,556</u>	<u>\$ (34,556)</u>	<u>\$ -</u>		<u>\$ (266,639)</u>

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**CSD Contract No. 16B-4030 (LIHEAP – \$2,882)
For the Period January 1, 2016 through December 31, 2017**

	Jan. 1, 2016 through June 30, 2016	July 1, 2016 through Dec. 31, 2016	Jan. 1, 2017 through June 30, 2017	July 1, 2017 through Dec. 31, 2017	Total Audited Costs	Total Reported Expenses	Total Budget
REVENUE							
Grant Revenue	\$ 46,009	\$ 28,592	\$ 34,153	\$ 2,822	\$ 111,576	\$ 111,576	\$ 111,576
Total Revenue	<u>46,009</u>	<u>28,592</u>	<u>34,153</u>	<u>2,822</u>	<u>111,576</u>	<u>111,576</u>	<u>111,576</u>
EXPENDITURES							
Administration:							
Administrative Costs	9,432	7,658	1,528	-	18,618	18,618	18,618
Subtotal Administration	<u>9,432</u>	<u>7,658</u>	<u>1,528</u>	<u>-</u>	<u>18,618</u>	<u>18,618</u>	<u>18,618</u>
Program Costs:							
Assurance 16	12,991	10,356	5,743	-	29,090	29,090	29,090
Intake	20,259	7,889	691	-	28,839	28,839	28,839
Outreach	582	10,664	6,543	236	18,025	18,025	18,025
Training and Technical							
Assistance	754	3,870	-	2,586	7,210	7,210	7,210
SWEATS	-	4,893	-	-	4,893	4,893	4,876
WPO	1,991	931	1,979	-	4,901	4,901	4,918
Subtotal Program Costs	<u>36,577</u>	<u>38,603</u>	<u>14,956</u>	<u>2,822</u>	<u>92,958</u>	<u>92,958</u>	<u>92,958</u>
Total Expenditures	<u>46,009</u>	<u>38,603</u>	<u>16,484</u>	<u>2,822</u>	<u>111,576</u>	<u>\$ 111,576</u>	<u>111,576</u>
REVENUE OVER							
(UNDER) COSTS	<u>\$ -</u>	<u>\$ (10,011)</u>	<u>\$ 17,669</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>