

**MEMORANDUM
PLACER COUNTY AUDIT COMMITTEE**

TO: Honorable Board of Supervisors
FROM: Wayne Nader, Chair, Placer County Audit Committee *WNS*
DATE: July 9, 2013
SUBJ: Annual Report

ACTION REQUESTED

Receive the Annual Report of the Placer County Audit Committee (Committee).

BACKGROUND

In May 2008, your Board created the Placer County Audit Committee primarily in response to new auditing standards issued by the American Institute of Certified Public Accountants. For FY 2012-13, members of the Committee were Supervisor Jim Holmes, Supervisor Jack Duran and Wayne Nader, public member.

The purpose of the Committee is to assist your Board in fulfilling your oversight responsibilities by monitoring the financial reporting process, the overall systems of internal control and risk mitigation, compliance with laws and regulations, and the independence and performance of the County's internal and external auditors. To that end, the Committee is required to present annually to the full Board a written report of how it has discharged its duties and met its responsibilities.

REPORT

Over the past year the Committee met four times. At those meetings, Macias, Gini & O'Connell LLP, the external auditors, met with the Committee to discuss the audits being performed of the County: the Comprehensive Annual Financial Report, Single Audit, First 5 Commission, Placer County Flood Control and Water Conservation District, Mosquito and Vector Control District, Tahoe Area Regional Transit, Western Placer Waste Management Authority, Golden Sierra Job Training Agency, Placer County Public Financing Authority, and the Treasury Review Panel for the fiscal year ended June 30, 2012. Those discussions included information regarding the scope and timing of the audits, their understanding of the County's internal controls, significant accounting policies and their affect on the financial statements, and management's use of estimates in the financial statements. Macias, Gini & O'Connell LLP also reported that there were no serious difficulties encountered in performing the audits, no disagreements with management and no significant adjustments or disclosures not reflected in the financial statements.

The Committee reviewed and commented on the FY 2012-13 Audit Plan for the Internal Audit Division of the Auditor-Controller's Office.

The Assistant Auditor-Controller apprised the Committee of audit projects completed and in process and the resulting findings and recommendations. Projects included, but were not limited to, the following:

- Countywide tool reimbursement claims review
- Countywide boots reimbursement claims review
- Annual inventory reviews
- Credit card reviews (monthly monitoring and departmental audits)
- Quarterly Treasury reviews
- Confidential documents reviews
- Department head change audits
- District Attorney grant audit
- Six month follow-up reviews
- Countywide payroll/time entry review (and monthly monitoring)
- Transient Occupancy Tax reviews
- Workers' compensation third party administrator review
- Retail blanket purchase order reviews
- Newcastle Fire Protection District audit

CONCLUSION

Based on the conversations with Macias, Gini and O'Connell LLP and Auditor-Controller Management, the Committee believes that the County's system of internal controls is in place and operating effectively and its financial reporting processes are adequate to ensure the financial statements fairly present its financial position.

Copies of the County's Comprehensive Annual Financial Report have previously been submitted to your Board. Copies of the County's Single Audit Report and Report to the Board of Supervisors are included in this packet for your review. In addition, copies of all other audit reports issued by Macias, Gini and O'Connell or the Internal Audit Division have been presented to the Audit Committee and are available to the full Board upon request.

COUNTY OF PLACER, CALIFORNIA

Single Audit Reports
(OMB Circular A-133)

For the Fiscal Year Ended June 30, 2012

Certified Public Accountants.

**COUNTY OF PLACER, CALIFORNIA
SINGLE AUDIT REPORTS
(OMB CIRCULAR A-133)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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COUNTY OF PLACER, CALIFORNIA

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Direct:			
Lake Tahoe Erosion Control Grant Program	10.690	N/A	\$ 3,052,592
Passed through State Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	31 CEC	4,625,008
Passed through State Department of Public Health:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	11-10746	95,755
Subtotal - State Administrative Matching Grants for the SNAP			<u>4,720,763</u>
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	11-10083/11-10481	1,230,165
Passed through State Department of Education:			
National School Lunch Program	10.555	02118-SN-31-R	56,253
Passed through State Department of Food and Agriculture:			
ARRA - Plant and Animal Disease, Pest Control, and Animal Care			
European Grapevine Moth	10.025	10-8520-1317-CA	5,897
European Grapevine Moth	10.025	11-8520-1317-CA	4,946
Glassy-winged Sharpshooter	10.025	11-8500-0484-CA	69,833
Light Brown Apple Moth	10.025	10-8520-1164-CA	2,430
Light Brown Apple Moth	10.025	11-8520-1164-CA	3,195
Asian Citrus Psyllid	10.025	11-8520-1211-CA	3,554
Subtotal - ARRA - Plant and Animal Disease, Pest Control & Animal Care			<u>89,855</u>
ARRA - Wildland Fire Management			
Yellow Starthistle Leading Edge - Detection Control & Monitoring in Placer Co.	10.688	09-DG-11059702-021	11,573
Passed through subtotal			<u>6,108,609</u>
Total U.S. Department of Agriculture			<u>9,161,201</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct:			
Section 8 Housing Choice Vouchers	14.871	N/A	2,331,159
Passed through County of Sacramento:			
Housing Opportunities for Persons with AIDS	14.241	PLA-01-11	31,265
Passed through State Department of Housing and Community Development:			
Community Development Block Grants/Entitlement Grants	14.218	09-STBG-6412	16,136
Community Development Block Grants/Entitlement Grants	14.218	10-STBG-6733	101,602
Community Development Block Grants/Entitlement Grants	14.218	Loans with Continuing Compliance Requirements	1,916,727
Subtotal - Community Development Block Grants/Entitlement Grants			<u>2,034,465</u>
Supportive Housing Program	14.235	HUD-27053-A-63	299,927
Shelter Plus Care	14.238	HUD-27053-B-63	302,230
Home Investment Partnerships Program	14.239	10-HOME-6345	1,112,909
Home Investment Partnerships Program	14.239	10-HOME-6851	290,890
Home Investment Partnerships Program	14.239	Loans with Continuing Compliance Requirements	2,593,228
Subtotal - Home Investment Partnerships Program			<u>3,997,027</u>
Passed through subtotal			<u>6,664,914</u>
Total U.S. Department of Housing and Urban Development			<u>8,996,073</u>

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF PLACER, CALIFORNIA

Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of the Interior</u>			
Direct:			
Secure Rural Schools and Community Self-Determination	15.234	N/A	91,516
Fish and Wildlife Coordination Act	15.517	N/A	228,787
Direct Subtotal			320,303
Passed through State Department of Transportation:			
Southern Nevada Public Land Management	15.235	STPLER-5919 (054)	587,584
Total U.S. Department of the Interior			907,887
<u>U.S. Department of Justice</u>			
Direct:			
Public Safety Partnership and Community Policing Grants	16.710	2004CKWX0050	84,923
Public Safety Partnership and Community Policing Grants	16.710	2005CKWX0065	15,235
Public Safety Partnership and Community Policing Grants	16.710	2006CKWX0293	24,863
Public Safety Partnership and Community Policing Grants	16.710	2011UMX0026	22,827
Subtotal - Public Safety Partnership and Community Policing Grants			147,848
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2695	26,194
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-1383	19,686
Subtotal - Edward Byrne Memorial Justice Assistance Grant			45,880
Drug Enforcement Administration	16 unknown	2011-40	59,512
State Criminal Alien Assistance Program (SCAAP)	16.606	2011-AP-BX	120,580
Direct subtotal			373,820
Passed through California Emergency Management Agency:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	MS10010310	183,476
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC11220310	175,438
Edward Byrne Memorial Justice Assistance Grant Program	16.738	ZM09010570	40,700
Subtotal - Edward Byrne Memorial Justice Assistance Grant			399,614
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	ZP09010310	70,266
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	ZO 091010310	71,507
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	ZA 091010310	94,097
Subtotal - ARRA - Edward Byrne Memorial Justice Assistance Grant Program			235,870
Crime Victim Assistance:			
Victim Witness Program	16.575	VW11290310	93,471
Passed through subtotal			728,955
Total U.S. Department of Justice			1,102,775
<u>U.S. Department of Transportation</u>			
Direct:			
Federal Transit - Capital Investment Grants (Section 5309)	20.500	CA-03-0560	50,181
Federal Transit - Formula Grants (Section 5307)	20.507	CA-96-X054	558,000
ARRA - Federal Transit - Formula Grants (Section 5307)	20.507	CA-90-2014	15,758
Subtotal - Federal Transit Cluster			623,939
Paul S. Sarbanes Transit in the Parks	20.520	CA-20-X006	1,721,051
Direct subtotal			2,344,990

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF PLACER, CALIFORNIA

Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation (Continued)</u>			
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205	03-928899L	\$ 28,685,929
Highway Planning and Construction	20.205	03-928899L	97,158
ARRA - Highway Planning and Construction	20.205	03-928899L	62,087
Subtotal - Highway Planning and Construction			28,845,174
Formula Grants for Other than Urbanized Areas (Section 5311)	20.509	642157	40,862
Formula Grants for Other than Urbanized Areas (Section 5311)	20.509	642156	146,748
ARRA - Formula Grants for Other than Urbanized Areas (Section 5311)	20.509	641900	853,080
ARRA - Formula Grants for Other than Urbanized Areas (Section 5311)	20.509	649872	83,139
Subtotal			1,123,829
Passed through State of Nevada Department of Transportation:			
Formula Grants for Other than Urbanized Areas (Section 5311)	20.509	PR161-10-802	50,667
Formula Grants for Other than Urbanized Areas (Section 5311)	20.509	519-11-802	204,949
Subtotal			255,616
Subtotal - Formula Grants for Other than Urbanized Areas			1,379,445
Passed through State Office of Traffic Safety:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	20335	59,844
Passed through subtotal			30,284,463
Total U.S. Department of Transportation			32,629,453
<u>National Endowment for the Arts</u>			
Passed through State Library:			
Grants to States - The Placer Plan	45.310	40-7969	21,339
Grants to States - Digital Literacy	45.310	40-8017	5,000
Total National Endowment for the Arts			26,339
<u>U.S. Environmental Protection Agency</u>			
Direct:			
Surveys, Studies, Investigations and Special Purpose Grant	66.606	XP-98968901	612,226
Design and Construction Assistance - Wastewater Treatment Plant	66.418	134092	522,009
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-00T42601-0	175,974
Direct Subtotal			1,310,209
Passed through State Water Resources Control Board:			
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	C-06-6430-110	264,295
Total U.S. Environmental Protection Agency			1,574,504
<u>U.S. Department of Energy</u>			
Direct:			
Regional Biomass Energy Programs	81.079	DE-FG36-08GO88026	352,926
Passed through State Energy Commission:			
State Energy Program	81.041	400-10-004-01	173,179
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	CBG-09-006	556,782
Passed through subtotal			729,961
Total U.S. Department of Energy			1,082,887

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF PLACER, CALIFORNIA

Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed through State Department of Alcohol and Drug Programs:			
Special Education - Grants to States	84.027	04-14468-1031-01	107,537
<u>U.S. Secretary of State</u>			
Passed through California Secretary of State:			
Help America Vote Act Requirements Payments	90.401	09G30324	468
<u>U.S. Department of Health and Human Services</u>			
Direct:			
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	5U79 SM57070-06	291,375
Passed through California Secretary of State:			
Voting Access for Individuals with Disabilities - Grants to State	93.617	09G26101	25,147
Voting Access for Individuals with Disabilities - Grants to State	93.617	11G26128	706
Subtotal - Voting Access for Individuals with Disabilities - Grants to State			25,853
Passed through California Family Health Council:			
Family Planning Services	93.217	3003-5320-71209-10 & 3003-5320-71209-11	101,360
Drug Free Communities Support Program	93.276	1H79SP015810-01	125,000
Passed through State Department of Social Services:			
Guardianship Assistance	93.090	63 CEC	6,331
Temporary Assistance for Needy Families (TANF) - Admin	93.558	31 CEC	9,211,856
Temporary Assistance for Needy Families (TANF) - Direct	93.558	CA800-31	4,858,442
Subtotal - TANF			14,070,298
Child Support Enforcement (Title IV-D)	93.563	CS356-1-24	4,102,539
Refugee and Entrant Assistance - State Administered Programs	93.566	CA800-31	10,524
Promoting Safe and Stable Families (PSSF)	93.556	63 CEC	355,078
Stephanie Tubbs Jones Child Welfare Services Program	93.645	63 CEC	317,581
Foster Care (Title IV-E) - Administration	93.658	63 CEC	3,593,428
Foster Care (Title IV-E) - Direct	93.658	CA800-31	1,366,959
Subtotal - Foster Care (Title IV-E)			4,960,387
Adoption Assistance - Administration	93.659	63 CEC	151,993
Adoption Assistance - Direct	93.659	CA800-31	2,122,603
ARRA - Adoption Assistance	93.659	CA800-31	1,129
Subtotal - Adoption Assistance			2,275,725
Social Services Block Grant	93.667	63 CEC	1,255,721
Chafee Foster Care Independence Program	93.674	63 CEC	108,143
Passed through Dept Social Services subtotal			27,462,327
Passed through State Department of Community Services and Development:			
Community Services Block Grant	93.569	11F-4233	148,924
Community Services Block Grant	93.569	12F-4431	84,689
Subtotal - Community Services Block Grant			233,613
Passed through State Department of Alcohol and Drug Programs:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	10-NNA31	1,339,062
Passed through State Department of Mental Health:			
Projects for Assistance in Transition from Homelessness	93.150	MH 1784-63	35,263
Block Grants for Community Mental Health Services	93.958	MH 1784-63	611,778
Passed through State Department of Health Care Services:			
Medical Assistance Program - Administration	93.778	07-65603	6,703,472

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF PLACER, CALIFORNIA

Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Health and Human Services (Continued)</u>			
Passed through State Department of Public Health:			
Public Health Emergency Preparedness Program	93.069	EPO 10-31 & 11-31	579,954
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	10-95231	8,361
Immunization Cooperative Agreements	93.268	10-95231	91,146
National Bioterrorism Hospital Preparedness Program	93.889	EPO 11-31	210,537
Maternal and Child Health Service Block Grant to the States	93.994	10-95231	510,057
Adolescent Family Life Demonstration Projects	93.995	10-95231	158,230
Passed through State Dept of Public Health			1,558,285
Passed through the County of Sacramento:			
HIV Emergency Relief Project Grants	93.914	7275-07/12-706 A-6	125,629
Passed through subtotal			38,321,642
Total U.S. Department of Health and Human Services			38,613,017
<u>U.S. Department of Homeland Security</u>			
Passed through California Emergency Management Agency:			
Emergency Management Performance Grants 2010	97.042	2010-0044	45,432
Emergency Management Performance Grants 2011	97.042	EMW-2011-EP-00048	330,805
Subtotal - Emergency Management Performance Grants			376,237
State Homeland Security Program 2009 (HSGP)	97.067	2009-0019	329,655
State Homeland Security Program 2010 (HSGP)	97.067	2010-0085	121,773
State Homeland Security Program 2011 (HSGP)	97.067	2011-SS-0077	22,298
Subtotal - State Homeland Security Program (SHSP)			473,726
Buffer Zone Protection Program	97.078	2008-BZ-T8-0008	84,188
Total U.S. Department of Homeland Security			934,151
Total Expenditures of Federal Awards			\$ 95,136,292

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF PLACER, CALIFORNIA

Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

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 (the 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. Expenditures funded by the American Recovery and Reinvestment Act of 2009 are denoted by the prefix "ARRA" in the federal program title.

Note 2: Basis of Accounting

The accompanying SEFA is presented using the modified accrual basis of accounting for program expenditures 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: 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.

COUNTY OF PLACER, CALIFORNIA

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2012

Note 6: Program Totals

The SEFA does not summarize programs that cross agency funding. The following summarizes those programs that cross agency funding:

<u>CFDA No.</u>	<u>Program Name</u>	<u>Pass-Through Agency</u>	<u>Amount</u>
16.738	Edward Byrne Memorial Justice Assistance Grant Program	N/A Direct	\$ 26,194
16.738	ARRA- Edward Byrne Memorial Justice Assistance Grant Program	N/A Direct	19,686
16.738	Edward Byrne Memorial Justice Assistance Grant Program	California Emergency Management Agency	399,614
16.804	ARRA- Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	California Emergency Management Agency	<u>235,870</u>
	Justice Assistance Grant Program Cluster		<u>\$ 681,364</u>

COUNTY OF PLACER, CALIFORNIA

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2012

Note 7: California Emergency Management Agency (CalEMA) Grants

The following represents expenditures for the CalEMA programs for the fiscal year ended June 30, 2012. The amounts reported in the SEFA are determined by calculating the federal portion of the current year expenditures.

Program	Total	Expenditures Incurred For the Fiscal Year Ended June 30, 2012		
		Federal Share	State Share	County Share
Edward Byrne Memorial Justice Assistance Grant Program:				
<u>DC11220310 - Anti-Drug Enforcement</u>				
Personal services	\$ 157,869	\$ 157,869	\$ -	\$ -
Operating expenses	17,569	17,569	-	-
Totals	<u>\$ 175,438</u>	<u>\$ 175,438</u>	<u>\$ -</u>	<u>\$ -</u>
<u>MS10010310 - Marijuana Suppression Project</u>				
Personal services	\$ 144,857	\$ 144,857	\$ -	\$ -
Operating expenses	38,619	38,619	-	-
Totals	<u>\$ 183,476</u>	<u>\$ 183,476</u>	<u>\$ -</u>	<u>\$ -</u>
<u>ZM09010570 - Cal-Mmet Recovery and Cal-Mmet</u>				
Personal services	\$ 61,422	\$ 35,700	\$ 25,722	\$ -
Operating expenses	6,411	5,000	1,411	-
Totals	<u>\$ 67,833</u>	<u>\$ 40,700</u>	<u>\$ 27,133</u>	<u>\$ -</u>
<u>VB08060310 - Child Abuser Vertical Prosecution</u>				
Personal services	\$ 2,907	\$ -	\$ 2,907	\$ -

COUNTY OF PLACER, CALIFORNIA

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2012

Note 7: California Emergency Management Agency (CalEMA) Grants (continued)

Program	Total	For the Fiscal Year Ended June 30, 2012		
		Federal Share	State Share	County Share
ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government				
<u>ZP09010310 - Evidence Based Probation Supervision Program</u>				
Personal services	\$ 70,266	\$ 70,266	\$ -	\$ -
<u>ZO09010310 - Placer Offender Treatment Program</u>				
Personal services	\$ 40,224	\$ 40,224	\$ -	\$ -
Operating expenses	31,283	31,283	-	-
Totals	<u>\$ 71,507</u>	<u>\$ 71,507</u>	<u>\$ -</u>	<u>\$ -</u>
<u>ZA09010310 - ADA Enforcement Team Recovery Act Program</u>				
Personal services	\$ 12,322	\$ 12,322	\$ -	\$ -
Operating expenses	81,775	81,775	-	-
Totals	<u>\$ 94,097</u>	<u>\$ 94,097</u>	<u>\$ -</u>	<u>\$ -</u>
Crime Victim Assistance				
<u>VW11290310 - Victim Witness Assistance</u>				
Personal services	\$ 198,495	\$ 93,471	\$ 105,024	\$ -

COUNTY OF PLACER, CALIFORNIA

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2012

Note 8: Community Services Block Grants

The Department of Community Services and Development (CSD) of the State of California Health and Human Services Agency requires agencies that receive CSD funding to include with the single audit report certain revenue, expenditure, and budgetary information for each CSD award.

The following represents revenues and expenditures for the CSD contract number 11F-4233 for the fiscal year ended June 30, 2012.

	<u>Actual</u> January 1, 2011 through June 30, 2011	<u>Actual</u> July 1, 2011 through December 31, 2011	<u>Totals</u>	<u>Budget</u>
<u>Revenue</u>				
Grant Revenue	\$ 107,826	\$ 148,924	\$ 256,750	\$ 257,060
<u>Expenditures</u>				
Personnel Costs:				
Salaries and wages	\$ 18,835	\$ 17,884	\$ 36,719	\$ 34,984
Fringe benefits	9,921	10,273	20,194	17,993
Total Personnel Costs	<u>28,756</u>	<u>28,157</u>	<u>56,913</u>	<u>52,977</u>
Non-Personnel Costs:				
Operating expenses and supplies	2,367	3,851	6,218	11,701
Subcontractors	76,703	116,916	193,619	192,382
Total Non-Personnel Costs	<u>79,070</u>	<u>120,767</u>	<u>199,837</u>	<u>204,083</u>
Total Costs	<u>\$ 107,826</u>	<u>\$ 148,924</u>	<u>\$ 256,750</u>	<u>\$ 257,060</u>

COUNTY OF PLACER, CALIFORNIA

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2012

Note 8: Community Services Block Grants (continued)

The following represents revenues and expenditures for the CSD contract number 12F-4431 for the fiscal year ended June 30, 2012.

	<u>Actual</u> January 1, 2012 through June 30, 2012	<u>Budget</u>
<u>Revenue</u>		
Grant Revenue	\$ 84,689	\$ 249,940
<u>Expenditures</u>		
Personnel Costs:		
Salaries and wages	\$ 13,999	\$ 30,431
Fringe benefits	5,836	12,586
Total Personnel Costs	<u>19,835</u>	<u>43,017</u>
Non-Personnel Costs:		
Operating expenses and supplies	2,867	10,593
Subcontractors	61,987	196,330
Total Non-Personnel Costs	<u>64,854</u>	<u>206,923</u>
Total Costs	<u>\$ 84,689</u>	<u>\$ 249,940</u>

COUNTY OF PLACER, CALIFORNIA

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2012

Note 9: Subrecipients

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

<u>CFDA Number</u>	<u>Program/Cluster Name</u>	<u>Amount</u>
14.241	Housing Opportunities for Persons with AIDS	\$ 31,265
93.569	Community Services Block Grant	178,903
93.914	HIV Emergency Relief Project Grants	125,629
97.067	State Homeland Security Program	167,794
97.078	Buffer Zone Protection Program	84,188

Note 10: Loan Programs

The County participates in certain federal award programs that sponsor revolving loan programs, which are administered by the County. These programs maintain servicing and trust arrangements with the County to collect loan repayments. The funds are returned to the programs upon repayment of the principal and interest and programs funded by these repayments are reported as expenditures in the Schedule. The federal government has imposed certain continuing compliance requirements with respect to the loans rendered under the programs. In accordance with Subpart B, Section 205 of the Office of Management and Budget Circular A-133, the County has reported the value of total outstanding and new loans made during the current year.

The following is a summary of the loan program balances and activities that have continuing compliance requirements at June 30, 2012.

<u>Program Title</u>	<u>CFDA Number</u>	<u>June 30, 2012 Loans Outstanding</u>	<u>Prior Year Loans With Continuing Compliance Requirements</u>	<u>Fiscal Year 2012 Loan Disbursements</u>
Community Development Block Grants	14.218	\$ 1,916,727	\$ 1,916,727	\$ -
Home Investment Partnership Program	14.239	3,950,081	2,593,228	1,356,853

Certified Public Accountants.

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Walnut Creek

Oakland

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

LA/Century City

Newport Beach

San Diego

Seattle

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited 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 Placer, California (the County), as of and for the fiscal year ended June 30, 2012, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 30, 2012. 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.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described as items 2012-A and 2012-B in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 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.

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*.

The County's response to the finding identified in our audit is 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 management, Board of Supervisors, Audit Committee, Grand Jury, others within the entity, and 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.

Macia Mini & O'Connell LLP

Sacramento, California
November 30, 2012

Certified Public Accountants.

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Walnut Creek

Oakland

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

LA/Century City

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San Diego

Seattle

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program, Internal Control Over Compliance and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133

Compliance

We have audited the County of Placer, California's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the fiscal year ended June 30, 2012. 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 of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-02, 2012-04, and 2012-05.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-01, 2012-02, 2012-03, 2012-04, 2012-05 and 2012-06. 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.

Schedule of Expenditures of Federal Awards

We have audited 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, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated November 30, 2012 which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The County's responses 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 responses and, accordingly, we express no opinion on the responses.

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

Macinnis & O'Connell LLP

Sacramento, California
March 22, 2013

COUNTY OF PLACER, CALIFORNIA

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
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 section 510(a) of Circular A-133?	Yes

COUNTY OF PLACER, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2012

Section I -- Summary of Auditor's Results (continued)

Identification of major programs:

<u>Program Title</u>	<u>CFDA Number</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561
Lake Tahoe Erosion Control Grant Program	10.690
Home Investment Partnership Program	14.239
ARRA and non-ARRA Highway Planning and Construction	20.205
ARRA and non-ARRA Formula Grants for Other Than Urbanized Areas	20.509
ARRA – Energy Efficiency and Conservation Block Grant	81.128
Temporary Assistance for Needy Families (TANF)	93.558
Medical Assistance Program – Administration	93.778
Dollar threshold used to distinguish between Type A and Type B programs:	\$2,854,089
Auditee qualified as low-risk auditee?	Yes

COUNTY OF PLACER, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2012

Section II – Financial Statement Findings

Item #2012-A– Loans to Property Owners Reconciliation

CONDITION

During our testing of loan receivables being reported in the Nonmajor Special Revenue Fund- Community Revitalization Fund, we noted the loans recorded in the County’s subsidiary ledger were not being reconciled to the general ledger, resulting in new loans issued in FY 2012 not being reflected in the general ledger. Effective internal controls would require the reconciliation of the subsidiary ledger to the general ledger for significant financial statement amounts.

CAUSE

Based on our current year observations, it appears that there was insufficient communications within County departments relating to the responsibility of monitoring the loan activity. In prior years, the loan activity was monitored by personnel of the County’s former redevelopment agency. However, due to the dissolution of California Redevelopment agencies, these responsibilities were transferred to a County department. This communication issue led to the new loans recorded not properly being recorded in the County’s general ledger.

EFFECT

As of June 30, 2012, the County had \$513,537 in new loans that were not initially recorded in the County’s general ledger.

RECOMMENDATION

The County should improve upon the procedures involving the reconciliation of the loan subsidiary ledger to the general ledger and strengthen the oversight and monitoring procedures, ensuring accurate reconciliations are being performed in a timely manner.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Management concurs with the auditor’s recommendation. The County Auditor-Controller will be strengthening its year-end closing processes to ensure subsidiary ledgers are reconciled to the general ledger.

COUNTY OF PLACER, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2012

Item #2012-B- Intergovernmental Revenue/Due from Other Government

CONDITION

During our testing of Intergovernmental Revenue in the Low & Moderate Income Housing Asset Fund, we noted a double recording of revenue relating to the same transaction. This fund recognizes revenue relating to draw down requests on a grant awarded by the State of California. When the County submits a draw down request, the County recognizes revenue and a due from other government. Once the cash draw is received, the County will increase their cash balance and reduce the due from other government account balance. However, for one transaction selected for testing, we noted the County recognized revenue when it submitted its draw down request and subsequently recorded revenue again when the draw down request was received, rather than reduce the established due from other government balance. As a result, revenue was overstated by \$866,430 and the corresponding due from other government was not reduced by the same amount.

During our testing of Due from Other Governments, we noted that the County did not record revenue or a due from other government amount during the initial draw down request. However, when the County received the funds relating to the draw down request, an entry to reduce the due from other government account balance for the transaction above was made in the amount of \$731,996. As a result of this transaction, revenue was understated by \$731,996.

CAUSE

Based upon our current year observations, it appears the County's Community Development Resource Agency, which is primarily responsible for maintaining the ledgers for the Low & Moderate Income Housing Asset Fund, was not fully trained to perform the additional work it was assigned. In prior years, the grant processes related to this activity were reconciled by personnel of the County's former redevelopment agency. Furthermore, there does not appear to be a proper level of supervisory review sufficient enough to ensure transactions being posted to the general ledger are accurate and complete.

EFFECT

The condition discussed above, resulted in an overstatement of revenue and due from other governments in the amount of \$134,434 for the year ended June 30, 2012.

RECOMMENDATION

The County should improve upon the procedures involving the reconciliations of grants awarded to ensure transactions posted to the general ledger are accurate and complete.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Management concurs with the auditor's recommendation.

COUNTY OF PLACER, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2012

Section III– Federal Awards Findings and Questioned Costs

Item: #2012-01 - Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

CRITERIA

Subpart C, section .300(d) of Office of Management and Budget (OMB) Circular A-133, *Audits, of States, Local Governments, and Non-Profit Organizations*, “the auditee shall prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with section .310.”

Section 310 (b)(3) “The schedule of expenditures of Federal awards shall provide total Federal awards expended for each individual Federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.”

CONDITION

We noted inaccuracies [overstatements (understatements)] in the amount of federal expenditures reported on the SEFA for several programs summarized as follows:

1. ARRA-Energy Efficiency and Conservation	
Block Grant Program - CFDA 81.128	\$ 34,610
2. TANF Cluster - CFDA 93.558/93.714	(80,231)
3. Medical Assistance Program (MAP) - CFDA 93.778	
a) MAP Administration	1,891,518
b) MAP Targeted Case Management	(96,992)
c) Children's Medical Services	(943,573)
d) Health Care Program for Children in Foster Care	(216,274)
e) Medical Admin Assistance	(593,999)

CAUSE

The incorrect reporting of federal expenditures is due to a lack of review of the supporting documentation related to program expenditures. The Auditor-Controller’s Office e-mails single audit questionnaires to the various county departments, requesting the identification of annual expenditures of federal programs administered by the departments. The Auditor-Controller’s office utilizes the single audit questionnaires to populate the County’s SEFA. However, there is no supporting documentation provided by the department to substantiate the expenditures being reported.

EFFECT

The County exposes itself to the risk of inaccurately preparing the SEFA in accordance with the requirements of OMB Circular A-133.

COUNTY OF PLACER, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2012

QUESTIONED COSTS

There are no questioned costs associated with this finding.

RECOMMENDATION

We recommend that the Auditor-Controller's office require departments to submit supporting documentation for the expenditures for each federal program reported on the SEFA. Furthermore, the Auditor's Controller's office should thoroughly review the adequacy of the supporting documentation to ensure the completeness and accuracy of the reported expenditures and perform a comparison between the current year and prior year expenditures to identify any potential errors.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

The Auditor-Controller concurs with the recommendation and during the course of our preparation of the SEFA for FY12/13, we will be corroborating all amounts provided to underlying supporting documentation maintained by County departments.

Reference Number:	2012-02
Federal Catalog Number:	20.205
Federal Program Title:	Highway Planning and Construction
Award Number	03-928899L
Award Year:	2011
Category of Finding:	Procurement
Federal Agency:	U.S. Department of Transportation
Pass-Through Entity:	California State Department of Transportation

CRITERIA

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C – Auditees, Section .300 – Auditee Responsibilities

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

TITLE 2 – GRANTS AND AGREEMENTS

PART 180 – OMB GUIDELINES TO AGENCIES ON GOVERNMENTWIDE DEBARMENT AND SUSPENSION (NONPROCUREMENT)

Sec. 180.300 – What must I do before I enter into a covered transaction with another person at the next lower tier?

COUNTY OF PLACER, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued) For the Fiscal Year Ended June 30, 2012

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the Excluded Parties List System (EPLS); or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.

CONDITION

Per review of procurement files for two professional services contracts, we noted no printout from the EPLS and noted no certification or clause in the contract stating that the company was not excluded/debarred from working on Federally funded contracts. Per discussion with management, the County does not check the EPLS nor does the RFP (Request for Proposals) that go out for professional services contracts contain the required suspension and debarment clause or certification.

CAUSE

The County was not aware that the requirement to check the EPLS website or include a certification or clause in the contract stating that the company was not excluded/debarred from working on federally funded contracts applied to professional service contracts.

EFFECT

There is a chance that the County will enter into an agreement with a vendor that is suspended, debarred or otherwise excluded from entering into agreements for federal funds. MGO referenced the EPLS website and determined that the two contractors were eligible to work on federally funded contracts.

QUESTIONED COSTS

No questioned costs associated with this finding.

RECOMMENDATION

The County should check the EPLS website or include a certification or clause in the contract stating that the company was not excluded/debarred from working on federally funded contracts for all contracts, including professional service contracts.

DEPARTMENT'S VIEW AND CORRECTIVE ACTION PLAN

The County Department of Public Works (DPW) concurs with the recommendation of including a certification that the company was not excluded/debarred from working on Federally funded contracts in all RFP (Request for Proposals) and RFQ (Request for Qualified List) that go out for professional services contracts. Going forward from March 14, 2013 DPW management will inform the Project Managers of this new requirement and updated procedures. In addition, DPW will work with the County's Procurement Office to coordinate the insertion of the certification language into the master document template to ensure all RFPs and RFQs comply with OMB Grants and Agreements guidelines.

COUNTY OF PLACER, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2012

Reference Number: 2012-03
Federal Catalog Number: 81.128
Federal Program Title: ARRA - Energy Efficiency and Conservation Block Grant
Award Number: CBG-09-006
Award Year: 2010
Category of Finding: Allowable Costs
Federal Agency: U.S. Department of Energy
Pass-through Agency: California State Energy Commission

CRITERIA

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (OMB Circular A-133), Subpart C – Auditees, Section .300 – Auditee Responsibilities

- (b) Maintain internal control over Federal programs that provides reasonable assurance the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of the Federal programs.

CONDITION

During our testing of nonpayroll transactions charged to the grant program, we noted that 5 of the 26 transactions did not have evidence of management approval prior to payment.

CAUSE

Due to time constraints as the end of the grant period was approaching, invoices were paid without going through the proper approval process.

EFFECT

There is a risk that the County will expend Federal funds for activities that are not allowable. Although, there was no evidence of approval, the expenditures in question were allowable.

QUESTIONED COSTS

No questioned costs associated with this finding.

RECOMMENDATION

The County should strengthen its current practices with respect to ensuring that all transactions charged to the grant program are properly approved by management prior to being paid.

COUNTY OF PLACER, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2012

DEPARTMENT'S VIEW AND CORRECTIVE ACTION PLAN

The Department agrees with the findings and will ensure that all transactions charged to grant programs are properly approved by management prior to being paid.

Reference Number:	2012-04
Federal Catalog Number:	81.128
Federal Program Title:	ARRA - Energy Efficiency and Conservation Block Grant
Award Number	CBG-09-006
Award Year:	2010
Category of Finding:	Reporting
Federal Agency:	U.S. Department of Energy
Pass-through Agency:	California State Energy Commission

CRITERIA

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C – Auditees, Section .300 – Auditee Responsibilities

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

CONDITION

During our testing of the various EECBG reports (See listing of reports below) and discussion with management, we noted there was no documentation that the required program reports were being reviewed and approved by someone independent of the preparation process for all 4 reports selected for testing.

- 1. Progress Reports
- 2. Final Report

CAUSE

Reports were approved verbally at management meetings, with no documentation that the required program reports were being reviewed and approved by someone other than the preparer.

EFFECT

Because there is no documentation of review, the County may inadvertently submit reports without going through the proper review process. If the County submits reports that are not independently reviewed by someone other than the preparer, the County exposes itself to risk of submitting inaccurate reports to the program's administering agency. The impact of submitting inaccurate reports may lead to delays in reimbursement of program expenditures or other disciplinary action from the granting agency.

COUNTY OF PLACER, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2012

QUESTIONED COSTS

There are no questioned costs associated with this finding.

RECOMMENDATION

The County should design and implement internal controls establishing documentation to substantiate that proper segregation of duties between the preparation and approval of progress and final reports occurred prior to the submission of the reports.

DEPARTMENT'S VIEW AND CORRECTIVE ACTION PLAN

The Department followed the process prescribed by the California Energy Commission, which required an electronic submittal of progress reports and no wet-signed documents. The Department used monthly meetings for a team-based review of progress reports including Document Preparer, Project Manager, Accounting and Executive review and approval. In the future the Department will keep wet-signed versions of electronic documents that are required to be submitted to the administering agency.

Reference Number:	2012-05
Federal Catalog Number:	10.690
Federal Program Title:	Lake Tahoe Erosion Control Grant Program
Award Numbers:	08-DG-11051900-031 09-DG-11051900-025 10-DG-11051900-032 11-DG-11051900-032
Award Years:	2008, 2009, 2010, 2011
Category of Finding:	Reporting
Funding Agency:	U.S. Department of Agriculture

CRITERIA

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C – Auditees, Section .300 – Auditee Responsibilities

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

TITLE 2 – GRANTS AND AGREEMENTS

PART 215—UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND AGREEMENTS WITH INSTITUTIONS OF HIGHER EDUCATION, HOSPITALS, AND OTHER NON-PROFIT ORGANIZATIONS (OMB CIRCULAR A-110)

Subpart C—Post Award Requirements

Sec. 215.52 – Financial Reporting

COUNTY OF PLACER, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2012

(i) Each Federal awarding agency shall require recipients to use the SF-269 or SF-269A to report the status of funds for all nonconstruction projects or programs. A Federal awarding agency may, however, have the option of not requiring the SF-269 or SF-269A when the SF-270, Request for Advance or Reimbursement, or SF-272, Report of Federal Cash Transactions, is determined to provide adequate information to meet its needs, except that a final SF-269 or SF-269A shall be required at the completion of the project when the SF-270 is used only for advances.

CONDITION

During our testing of the SF-425 Financial Report (Formerly SF-269) and discussion with management, we noted that the County was reporting expenditures based on amounts expended and received rather than actual expenditures for the period reported in the "Federal Expenditures and Unobligated Balance" section of the report.

CAUSE

The preparer of the SF 425 was not made aware that actual program expenditures were required for the report.

EFFECT

Reporting only amounts received for program expenditures rather than actual expenditures for the period, causes the County to submit reports that are not accurate. The impact of submitting inaccurate reports may lead to delays in reimbursement of program expenditures or other disciplinary action from granting agencies.

QUESTIONED COSTS

There are no questioned costs associated with this finding.

RECOMMENDATION

We recommend that the County revise current practices to ensure that the appropriate amounts are identified and reported in the in the "Federal Expenditures and Unobligated Balance" section of the SF-425 reports.

DEPARTMENT'S VIEW AND CORRECTIVE ACTION PLAN

Placer County Department of Public Works (DPW) agrees with the recommendation to include actual expenditures for each reporting periods along with the invoiced and reimbursed amounts when completing the SF-425 reports. In order to implement this new procedure, management will review the SF-425 reports which are completed by the administrative technician and will ensure that actual amounts are in fact shown on the reports before they are submitted to their respective grantors.

COUNTY OF PLACER, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2012

Reference Number: 2012-06
Federal Catalog Number: 10.690
Federal Program Title: Lake Tahoe Erosion Control Grant Program
Award Numbers 08-DG-11051900-031
09-DG-11051900-025
10-DG-11051900-032
11-DG-11051900-032
Award Years: 2008, 2009, 2010, 2011
Category of Finding: Allowable Costs
Funding Agency: U.S. Department of Agriculture

CRITERIA

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (OMB Circular A-133), Subpart C – Auditees, Section .300 – Auditee Responsibilities

- (b) Maintain internal control over Federal programs that provides reasonable assurance the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of the Federal programs.

TITLE 2 – GRANTS AND AGREEMENTS

PART 225—COST PRINCIPLES FOR STATE, LOCAL, AND INDIAN TRIBAL GOVERNMENTS (OMB CIRCULAR A-87)

Appendix C to Part 225—State/Local-Wide Central Service Cost Allocation Plans

A. General.

1. Most governmental units provide certain services, such as motor pools, computer centers, purchasing, accounting, etc., to operating agencies on a centralized basis. Since federally-supported awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process. All costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards.

CONDITION

During testing of SF-270 reimbursement request reports, we noted the amount requested and received for reimbursement for the Homewood Project for the period ending June 2012 was overstated by \$1,466. The error was identified by County staff and an adjustment to the subsequent expenditure reimbursement claim reduced the total by \$1,466. The adjusted reimbursement request, however, was not made until the subsequent fiscal year.

COUNTY OF PLACER, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2012

CAUSE

The County requested reimbursement of indirect costs for June 2012 for the total amount of payroll costs rather than the 94.23% approved rate for indirect costs.

EFFECT

The amount requested for reimbursement for the grant program in FY 2012 was overstated by \$1,466.

QUESTIONED COSTS

There are known questioned costs in the amount of \$1,466.

RECOMMENDATION

We recommend that existing procedures be strengthened to ensure that the County's SF-270 reimbursement requests is reviewed by a program supervisor to ensure that the requested amount of indirect cost reimbursement has been calculated correctly and are accurately reported prior to submittal.

DEPARTMENT'S VIEW AND CORRECTIVE ACTION PLAN

Placer County Department of Public Works (DPW) agrees with the recommendation to strengthen current procedures to ensure that the County's SF-270 reimbursement requests are reviewed by management to ensure accurate reporting of indirect costs for reimbursement. In order to implement this procedure, the administrative technician who prepares the indirect costs reimbursement requests will have the appropriate project manager review and approve the invoice and backup documentation prior to submittal.

COUNTY OF PLACER, CALIFORNIA

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2012

Financial Statement Findings

Item #2011-A – Deferred Revenue

CRITERIA

Generally accepted accounting principles require the deferral of revenue received in advance of qualifying expenditures for certain nonexchange transactions.

CONDITION

The County improperly recognized revenue from the State of California received in advance of qualifying expenditures in the amount of \$7,669,079.

CAUSE

For financial reporting purposes, the County currently relies upon its departments to identify resources received through non-exchange transactions that are subject to deferral in accordance with Generally Accepted Accounting Principles. A department failed to properly communicate required deferral of the revenue to the Auditor-Controller's office. Furthermore, the Auditor-Controller's office did not perform adequate review procedures to identify the error during its year-end closing and financial reporting process.

EFFECT

An audit adjustment was required to properly defer the revenue originally recognized during the fiscal year ended June 30, 2011.

RECOMMENDATION

We recommend the County provide additional training to its departments to further strengthen their understanding of the accounting standards. The County should also strengthen existing procedures performed at the Auditor-Controller's office during its year-end closing and financial reporting process designed to identify improperly recognized revenues received through non-exchange transactions.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Management concurs with the recommendation. The County's management will provide County-wide training related to the concepts of deferred revenue, along with strengthening our fiscal year-end close process.

STATUS

We deem this finding to be resolved as of June 30, 2012.

COUNTY OF PLACER, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2012

Item: #2011-B - Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

CRITERIA

Subpart C, section .300(d) of Office of Management and Budget (OMB) Circular A-133, *Audits, of States, Local Governments, and Non-Profit Organizations*, “the auditee shall prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with section .310.”

Section 310 (b)(3) “The schedule of expenditures of Federal awards shall provide total Federal awards expended for each individual Federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.”

CONDITION

We noted inaccuracies in the amount of federal expenditures reported on the SEFA for several programs summarized as follows:

1. Federal Transit Cluster - CFDA 20.500/20.507	\$ 555,473
2. TANF Cluster - CFDA 93.558/93.714	616,400
3. Child Support Enforcement - CFDA 93.563	(53,134)
4. Foster Care - CFDA 93.658	(356,345)
5. Adoption Assistance - CFDA 93.659	428,180
6. Social Services Block Grant - CFDA 93.667	(616,400)

CAUSE

The incorrect reporting of federal expenditures is due to a lack of review of the supporting documentation related to program expenditures. The Auditor-Controller’s Office e-mails single audit questionnaires to the various county departments, requesting the identification of annual expenditures of federal programs administered by the departments. The Auditor-Controller’s office utilizes the single audit questionnaires to populate the County’s SEFA. However, there is no supporting documentation provided by the department to substantiate the expenditures being reported.

EFFECT

The County exposes itself to the risk of inaccurately preparing the SEFA in accordance with the requirements of OMB Circular A-133.

QUESTIONED COSTS

There are no questioned costs associated with this finding.

COUNTY OF PLACER, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2012

RECOMMENDATION

We recommend that the Auditor-Controller's office require departments to submit supporting documentation for the expenditures for each federal program reported on the SEFA. Furthermore, the Auditor's Controller's office should thoroughly review the adequacy of the supporting documentation to ensure the completeness and accuracy of the reported expenditures and perform a comparison between the current year and prior year expenditures to identify any potential errors.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Management concurs with the recommendation. The Auditor-Controller will be making changes to the annual Single Audit questionnaire before submission to County departments for completion. The Auditor-Controller also plans to conduct a mini-training session on SEFA preparation.

STATUS

Not corrected. Refer to current year finding 2012-A.

COUNTY OF PLACER, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2012

Federal Award Findings and Questioned Costs

Reference Number: 2011-01
Federal Catalog Number: 20.500 and 20.507
Federal Program Title: Federal Transit – Capital Investment Grants and
Federal Transit – Formula Grants
Award Number: CA-03-0560
CA-03-8040
CA-90-X054
CA-90-Y046
CA-90-Y922
Award Year: 2009 and 2010
Category of Finding: Reporting
Federal Agency: U.S. Department of Transportation

CRITERIA

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C – Auditees, Section .300 – Auditee Responsibilities

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

CONDITION

During our testing of the quarterly SA-425 financial reports, the ARRA 1512 reports and the annual 1201(c) ARRA report, we noted the required program reports were not being reviewed and approved by someone independent of the preparation process.

CAUSE

The County has not established appropriate segregation of duties over the preparation and submission of its quarterly and annual reports.

EFFECT

The County exposes itself to risk of submitting inaccurate and unauthorized reports to the program’s granting agency. The impact of submitting inaccurate reports may lead to delays in reimbursement of program expenditures or other disciplinary action from the granting agency.

QUESTIONED COSTS

There are no questioned costs associated with this finding.

COUNTY OF PLACER, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2012

RECOMMENDATION

Management should design and implement internal controls establishing proper segregation of duties between the preparation and approval of the quarterly and annual reports. Documentation of this segregation of duties should be maintained by program management to demonstrate that appropriate review and approval of the reports occurred prior to the submission of the reports.

DEPARTMENT'S VIEW AND CORRECTIVE ACTION PLAN

Management concurs with the auditor's recommendation and provides the following explanation and corrective action plan. The quarterly SA-425 reports are prepared collaboratively by the Public Works Manager and the Staff Services Analyst. They are submitted on-line through the TEAM system per FTA guidance. There is no approval step required within the TEAM submittal process as there are with other submittals in TEAM. In practice, the reports are reviewed by the manager while they are being prepared for submittal each quarter. The ARRA reports are a restatement of funds received, funds spent and hours worked. Grant CA-X054-00 was to purchase buses and to provide operating assistance. The ARRA reports for the bus purchases are a straightforward re-statement of the purchase costs of the buses. The hours worked are a standard number reported by the bus manufacturer. We believe we have processes in place to ensure the submittal of accurate and timely reports. However, we acknowledge that the audit documentation doesn't substantiate the proper levels of segregation of duties. We will establish a process whereby reports are submitted to the granting agency only after the project manger authorizes the submittal of the report via email prior to submission. These e-mails will be maintained by the department and made available for review by auditors as requested.

STATUS

Corrected. The County implemented appropriate internal controls and procedures to ensure compliance with the requirement. We consider the matter to be resolved.

Reference Number: 2011-02
Federal Catalog Number: 20.507
Federal Program Title: Federal Transit – Formula Grants
Award Number: CA-90-X054
Award Year: 2011
Category of Finding: Subrecipient Monitoring
Federal Agency: U.S. Department of Transportation

CRITERIA

TITLE 2-GRANTS AND AGREEMENTS, CHAPTER I-OFFICE OF MANAGEMENT AND BUDGET GOVERNMENTWIDE GUIDANCE FOR GRANTS AND AGREEMENTS, PART 176-AWARD TERMS FOR ASSISTANCE AGREEMENTS THAT INCLUDE FUNDS UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009, Subpart D-Single Audit Information for Recipients of Recovery Act Funds

Sec. 176.210 Award term--Recovery Act transactions listed in Schedule of Expenditures of Federal Awards and Recipient Responsibilities for Informing Subrecipients.

COUNTY OF PLACER, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2012

- (c) Recipients agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of Recovery Act funds. When a recipient awards Recovery Act funds for an existing program, the information furnished to subrecipients shall distinguish the subawards of incremental Recovery Act funds from regular subawards under the existing program.

CONDITION

The County failed to separately identify the program's CFDA number to its subrecipient and document at the time of the subaward and at the time of disbursement of funds.

CAUSE

The County does not have adequate internal controls in place to ensure program's CFDA number is communicated to its subrecipients at the time of the subaward and at the time of disbursement of funds.

EFFECT

By not properly informing its subrecipients of the program's CFDA number, there is a risk that subrecipients may not be identifying and properly accounting and reporting Recovery Act funds. This may result in reducing the County's ability to properly monitor the subrecipients expenditure of Recovery Act funds, as well as, assisting in any oversight by the Federal awarding agency, Office of Inspector General and the Government Accountability Office.

QUESTIONED COSTS

There are no questioned costs associated with this finding.

RECOMMENDATION

Management should design procedures and implement internal controls to ensure that the required program information is communicated at the time of the award and at the time of disbursement of funds.

DEPARTMENT'S VIEW AND CORRECTIVE ACTION PLAN

Management concurs with the auditor's recommendation. We acknowledge the program's CFDA number was not included to the subrecipient at the time of the grant award and at the time of disbursements made to the subrecipient. We were not aware that it was required to identify the CFDA number to subrecipients. For future subawards made of federal grants, the County will ensure the CFDA number is included in the subaward agreement and identified when payments are made to subgrantees.

STATUS

Corrected. The County implemented appropriate internal controls and procedures to ensure compliance with the requirement. We consider the matter to be resolved.

COUNTY OF PLACER, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2012

Reference Number: 2011-03
Federal Catalog Number: 93.569 and 93.710
Federal Program Title: Community Services Block Grant and ARRA – Community Services Block Grant
Award Number: 09F-5133 and 10F-4033
Award Year: 2009 and 2010
Category of Finding: Reporting
Federal Agency: U.S. Department of Health and Human Services
Pass Through Entity: California Department of Community Services and Development

CRITERIA

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C – Auditees, Section .300 – Auditee Responsibilities

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

TITLE 45: PUBLIC WELFARE; PART 92-UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE, LOCAL AND TRIBAL GOVERNMENTS
OMB CIRCULAR A-133

Subpart C-Post Award Requirements; Reports, Records Retention, and Enforcement.

Section 92.42. Retention and access requirements for records.

- (a) Applicability. (1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantee which are:
 - (i) Required to be maintained by the terms of this part, program regulations or grant agreement, or
 - (ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement

GRANT AGREEMENT 09F-5133
GRANT AGREEMENT 10F-4033

Exhibit B - Term and amount of agreement, budget detail and payment provisions

COUNTY OF PLACER, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2012

CONDITION

The County is required to submit both fiscal and programmatic reports for the CSBG program. We selected 10 fiscal reports for testing, which included expenditure activity reports and the annual fiscal report. Of the 10 reports tested, we noted that 5 of the reports were submitted without the independent review and approval of someone other than the preparer.

Furthermore, of the 15 reports submitted for the CSBG program, we noted 7 instances where the reports were submitted after the due dates identified in the CSBG grant awards.

We also noted two instances where the incorrect accounting basis was utilized to prepare the report. Per inquiry with the State CSD department, the annual 425.OR reports are to be completed on the accrual basis of accounting. Per the results of our testing of these reports, we noted 2 instances where the reports were populated based off of budgetary information. We also noted 5 instances where either report fields were either incomplete or the data being reported was not properly supported by documentation utilized to prepare the reports.

CAUSE

The County has not established the proper level of review, sufficient to ensure that the required reports are submitted for the CSBG program are independently reviewed by someone other than the preparer. Furthermore, the County has not provided adequate training to individuals preparing reports to ensure that the reports are prepared in accordance with program requirements and are submitted in a timely manner.

EFFECT

The County exposes itself to the risk of submitting inaccurate and unauthorized reports to the program's granting agency. The impact of submitting inaccurate reports may lead to delays in reimbursement of program expenditures or other disciplinary action.

QUESTIONED COSTS

There are no questioned costs associated with this finding.

RECOMMENDATION

Management should design and implement internal controls establishing proper segregation of duties between the preparation and approval of the program reports. Documentation of this segregation of duties should be maintained by program management to demonstrate that appropriate review and approval of the reports occurred prior to the submission of the reports. Training should be provided to ensure individuals preparing reports understand the required information to be included in the reports and are aware of the required deadlines.

COUNTY OF PLACER, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2012

DEPARTMENT'S VIEW AND CORRECTIVE ACTION PLAN

The Department agrees with the recommendations. The Community Services Block Grant (CSBG) program was reorganized October 2011. The newly assigned staff has been trained on the proper and timely completion of all required program forms by the State of California. Staff submitted the required 801 and 295 forms on time in January 2012. Additionally, on February 28, 2012, Human Services staff trained the community based organizations receiving CSBG funds in 2012 on the proper and timely completion of their required submissions. Finally, Human Services has instituted that all reports are reviewed and approved by the supervisor of the staff who completed the form prior to submission to the state.

STATUS

Corrected. The County implemented appropriate internal controls and procedures to ensure compliance with the requirement. We consider the matter to be resolved.

Reference Number:	2011-04
Federal Catalog Number:	66.458
Federal Program Title:	Capitalization Grants for Clean Water State Revolving Funds
Award Number:	09-817-550
Award Year:	2009
Category of Finding:	Reporting
Federal Agency:	U.S. Environmental Protection Agency
Pass Through Entity:	California State Water Resources Control Board

CRITERIA

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C – Auditees, Section .300 – Auditee Responsibilities

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

CONDITION

During our testing of the program's quarterly ARRA 1512 reports, there was no documentation indicating the program reports were being reviewed and approved by someone independent of the preparation process.

CAUSE

The County has not established appropriate segregation of duties over the preparation and submission of its quarterly ARRA 1512 reports.

COUNTY OF PLACER, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2012

EFFECT

The County exposes itself to risk of submitting inaccurate and unauthorized reports to the program's granting agency. The impact of submitting inaccurate reports may lead to delays in reimbursement of program expenditures or other disciplinary action from granting agencies.

QUESTIONED COSTS

There are no questioned costs associated with this finding.

RECOMMENDATION

Management should design and implement internal controls establishing proper segregation of duties between the preparation and approval of the quarterly ARRA 1512 reports. Documentation of this segregation of duties should be maintained by program management to demonstrate that appropriate review and approval of the reports occurred prior to the submission of the reports.

DEPARTMENT'S VIEW AND CORRECTIVE ACTION PLAN

Management concurs with this recommendation. A quarterly FTE (Full Time Employee) report is required to be submitted to the State Water Resources Control Board by the 20th day of the last month in the quarter for which the report is due. The quarterly report is compiled by the Admin Technician for the project from several different sources. Placer County's hours and payroll is compiled using Placer County's ACORN system. The hours and payroll information from the contractors and sub-contractors is sent via email to the Administrative Technician from the individual contractors/subs. The report is then emailed to the Project Manager for review and approval along with all supporting documentation. Once the Project Manager reviews all of the supporting documentation and approves the report and it will then be emailed to the assigned Project Manager at the State Water Resources Control Board. A copy of the email approval from the DPW Project Manager will be saved in the T:/ drive along with the corresponding report and all supporting documentation.

STATUS

Corrected. The County implemented appropriate internal controls and procedures to ensure compliance with the requirement. We consider the matter to be resolved.

COUNTY OF PLACER, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2012

Reference Number: 2011-05
Federal Catalog Number: 93.558
Federal Program Title: Temporary Assistance for Need Families (TANF)
Award Number: 63
Award Year: 2011
Category of Finding: Special Tests and Provisions
Federal Agency: U.S. Department of Health and Human Services
Pass Through Entity: California Department of Social Services

CRITERIA

TITLE 42 – THE PUBLIC HEALTH AND WELFARE; CHAPTER 7 – SOCIAL SECURITY; SUBCHAPTER XI- GENERAL PROVISIONS, PEER REVIEW AND ADMINISTRATIVE SIMPLIFICATION

Part A - General Provisions

Section 1320b-7. Income and eligibility verification systems

(a) Requirements of state eligibility systems

- (2) wage information from agencies administering State unemployment compensation laws available pursuant to section 3304(a)(16) of the Internal Revenue Code of 1986, wage information reported pursuant to paragraph (3) of this subsection, and wage, income, and other information from the Social Security Administration and the Internal Revenue Service available pursuant to section 6103(1)(7) of such Code, shall be requested and utilized to the extent that such information may be useful in verifying eligibility for, and the amount of, benefits available under any program listed in subsection (b) of this section, as determined by the Secretary of Health and Human Services (or, in the case of the unemployment compensation program, by the Secretary of Labor, or, in the case of the supplemental nutrition assistance program, by the Secretary of Agriculture)

Title 45 – Public Welfare; CHAPTER II – OFFICE OF FAMILY ASSISTANCE (ASSISTANCE PROGRAMS), ADMINISTRATION FOR CHILDREN AND FAMILIES, DEPARTMENT OF HEALTH AND HUMAN SERVICES; PART 205 – GENERAL ADMINISTRATION – PUBLIC ASSISTANCE PROGRAMS; SECTION 205.55 REQUIREMENTS FOR REQUESTING AND FURNISHING ELIGIBILITY AND INCOME INFORMATION

A State plan under title I, IV-A, X, XIV, or XVI (AABD) of the Social Security Act must provide that:

- (a) Except as provided in paragraph (b), the State agency will request through the IEVS:
- (1) Wage information from the SWICA for all applicants at the first opportunity following receipt of the application and for all recipients on a quarterly basis.

COUNTY OF PLACER, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued) For the Fiscal Year Ended June 30, 2012

- (2) Unemployment compensation information from the agency administering the State's unemployment compensation program under section 3304 of the Internal Revenue Code of 1954 and section 303 of the Act as follows:
 - (i) For applicants at the first opportunity following receipt of the application and in each of the first three months in which the individual is receiving aid, unless the individual is found to be receiving unemployment compensation, in which case the information will be requested until benefits are exhausted; and
 - (ii) In each of the first three months following any recipient-reported loss of employment, unless the individual is found to be receiving unemployment compensation, in which case the information will be requested until the benefits are exhausted.
 - (3) All available information maintained by the Social Security Administration for all applicants at the first opportunity following receipt of the application in the manner set forth by the Commissioner of Social Security. The State agency will also request such information for all recipients as of the effective date of this provision for whom such information has not previously been requested.
 - (4) Unearned income information from the Internal Revenue Service available under section 6103 (1)(7)(B) of the Internal Revenue Code of 1954, for all applicants at the first opportunity following receipt of the application for all recipients on a yearly basis. The request shall be made at the time and in the manner set forth by the Commissioner of Internal Revenue.
 - (5) As necessary, any income or other information affecting eligibility available from agencies in the State or other States administering:
 - (i) An AFDC program (in another State) under title IV-A of the Social Security Act;
 - (ii) A Medicaid program under title XIX of the Social Security Act;
 - (iii) An unemployment compensation program (in another State) under section 3304 of the Internal Revenue Code of 1954;
 - (iv) A Food Stamp program under the Food Stamp Act of 1977, as amended;
 - (v) Any State program administered under plan approved under title I, X, XIV, or XVI (AABD) of the Social Security Act; and
 - (vi) A SWICA (in another State).
- (b)
 - (1) With respect to individuals who cannot furnish a SSN at application, information specified in paragraph (a) will be requested at the first opportunity provided by each source after the State agency is provided with the SSN.
 - (2) For the purposes of this section, applicants and recipients shall also include any other individuals whose income or resources are considered in determining the amount of assistance, if the State agency has obtained the SSN of such individuals.

COUNTY OF PLACER, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued) For the Fiscal Year Ended June 30, 2012

- (c) The State agency must furnish, when requested, income, eligibility and benefit information to:
- (1) Agencies in the State or other States administering the programs cited in paragraph (a)(5) of this section, in accordance with specific agreements as described in §205.58;
 - (2) The agency in the State or other States administering a program under title IV-D of the Social Security Act; and
 - (3) The Social Security Administration for purposes of establishing or verifying eligibility or benefit amounts under title II and XVI (SSI) of the Social Security Act.
- (d) The Secretary may, based upon application from a State, permit a State to obtain and use income and eligibility information from an alternate source or sources in order to meet any requirement of paragraph (a) of this section. The State agency must demonstrate to the Secretary that the alternate source or sources is as timely, complete and useful for verifying eligibility and benefit amounts. The Secretary will consult with the Secretary of Agriculture and the Secretary of Labor prior to approval of a request. The State must continue to meet the requirements of this section unless the Secretary has approved the request.

CONDITION

During our testing of eligibility, we noted instances where the County was not requesting the applicant Income Eligibility Verification System (IEVS) report during the participant annual re-determination. We tested 60 cases and noted that 2 cases did not have a current IEVS report. Furthermore, caseworkers are required to review and sign-off within the CalWIN system indicating review and approval of the IEVS reports received. Of the 60 case files reviewed, we noted 13 instances in which the IEVS report was not signed off by the caseworker. This finding repeats and audit finding that was reported for fiscal year 2009-10.

CAUSE

The County has not fully implemented the necessary policies and procedures to ensure eligibility workers are obtaining, reviewing and approving the annual IEVS reports to be utilized in the annual re-determination of eligibility for the TANF program.

EFFECT

The County exposes itself to risk of providing program funding to ineligible participants of the program.

QUESTIONED COSTS

The known questioned costs identified are \$800.

CONTEXT

The 2 cases in which the County did not have a current IEVS report represented \$800 of the \$30,943 tested. The total amount of aid payments for the current year was \$4,836,986 for the program.

COUNTY OF PLACER, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2012

RECOMMENDATION

We recommend that the County revise its current practices to conform with the requirements of obtaining, reviewing and approving current IEVS reports.

DEPARTMENT'S VIEW AND CORRECTIVE ACTION PLAN

The Department agrees with the recommendations. After last year's finding, Human Services committed to and implemented the following actions to improve the presence of the required documentation in CalWIN.

1. Re-Issue CalWORKs and Food Stamp training documents to all staff emphasizing they are required to:
 - a. Generate Applicant IEVS reports at renewal
 - b. Review IEVS information received through CalWIN
 - c. Follow up and sign off upon completion of review
2. Provide follow up training on procedure for Applicant IEVS requests at annual redeterminations at all scheduled staff unit meetings.
3. Require all supervisors perform IEVS-targeted case reviews on a monthly basis. Cases targeted include those with a pending annual redetermination.

As a result compliance with maintenance of current IEVS reports increased from 67% in last year's audit to 97% in this audit. The division has also improved compliance with sign off requirements from 52% in last year's audit to 79% in this audit.

The Department is committed to 100% compliance in all areas and will continue with implementation of any and all necessary steps to achieve that outcome.

STATUS

Corrected. During our testing, we noted that the County implemented appropriate internal controls and procedures to ensure compliance with the requirement. We consider the matter to be resolved.

COUNTY OF PLACER, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2012

Reference Number: 2011-06
Federal Catalog Number: 93.659
Federal Program Title: Adoption Assistance
Award Number: 63
Award Year: 2011
Category of Finding: Eligibility
Federal Agency: U.S. Department of Health and Human Services
Pass Through Entity: California Department of Social Services

CRITERIA

TITLE 42 – THE PUBLIC HEALTH AND WELFARE; CHAPTER 7 – SOCIAL SECURITY; SUBCHAPTER IV – GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES – PART E – FEDERAL PAYMENTS FOR FOSTER CARE AND ADOPTION ASSISTANCE – SECTION 673 – ADOPTION AND GUARDIANSHIP ASSISTANCE PROGRAM

- (A) Agreements with adoptive parents of children with special needs; State payments; qualifying children; amount of payments; changes in circumstances; placement period prior to adoption; nonrecurring adoption expenses
- (4)(A) Notwithstanding any other provision of this section, a payment may not be made pursuant to this section to parents or relative guardians with respect to a child---
- (i) who has attained—
 - (I) 18 years of age, or such greater age as the State may elect under section 675(8)(B)(iii) of his title; or
 - (II) 21 years of age, if the State determines that the child has a mental or physical handicap which warrants the continuation of assistance;
 - (ii) who has not attained 18 years of age, if the State determines that the parents or relative guardians, as the case may be, are no longer legally responsible for the support of the child; or
 - (iii) if the State determines that the child is no longer receiving any support from the parents or relative guardians, as the case may be.

CONDITION

During discussion with program personnel, we were informed that payments had been made to ineligible recipients after they turned the age of eighteen. This was discovered by program staff upon attending training provided by the State of California Department of Social Services during 2011.

During our testing of eligibility, we noted one case of forty tested in which the recipient was being paid adoption assistance payments after the age of 18 until graduation from high school. There was no documentation in the file or indication that the child was otherwise eligible by virtue of mental or physical handicap warranting the continuation of assistance. We reviewed the remaining 30 adoption case files in which the participant attained the age of 18 during the fiscal year under audit. Per review of the files, 13 participants were deemed ineligible and had received unallowable payments in the amount of \$61,966.

COUNTY OF PLACER, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2012

CAUSE

The County originally believed that Adoption Assistance recipients were eligible to receive payments until the latter of reaching the age of eighteen or the date of high school graduation. This understanding was related to the Foster Care program in which payments can be made after the participant is eighteen years of age until the earlier of the recipient completing secondary schooling, equivalent vocational, technical training or turning nineteen. Due to the interrelated nature of the two programs, the County originally believed that the guidance was applicable to both programs.

EFFECT

The County made adoption assistance payments to recipients after the period of eligibility expired. These payments resulted in questioned costs and noncompliance with eligibility provisions.

QUESTIONED COSTS

There are known questioned costs in the amount of \$61,966.

RECOMMENDATION

We recommend that the County revise current practices to include adequate training of State and Federal guidance for the administration of the Adoption Assistance program to program personnel to ensure that recipients benefits are discontinued when their period of eligibility expires. Furthermore, the County should work proactively and collaboratively with the funding agency to determine the proper course of action to remedy the noncompliance.

DEPARTMENT'S VIEW AND CORRECTIVE ACTION PLAN

The Department agrees with the recommendations. Children's System of Care (CSOC) appreciates the audit process and the opportunity it provides to identify improvements. All non-compliant case files have been identified and are being remediated.

CSOC will secure needed training and oversight in this area. To that end, the division has recently prioritized a social worker position which is assigned solely to the administration of the Adoptions Assistance program. Given the growing numbers of AAP recipients, as well as the complexity of the program, it was deemed that a dedicated position was warranted.

CSOC Supervisory and management staff will ensure that updates and changes in federal and state mandates are adopted and implemented into practice. The division is working with California State Department of Social Services fiscal entities to determine a proper course of action to remedy the noncompliance issue relative to overpayments.

STATUS

Corrected. The County implemented appropriate internal controls and procedures to ensure compliance with the requirement. We consider the matter to be resolved.

COUNTY OF PLACER, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2012

Reference Number: 2011-07
Federal Catalog Number: 93.659
Federal Program Title: Adoption Assistance
Award Number: 63
Award Year: 2011
Category of Finding: Eligibility
Federal Agency: U.S. Department of Health and Human Services
Pass Through Entity: California Department of Social Services

CRITERIA

TITLE 42 – THE PUBLIC HEALTH AND WELFARE; CHAPTER 7 – SOCIAL SECURITY; SUBCHAPTER IV – GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES – PART E – FEDERAL PAYMENTS FOR FOSTER CARE AND ADOPTION ASSISTANCE – SECTION 673 – ADOPTION AND GUARDIANSHIP ASSISTANCE PROGRAM

- (A) Agreements with adoptive parents of children with special needs; State payments; qualifying children; amount of payments; changes in circumstances; placement period prior to adoption; nonrecurring adoption expenses

- (3) The amount of the payments to be made in any case under clauses (i) and (ii) of paragraph (1)(B) shall be determined through agreement between the adoptive parents and the State or local agency administering the program under this section, which shall take into consideration the circumstances of the adopting parents and the needs of the child being adopted, and may be readjusted periodically, with the concurrence of the adopting parents (which may be specified in the adoption assistance agreement), depending upon changes in such circumstances. However, in no case may the amount of the adoption assistance payment made under clause (ii) of paragraph (1)(B) exceed the foster care maintenance payment which would have been paid during the period if the child with respect to whom the adoption assistance payment is made had been in a foster family home.

STATE OF CALIFORNIA – HEALTH & HUMAN SERVICES – DEPARTMENT OF SOCIAL SERVICES
– ALL COUNTY LETTER NO. 09-51 DATED SEPTEMBER 29, 2009

The reduction of the adoption assistance payment benefit amount based on any type of income the child receives from a birth parent/relative or adoptive parent is prohibited. The amount of adoption assistance payment a child receives cannot be reduced to a formula and/or lessened dollar for dollar based upon any resources the child, adoptive parents or family receives from any source including SSI or survivor's benefits.

CONDITION

During discussion with program personnel, we were informed that payments to recipients receiving Supplemental Security Income (SSI) had been reduced dollar for dollar for SSI payments received. This resulted in the underpayment of benefits to program participants. This was discovered after staff attended a training provided by the State of California Department of Social Services during 2011.

COUNTY OF PLACER, CALIFORNIA

Summary Schedule of Prior Audit Findings (Continued) For the Fiscal Year Ended June 30, 2012

During our testing of eligibility, we noted one case in forty tested in which the recipient was being paid assistance payments that was reduced dollar for dollar by the SSI payments.

CAUSE

The County did not implement the guidance provided by the State of California's All County Letter (ACL) on the effective date due to departmental personnel transitions. At the time of the ACL distribution, the department was experiencing several staffing changes, thus the ACL letter was not provided to the appropriate personnel responsible for administering the Adoption Assistance program in a timely manner.

EFFECT

The County underpaid recipients of Adoption Assistance due to reducing their benefits which was unallowable per the program regulations. The County is currently going through the process of identifying and making payments to recipients affected by the underpayment.

QUESTIONED COSTS

There are no questioned costs as a result of this finding.

RECOMMENDATION

We recommend that the County revise current practices to include adequate training of State and Federal guidance for the administration of the Adoption Assistance program to program personnel to ensure that benefit payment amounts are appropriately calculated. Furthermore, we recommend the County contact the awarding agency and work proactively to correct the noncompliance.

DEPARTMENT'S VIEW AND CORRECTIVE ACTION PLAN

The Department agrees with the recommendations. Children's System of Care (CSOC) appreciates the audit process and the opportunity it provides to identify improvements. All non-compliant case files have been identified and are being remediated.

CSOC will secure needed training and oversight in this area. To that end, the division has recently prioritized a social worker position which is assigned solely to the administration of the Adoptions Assistance program. Given the growing numbers of AAP recipients, as well as the complexity of the program, it was deemed that a dedicated position was warranted.

CSOC Supervisory and management staff will ensure that updates and changes in federal and state mandates are adopted and implemented into practice. The division is working with California State Department of Social Services fiscal entities to determine a proper course of action to remedy the noncompliance issue relative to any necessary benefit payments.

STATUS

Corrected. The County implemented appropriate internal controls and procedures to ensure compliance with the requirement. We consider the matter to be resolved.

COUNTY OF PLACER

Report to the Board of Supervisors

For the Fiscal Year Ended June 30, 2012

Certified Public Accountants.

COUNTY OF PLACER
Report to the Board of Supervisors
For the Fiscal Year Ended June 30, 2012

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Seattle

Honorable Members of the
Board of Supervisors of the County of Placer

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 8, 2012. Professional standards also require that we communicate to you the information related to our audit that is included in the Required Communications section of this report.

Recently, the Governmental Accounting Standards Board (GASB) issued a significant new standard that we feel warrants communication to the Board of Supervisors, which we have included in the Other Comment section of this report.

In planning and performing our audit of 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 Placer, California (County), as of and for the fiscal year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be 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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider items 2012-A and 2012-B in the Findings and Recommendations section of this letter to be significant deficiencies.

During our audit for the year ended June 30, 2012, we followed up on our recommendations to address conditions we identified during previous years' audits. The status of those recommendations is included in the Status of Prior Year Findings and Recommendations section of this report. This report does not affect our report dated November 30, 2012, on the basic financial statements of the County.

This report is intended solely for the information and use of the County Board of Supervisors and management of the County and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the County's management and staff for the courtesy and cooperation extended to us during the course of our engagement. We have discussed our comments and suggestions with management and would be pleased to discuss them further.

Macinn Mini & O'Connell LLP

Sacramento, California

November 30, 2012

COUNTY OF PLACER

Report to the County Board of Supervisors
Required Communications
For the Fiscal Year Ended June 30, 2012

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ended June 30, 2012. We noted no transactions entered into by the County during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Depreciation estimates for capital assets
- Self-funded insurance liabilities
- Actuarial valuations of pension and other postemployment benefit obligations and required contributions
- Landfill postclosure care costs

Depreciation expense is based on management's estimate of the useful lives of the related capital assets. Management's estimate of the County's self-funded insurance liabilities is actuarially determined based on the County's loss history. The actuarial pension data contained in Note 8 to the financial statements and required supplementary information (unaudited) is based on actuarial calculations performed in accordance with the parameters set forth in GASB Statement No. 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and 27)* and GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The actuarial data for other postemployment benefit obligations contained in Note 9 to the financial statements and required supplementary information is based on actuarial calculations performed in accordance with the parameters set forth in GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Management's estimate of its landfill postclosure care costs is determined using methods and assumptions consistent with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to each opinion unit's financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

COUNTY OF PLACER

Report to the County Board of Supervisors
Required Communications (Continued)
For the Fiscal Year Ended June 30, 2012

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of audit procedures were corrected by management:

The County improperly recorded intergovernmental revenue in the Low & Moderate Income Housing Asset Fund. The County improperly double recorded revenue of \$866,430. The County also failed to record revenue in this same fund in the amount of \$731,966. The net decrease to intergovernmental revenue was \$134,434.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 30, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

COUNTY OF PLACER

Report to the County Board of Supervisors
Required Communications (Continued)
For the Fiscal Year Ended June 30, 2012

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

COUNTY OF PLACER

Report to the County Board of Supervisors
Findings and Recommendations
For the Fiscal Year Ended June 30, 2012

Item #2012-A– Loans to Property Owners Reconciliation

CONDITION

During our testing of loan receivables being reported in the Nonmajor Special Revenue Fund-Community Revitalization Fund, we noted the loans recorded in the County’s subsidiary ledger were not being reconciled to the general ledger, resulting in new loans issued in FY 2012 not being reflected in the general ledger. Effective internal control would require the reconciliation of the subsidiary ledger to the general ledger for significant financial statement amounts.

CAUSE

Based on our current year observations it appears that there was insufficient communications within County departments relating to the responsibility of monitoring the loan activity. In prior years, the loan activity was monitored by personnel of the County’s former redevelopment agency. However, due to the dissolution of California Redevelopment agencies, these responsibilities were transferred to a County department. This communication issue led to the new loans recorded not properly being recorded in the County’s general ledger.

EFFECT

As of June 30, 2012, the County had \$513,537 in new loans that were not initially recorded in the County’s general ledger.

RECOMMENDATION

The County should improve upon the procedures involving the reconciliation of the loan subsidiary ledger to the general ledger and strengthen the oversight and monitoring procedures, ensuring accurate reconciliations are being performed in a timely manner.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Management concurs with the auditor’s recommendation. The County Auditor-Controller will be strengthening its year-end closing processes to ensure subsidiary ledgers are reconciled to the general ledger.

COUNTY OF PLACER

Report to the County Board of Supervisors
Findings and Recommendations (Continued)
For the Fiscal Year Ended June 30, 2012

Item #2012-B– Intergovernmental Revenue/Due from Other Government

CONDITION

During our testing of Intergovernmental Revenue in the Low & Moderate Income Housing Asset Fund, we noted a double recording of revenue relating to the same transaction. This fund recognizes revenue relating to draw down requests on a grant awarded by the State of California. When the County submits a draw down request, the County recognizes revenue and a due from other government. Once the cash draw is received, the County will increase their cash balance and reduce the due from other government account balance. However, for one transaction selected for testing, we noted the County recognized revenue when it submitted its draw down request and subsequently recorded revenue again when the draw down request was received, rather than reduce the established due from other government balance. As a result, revenue was overstated by \$866,430 and the corresponding due from other government was not reduced by the same amount.

During our testing of Due from Other Governments, we noted that the County did not record revenue or a due from other government amount during the initial draw down request. However, when the County received the funds relating to the draw down request, an entry to reduce the due from other government account balance for the transaction above was made in the amount of \$731,996. As a result of this transaction, revenue was understated by \$731,996.

CAUSE

Based upon our current year observations, it appears the County’s Community Development Resource Agency, which is primarily responsible for maintaining the ledgers for the Low & Moderate Income Housing Asset Fund, was not fully trained to perform the additional work it was assigned. In prior years, the grant processes related to this activity were reconciled by personnel of the County’s former redevelopment agency. Furthermore, there does not appear to be a proper level of supervisory review sufficient enough to ensure transactions being posted to the general ledger are accurate and complete.

EFFECT

The condition discussed above, resulted in an overstatement of revenue and due from other governments in the amount of \$134,434 for the year ended June 30, 2012.

RECOMMENDATION

The County should improve upon the procedures involving the reconciliation of grants awarded to ensure transactions posted to the general ledger are accurate and complete.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Management concurs with the auditor’s recommendation.

COUNTY OF PLACER

Report to the County Board of Supervisors
Status of Prior Year Findings and Recommendations
For the Fiscal Year Ended June 30, 2012

Item #2011-A – Deferred Revenue

CRITERIA

Generally accepted accounting principles require the deferral of revenue received in advance of qualifying expenditures for certain nonexchange transactions.

CONDITION

The County improperly recognized revenue from the State of California received in advance of qualifying expenditures in the amount of \$7,669,079.

CAUSE

For financial reporting purposes, the County currently relies upon its departments to identify resources received through non-exchange transactions that are subject to deferral in accordance with Generally Accepted Accounting Principles. A department failed to properly communicate required deferral of the revenue to the Auditor-Controller's office. Furthermore, the Auditor-Controller's office did not perform adequate review procedures to identify the error during its year-end closing and financial reporting process.

EFFECT

An audit adjustment was required to properly defer the revenue originally recognized during the fiscal year ended June 30, 2011.

RECOMMENDATION

We recommend the County provide additional training to its departments to further strengthen their understanding of the accounting standards. The County should also strengthen existing procedures performed at the Auditor-Controller's office during its year-end closing and financial reporting process designed to identify improperly recognized revenues received through non-exchange transactions.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Management concurs with the recommendation. The Auditor-Controller will provide County-wide training related the concepts of deferred revenue, along with strengthening our fiscal year-end close process.

CURRENT YEAR STATUS

This finding is deemed resolved as of June 30, 2012.

COUNTY OF PLACER

Report to the County Board of Supervisors
Status of Prior Year Findings and Recommendations (Continued)
For the Fiscal Year Ended June 30, 2012

Item #2011-B - OVERTIME LIMIT

CRITERIA

In accordance with County code, no employee shall be worked more than sixteen (16) hours (and receive pay for twenty-four (24) hours at a time and one-half rate) in any pay period, nor accumulate more than forty (40) hours Compensated Time Off (26.6 hours at a time and one-half rate) without the express prior approval of the county executive's office.

CONDITION

During our review of employees who earned the highest overtime pay during the fiscal year ended June 30, 2011, we noted 5 out of the 10 employees selected for review, worked overtime exceeding 16 hours in a single pay period without the prior approval from the county executive office.

CAUSE

The exceptions noted above related to employees from the same department. It has been the department's understanding that there is a blanket approval issued by the county executive office, permitting the department to exceed the overtime cap identified in the policy, however, there is no formal documentation supporting this assumption.

EFFECT

Overtime is being permitted without the prior consent of the county executive office.

RECOMMENDATION

We recommend the County design and implement internal controls to ensure the proper approval is obtained when overtime limit for a single employee is expected to be exceeded.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

We agree the provisions of the policy are not being followed although there is no formal approval to waive it. This is an old policy which is impractical in application and is currently under review. Since overtime policy is labor related any changes are subject to negotiation and agreement with the bargaining units. The Placer Public Employee Organization (PPEO) contract is currently under negotiation and the overtime policy is part of the discussion. The County will also negotiate the policy change with the Placer County Deputy Sheriff's Association (PCDSA) when negotiations begin in the spring or summer of 2012.

COUNTY OF PLACER

Report to the County Board of Supervisors
Status of Prior Year Findings and Recommendations (Continued)
For the Fiscal Year Ended June 30, 2012

CURRENT YEAR STATUS

The County has made efforts to address this issue, however the issue is deemed to be unresolved as of 6/30/2012. See below for the County's status of addressing the issue.

In keeping with the Placer Public Employee Organization (PPEO) contract agreement and approved by the Board on August 21, 2012 and the County's implementing Ordinance effective September 22, 2012, this Code Section is no longer applicable to PPEO members or confidential employees

Negotiations are currently in process with the Placer County Deputy Sheriff's Association and this item is being discussed for elimination with that employee group as well.

COUNTY OF PLACER

Report to the County Board of Supervisors
Other Comment
For the Fiscal Year Ended June 30, 2012

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*

On June 25, 2012, GASB approved Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68, which primarily relates to reporting by governments that provide pensions to their employees, is effective for fiscal years beginning after June 15, 2014.

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA- or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

As an employer, the County will be subject to the provisions of Statement No. 68 beginning with the fiscal year ending June 30, 2015. Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria.

The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries.

The Statement calls for immediate recognition of more pension expense than is currently required. This includes immediate recognition of annual service cost and interest on the pension liability and immediate recognition of the effect on the net pension liability of changes in benefit terms. Other components of pension expense will be recognized over a closed period that is determined by the average remaining service period of the plan members (both current and former employees, including retirees). These other components include the effects on the net pension liability of (a) changes in economic and demographic assumptions used to project benefits and (b) differences between those assumptions and actual experience. Lastly, the effects on the net pension liability of differences between expected and actual investment returns will be recognized in pension expense over a closed five-year period.

COUNTY OF PLACER

Report to the County Board of Supervisors
Other Comment (Continued)
For the Fiscal Year Ended June 30, 2012

Statement No. 68 also requires employers to present more extensive note disclosures and RSI, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability.

These changes, however, relate only to accounting and financial reporting, not to how governments approach the funding of their pension plans. Pension funding is a policy decision made by government officials.

MANAGEMENT RESPONSE

Management is aware of GASB Statement No. 68 and is starting to evaluate the impacts to County operations.

