COUNTY OF PLACER REPORTS REQUIRED BY OMB CIRCULAR A-133 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
U.S. Department of Agriculture			
Passed through State Department of Social Services:			
Food Stamps Benefits	10.551		\$ 8,317,543
Food Stamps Administration	10.561		1,252,913
Subtotal - Food Stamps Cluster			9,570,456
Passed through State Department of Education:			
School Nutrition Program	10.555		69,386
Passed through State Department of Health Services:			
WIC Supplemental Food Program	10.557	02-25001 A04	608,872
Passed through State Department of Forestry and Fire Protection:			
Volunteer Fire Assistance	10.664	7CA54469	7,324
Volunteer Fire Assistance	10.664	7CA54470	3,850
Subtotal			11,174
Direct:			
Rural Development, Forestry, and Communities	10.672		1,569,002
Total U.S. Department of Agriculture			11,828,890
U.S. Department of Commerce			
Passed through State Department of Fish and Game:			`
Habitat Conservation Plan	11.463		7,877
U.S. Department of Housing and Urban Development			
Passed through Sacramento County:			
Housing Opportunities for People with AIDS	14.241		29,311
Passed through State Department of Housing and			
Community Development:			
Community Development Block Grant	14.228	04-EDBG-1162	247,699
Community Development Block Grant	14.228	05-PTAA-1464	33,665
Community Development Block Grant	14.228	05-STBG-1547	190,242
Community Development Block Grant	14.228	05-STBG-1548	89,176
Community Development Block Grant	14.228	04-STBG-1923	90,095
Community Development Block Grant	14.228	04-STBG-1922	14,253
Subtotal			665,130
HOME Investment Partnership Program	14.239	05-HOME-2123	319,936
Section 8 Housing Choice Vouchers	14.871		1,674,488

See accompanying notes to schedule of expenditures of federal awards

Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
D 10 10 10 10 10 10 10 10 10 10 10 10 10			
Passed through State Department of Mental Health:			
Supportive Housing	14.235		269,915
Shelter Plus Care	14.238		33,614
Total U.S. Department of Housing and Urban Development			2,992,394
U.S. Department of Justice			
Direct:			
COPS Technology Grant	16.710	2002CKWX0029	114,559
COPS Technology Grant	16.710	2003CKWX0282	565,210
COPS Technology Grant	16.710	2004CKWX0050	161,347
COPS Technology Grant	16.710	2005CKWX0065	980
COPS Technology Grant	16.710	2006CKWX0293	70,944
Subtotal			913,040
Justice Assistance Grant (Edward Byrne memorial)	16.738	2005DJBX1470	42,566
Passed through State Office of Emergency Services:			
Crime Victim Assistance:			
Victim Witness	16.575	VW06240310	83,141
Elder Abuse	16.575	SE06090310	110,000
Subtotal			193,141
Anti-Drug Enforcement Program	16.738	DC06170310	153,455
Total U.S. Department of Justice			1,302,202
U.S. Department of Labor Passed through Golden Sierra Training Agency:			
Workforce Investment Act/Rapid Response Grant	17.260	R760321	15 (07
workloree investment Act Rapid Response Grant	17.200	K/60321	15,697
U.S. Department of Transportation Direct:			
Federal Transit - Capital Investment Grants (Section 5309)	20.500	CA-03-0560	47,315
Federal Transit - Capital Investment Grants (Section 5309)	20.500	CA-03-0652	105,146
Subtotal - FTA Cluster			152,461
Emergency Relief for Federally Owned Roads	20.999	DTFH68-07-E-00006	3,229,441
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205		6,286,087
Highway Planning and Construction	20.205	CML-5919(048)	32,406
Subtotal		51.12 5717(0·10)	6,318,493
			0,010,70

See accompanying notes to schedule of expenditures of federal awards

Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
Formula Grants for Other than Urbanized Areas (Section 5311) Formula Grants for Other than Urbanized Areas (Section 5311)	20.509 20.509	646109 646110	49,009
Subtotal	20.309	040110	158,266 207,275
Job Access Reverse Commute (Section 3037)	20.516	646656	30,000
Passed through Sacramento Regional Transit District:			
Job Access Reverse Commute (Section 3037)	20.516	CA-37-X065	13,870
Passed through State Office of Traffic Safety:	20.000	47.0014	
State and Community Highway Safety	20.600	AL0714	9,950
Total U.S. Department of Transportation			9,961,490
U.S. Secretary of State			
Passed through State Office of Secretary:			
Help America Vote Act Requirements Payments	90.401	06G30161	1,138,934
U.S. Department of Education			
Passed through State Department of Alcohol and Drug Programs:			
Special Education - Grants to States	84.027	04-14468-1031-01	1,032,811
•			
Safe and Drug Free Schools and Communities	84.186	SDF 03-10	65,134
Total U.S. Department of Education			1,097,945
U.S. Department of Health and Human Services			
Direct:			
Comprehensive Community Mental Health Services for			
Children with Serious Emotional Disturbances	93.104	5U79 SM57070-02	1,147,463
Passed through California Family Health Council:			
Family Planning Services	93.217		99,253
Passed through State Department of Social Services: Child Welfare Services	02.646		005.645
Cinid wentare services	93.645		207,647
Temporary Assistance for Needy Families (TANF) - Admin	93.558		8,314,137
Temporary Assistance for Needy Families (TANF) - Direct	93.558		7,907,502
Subtotal			16,221,639

Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
Foster Care - Administration	93.658		4,182,454
Foster Care - Direct	93.658		1,988,251
Subtotal			6,170,705
Promotion of Safe and Stable Families	93.556		123,150
Child Support Enforcement (Title IV-D)	93.563	4	4,076,393
Adoption Assistance - Administration	93.659		178,375
Adoption Assistance - Direct	93.659		1,557,902
Subtotal			1,736,277
Social Services Block Grant	93.667		1,504,315
Chafee Foster Care Independence Program	93.674		140,745
Passed through State Department of Community Services and Development:			
Community Services Block Grant Subtotal	93.569	06F-4733	152,978 152,978
Passed through State Department of Alcohol and Drug Program:			
Block Grant for Prevention and Treatment of			
Substance Abuse	93.959		1,648,924
U.S. Department of Health and Human Services	300303		1,010,021
Passed through State Department of Aging:			
Disease Prevention and Health Promotion Services	93.043	40-23-31-07	25,000
Passed through State Department of Mental Health:			
Block Grants for Community Mental Health Services	93.958		685,617
Passed through State Department of Health Services:			
Bioterrorism Training and Curriculum Development Program	93.996		766,142
Projects for Assistance in Transition from Homelessness	93.150		37,211
Childhood Lead Poisoning Prevention Program	93.197		8,757
Medical Assistance Program	93.778		2,114,262
Maternal and Child Health Service Block Grant	93.994		348,255

See accompanying notes to schedule of expenditures of federal awards

Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2007

	Federal	Pass-Through	
Fadaval Cwantay/Door Through Cwantay/Duaguan Title	CFDA Number	Grantor's Number	Disbursements/ Expenditures
Federal Grantor/Pass-Through Grantor/Program Title	Number	Number	Expenditures
Adolescent Family Life Demonstration Projects	93.995		207,171
Passed through State Office of Aids to the County of Sacramento:			
HIV Care Formula Grant - Ryan White Care Program	93.917	7275-06/07-706	203,365
Total U.S. Department of Health and Human Services			37,625,269
U.S. Department of Homeland Security			
Passed through State Office of Emergency Services:			
Emergency Management Performance Grant	97.042	2006-0008	21,106
Emergency Management Performance Grant	97.042	2007-06	64,625
Subtotal			85,731
Disaster Grant - Public Assistance - 05/06 Winter Storms	97.036	FEMA-1628-DR-CA	416,360
Passed through State Office of Homeland Security:			
State Domestic Preparedness Equipment Support Program	97.004	2004-45	381,858
State Homeland Security Grant (SHSP, LETPP & CCP)	97.067	2005-15	604,072
State Homeland Security Grant (SHSP, LETPP & CCP)	97.067	2005-15	163,128
Subtotal			767,200
Buffer Zone Protection Program	97.078	2005-68	139,131
Pre-disaster Mitigation Competitive Program	97.017	2005-0011	13,643
Direct:			
Assistance to Firefighters Grant	97.044	EMW-2004-FG-19492	945
Total U.S. Department of Homeland Security			1,804,868
Total Expenditures of Federal Awards			\$ 67,775,566

Notes to Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2007

Note 1: Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the County of Placer (County). The County's reporting entity is defined in Note 1 to the County's basic financial statements. Expenditures of federal awards received directly from federal agencies, as well as expenditures of federal awards passed through other governmental agencies, are included in the SEFA.

Note 2: Basis of Accounting

The accompanying SEFA is presented using the modified accrual basis of accounting for expenditures that are accounted for in governmental funds and the accrual basis of accounting for expenditures accounted for in proprietary funds, as described in Note 1 of the County's basic financial statements.

Note 3: Relationship to Financial Statements

Federal award expenditures reported in the accompanying SEFA agree, or can be reconciled, in all material respects, to amounts reported in the County's basic financial statements.

Note 4: Catalog of Federal Domestic Assistance (CFDA)

The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant or contract information and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

Note 5: Food Stamp Coupons

The County issued food stamp coupons valued at \$8,317,543 for the fiscal year ended June 30, 2007. This amount is for informational purposes only as the receipts and issuance of food stamp coupons are not recorded in the County's financial records.

Notes to Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2007

Note 6: <u>Subrecipients</u>

Of the federal expenditures presented in the SEFA, the County provided federal awards to the following subrecipients:

Federal CFDA	Subrecipient		Amount
93.917	Signa Foothilla Aida Farm dation	φ.	202.265
	Sierra Foothills Aids Foundation	\$	203,365
14.241	Sierra Foothills Aids Foundation		29,311
93.569	Salvation Army		27,235
93.569	Tahoe Women's Services		13,432
93.569	Truckee Tahoe Seniors Council		14,838
93.569	The Gathering Inn		29,100
93.569	The Lazarus Project		20,936
93.569	The Lighthouse Council		12,096
93.569	Peace for Families		13,331
	Total	_ \$_	363,644

Note 7: Pass-Through Entities' Identifying Number

When federal awards are received from a pass-through entity, the SEFA indicates, if assigned, the identifying grant or contract number that has been assigned by the pass-through entity.

Notes to Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2007

Note 8: <u>California Office of Emergency Services Grants</u>

The following represents expenditures for Office of Emergency Services (OES) programs for the fiscal year ended June 30, 2007. The amount reported in the SEFA is determined by calculating the federal portion of the current year expenditures.

Program	Y	r the Fiscal ear Ended ne 30, 2007		Federal Share	· 	State Share	County Share
DC06170310 - Anti-Drug Enforcement Personal services Operating expenses Totals	\$	131,942 21,513 153,455	\$ - \$	131,942 21,513	\$	-	\$ -
SE06090310 - Special Emphasis Victim Assistance Personal services Operating expenses Totals	\$	135,293 2,411 137,704	\$	153,455 110,000 - 110,000	\$ \$	- - -	\$ 25,293 2,411 27,704
VB06040310 - Vertical Prosecution Personal services VW06240310 - Victim Witness Assistance	_\$	179,461	_\$	-	<u>\$</u> _	179,461	\$
Personal services	\$	192,555	\$	83,141	\$	109,414	\$ -

Notes to Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2007

Note 9: <u>CSD Contract No. 06F-4733</u>

The following represents revenues and expenditures for the CSD contract number 06F-4733 for the period January 1, 2006 through December 31, 2006.

	t	ary 1, 2006 hrough e 30, 2006	ti	y 1, 2006 hrough ber 31, 2006		Totals	Total Budget
Revenue				,			
Grant Revenue	<u>\$</u>	111,585	\$	56,845		168,430	 173,556
Expenditures							
Personnel Costs							
Salaries and wages	\$	739	\$	1,334	\$	2,073	\$ 11,658
Fringe benefits		476		471		947	 8,442
Subtotal Personnel Costs		1,215		1,805		3,020	20,100
Non-Personnel Costs							
Operating expenses and supplies		6,397		503		6,900	9,900
Subcontractors		103,973		54,537	_	158,510	 143,556
Subtotal Non-Personnel Costs		110,370		55,040		165,410	153,456
Total Costs	\$	111,585	\$	56,845	\$	168,430	\$ 173,556

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Notes to Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2007

The following represents revenues and expenditures for the CSD contract number 06F-4733 for the period July 1, 2006 through December 31, 2006 (Grant 06F-4733 is a two-year grant with a total budget of \$347,112).

	January 1, 2007 through June 30, 2007		Total Budget		
Revenue		. ·			
Grant Revenue	\$	96,133	\$	173,556	
Expenditures					
Personnel Costs					
Salaries and wages	\$	8,998	\$	11,658	
Fringe benefits		2,074		8,442	
Subtotal Personnel Costs		11,072		20,100	
Non-Personnel Costs					
Operating Expenses and Supplies		8,630		9,900	
Subcontractors		76,431		143,556	
Subtotal Non-Personnel Costs		85,061		153,456	
Total Costs	\$	96,133	\$	173,556	



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Supervisors and Grand Jury County of Placer Auburn, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the County of Placer, California (the County), as of and for the fiscal year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies 07-1 and 07-2 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Board of Supervisors and Grand Jury County of Placer Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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*.

We also noted certain additional matters that we reported to the County's management in a separate letter dated March 3, 2008.

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County's management, Board of Supervisors, Grand Jury, federal awarding agencies, and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.

GILBERT ASSOCIATES, INC

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Sacramento, California

December 18, 2007

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Supervisors and Grand Jury County of Placer Auburn, California

Compliance

We have audited the compliance of the County of Placer (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the fiscal year ended June 30, 2007. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2007.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

Board of Supervisors and Grand Jury County of Placer Page 2

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the County as of and for the fiscal year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 18, 2007. Our audit was performed for the purpose of forming opinions on the County's basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the County's management, Board of Supervisors, Grand Jury, federal awarding agencies, and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.

GILBERT ASSOCIATES, INC

Sacramento, California

March 3, 2008,

except for the Schedule of Expenditures of Federal Awards, as to which the date is December 18, 2007.

Hilbert Ossociato, an.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS

SUMMER OF AUDITOR 5	KESUL15
Financial Statements	
Type of auditor's report issued:	Unqualified
Internal control over financial reporting: Material weakness(es) identified? Significant deficiency(s) identified not considered to be material weaknesses?	YesNoYesNone Reported
Noncompliance material to financial statements noted?	Yes ✓ _No
Federal Awards	
Internal control over major programs: Material weakness(es) identified? Significant deficiency(s) identified not considered to be material weaknesses?	Yes✓_NoYes✓_None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	YesNo
Identification of major programs	
CFDA Number(s)	Name of Federal Program or Cluster
93.558 90.401 20.999 20.205 14.871	Temporary Assistance for Needy Families (TANF) Help America Vote Act Requirements Payments Emergency Relief for Federally Owned Roads Highway Planning and Construction Section 8 Housing Choice Vouchers
Dollar threshold used to distinguish between Type A and Type B programs	\$ 2,033,267
Auditee qualified as low-risk auditee?	YesNo

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS

07-1 CONTRACTOR RETAINAGE PAYABLE

Condition:

During our testing of capital assets and payables, we noted the County's Road Fund did not record contractor retention payable for construction-in-progress and infrastructure construction projects unless it was paid to an escrow account. Adjustments to the special revenue road fund's financial statements were required to record contractor retention liabilities for projects not utilizing escrow accounts.

Under current auditing standards, we must consider whether adjustments generated through the auditing process are representative of a control deficiency in the County's ability to produce financial statements in accordance with generally accepted accounting principles. Although these adjustments were prepared by management, the identification of these discrepancies came through audit inquiry and is considered indicative of a significant deficiency in the reconciling process performed during the County's year-end close.

Recommendation:

We recommend the County establish and implement procedures to record retention payable for all construction projects as it is incurred, or at least at fiscal year-end. This includes requesting a statement from contractors at fiscal year-end of expenditures incurred so that any related construction cost retention payable may be recorded. In addition, we recommend that the Auditor-Controller's office review the existing closing and reconciliation processes with the County departments that frequently have construction activity.

Management Response:

We concur with the auditor's recommendations. The Auditor-Controller has already established and implemented procedures to record retention payable for all construction projects as it is incurred. New accounting procedures are currently being developed. It should be noted that the Department of Public Works did keep track of all contractor retentions in a master contract Excel workbook that enabled the Auditor-Controller to record accurately the contractor retentions in the general ledger. In addition, the Auditor-Controller has already reviewed our existing closing process and we have initiated new changes that will be rolled out to County departments in April 2008.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

07-2 DEFERRED REVENUE

Condition:

Due to prior year audit adjustments and the significance of deferred revenues and accounts receivable balances recorded in the County's financial statements, we considered these accounts to be of high risk and therefore revisited the revenue recognition accounting practices applied by the County to these accounts. Governmental agencies recognize revenue based on the type of revenue received, compliance requirements pertaining to the revenue, and the timing of the collection of payments to be received. In our examination of the June 30, 2007 deferred revenue and accounts receivable balances we found several instances when revenue had not been recognized for funding received with purpose restrictions. Under generally accepted accounting principles, revenues with purpose restrictions should be recognized in the fiscal year received and fund balance should be reserved for any unspent portions. Additionally, we found that revenue had been recognized for some receivables that would not be collected in the current period or within the County's availability period. Generally accepted accounting principles require that revenues only be recognized for receivables collected within these periods in governmental fund types. These understatements and overstatements of revenue resulted in audit adjustments to the special revenue road fund's financial statements.

Under current auditing standards, we must consider whether adjustments generated through the auditing process are representative of a control deficiency in the County's ability to produce financial statements in accordance with generally accepted accounting principles. Although these adjustments were prepared by management, the identification of these discrepancies came through audit inquiry and is considered indicative of a significant deficiency in the reconciling process performed during the County's year-end close.

Recommendation:

The close and reconciliation process of the County represents a significant internal control which should not require or rely on the additional level of control supplied by an audit. In fact, auditing standards specifically state that the audit cannot be considered part of an organization's control process. We recommend that the County review its existing procedures for its year-end deferred revenue reconciliation process and add procedures where necessary to strengthen the control process. Further, we recommend that the Auditor-Controller's Office consider providing additional training to County departments on governmental entity revenue recognition requirements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Management Response:

We disagree with the auditor's finding and recommendation. The Auditor-Controller currently provides extensive training to County departments on revenue recognition. Unfortunately, the higher-level accountants dealing with revenue recognition issues typically do not attend these training sessions. As a result, a different outreach to Departments is currently being evaluated by the Auditor-Controller.

Also, during the June 30, 2006 audit, the Auditor-Controller's Office flagged the deferred revenue account to the external auditors as a high-risk area at the Department of Public Works. It was then concluded at the end of this audit no adjustment was necessary. Accordingly, we dropped this account as being high-risk and moved onto other high-risk areas. Upon a 2nd review of this account during the June 30, 2007, the external auditors reversed their June 30, 2006 position and concluded the revenue should be recognized as there was only purpose restrictions associated with the funds received.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the current year.

STATUS OF PRIOR YEAR FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

		County
		Explanation
	Current	If Not
Recommendation	Status	Implemented

FEDERAL COMPLIANCE

06-1 ELIGIBILITY

We recommend that the County use the required IEVS in all eligibility determinations.

Implemented

06-2. SPECIAL TESTS

We recommend that the County implement policies and procedures to ensure that the required inspections are performed within the required time frame.

Implemented