

**COUNTY OF SISKIYOU**  
**SINGLE AUDIT REPORT**  
**JUNE 30, 2012**

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**COUNTY OF SISKIYOU**

Single Audit Report  
For the Year Ended June 30, 2012

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

To the Board of Supervisors and Grand Jury  
County of Siskiyou  
Yreka, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Siskiyou (the "County") as of and for the year ended June 30, 2012, and have issued our report thereon dated March 29, 2013. 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 of Siskiyou 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies 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 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 12-FS-1, 12-FS-2, 12-FS-3, 12-FS-4, 12-FS-5, and 12-FS-6 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 the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 12-FS-7, 12-FS-8, 12-FS-9, 12-FS-10, and 12-FS-11 to be significant deficiencies.

To the Board of Supervisors and Grand Jury  
County of Siskiyou

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Siskiyou's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated March 29, 2013.

The County's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California  
March 29, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Supervisors and Grand Jury  
County of Siskiyou  
Yreka, California

Compliance

We have audited the County of Siskiyou'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 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 of Siskiyou's management. Our responsibility is to express an opinion on the County of Siskiyou's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County of Siskiyou 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 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 12-SA-1, 12-SA-2, 12-SA-3, and 12-SA-4.

Internal Control Over Compliance

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

To the Board of Supervisors and Grand Jury  
County of Siskiyou

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 12-SA-2 and 12-SA-3 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 12-SA-1 and 12-SA-4 to be significant deficiencies.

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.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Siskiyou as of and for the year ended June 30, 2012, and have issued our report thereon dated March 29, 2013, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

The attached Supplementary Schedule of the California Emergency Management Agency Grant Expenditures, the California Department of Corrections and Rehabilitation Programs and the Supplemental Statements of Revenue and Expenditures of the California Department of Community Services and Development have not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.



To the Board of Supervisors and Grand Jury  
County of Siskiyou

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the County's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the County's compliance but not to provide an opinion on the effectiveness of the County's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gallina LLP". The signature is written in black ink and is positioned above the typed name and date.

Roseville, California  
March 29, 2013

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**COUNTY OF SISKIYOU**

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

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Grazing Fees	10.000	--	\$ 1,886
Subtotal Direct Program			<u>1,886</u>
Passed through State Department of Education:			
School Breakfast Program	10.553	--	9,830
National School Lunch Program	10.555	--	15,169
Subtotal Child Nutrition Cluster			<u>24,999</u>
Passed through State Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	--	999,186
Passed through State Department of Health Care Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	--	237,251
Passed through State Controller's Office:			
Schools and Roads - Grants to Counties	10.666	--	2,747,876
Passed through State Department of Food & Agriculture:			
Detection and Eradication of Musk Thistle, Scotch Thistle, Perennial Peppergrass, Meadow Knapweed and Mediterranean Sage	10.025	--	66,117
ARRA - Leafy Spurge and A/B Rated Noxious Weed Eradication and Control	10.688		89,189
Passed through California Fire Safe Council:			
Cooperative Forestry Assistance - Lake Siskiyou Phase V	10.664	--	24,397
Cooperative Forestry Assistance - Rainbow Ridge Fuel Break	10.664	--	10,081
Subtotal CFDA Number 10.664			<u>34,478</u>
Total U.S. Department of Agriculture			<u>\$ 4,200,982</u>
<u>U.S. Department of Commerce</u>			
Passed through California Emergency Management Agency:			
Applied Meteorological Research	11.468	2010-0066	162,701
Total U.S. Department of Commerce			<u>\$ 162,701</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through State Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Economic Development	14.228	08-EDEF-5895	37,410

See accompanying Notes to Schedule of Expenditures of Federal Awards

**COUNTY OF SISKIYOU**

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u> (continued)			
Passed through State Department of Housing and Community Development (continued):			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Economic Development	14.228	09-EDEF-6546	\$ 236,807
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Economic Development	14.228	10-EDEF-7269	56,382
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Economic Development - Outstanding Loan Balance	14.228	--	3,407,188
Subtotal CFDA Number 14.228			<u>3,737,787</u>
Home Investment Partnerships Program - Outstanding Loan Balance	14.239	--	307,000
Total U.S. Department of Housing and Urban Development			<u>\$ 4,044,787</u>
<u>U.S. Department of the Interior</u>			
Direct Programs:			
Payments in Lieu of Taxes	15.226	--	1,210,318
Invasive and Noxious Plant Management	15.230	--	3,411
Partners for Fish and Wildlife	15.631	81339AJ009	21,900
Klamath Hydro-electrical Settlement Secretarial Determination Support	15.608	--	9,313
United States Geological Survey Precipitation Monitoring	15.808	06-4565-0003	4,600
Total U.S. Department of the Interior			<u>\$ 1,249,542</u>
<u>U.S. Department of Justice</u>			
Direct Programs:			
Cannabis Eradication	16.579	2012-50	80,190
ARRA - COPS Hiring Recovery Program	16.710	--	222,954
ARRA - Combating Rural Crime Initiative	16.810	2009-SD-B9-0127	3,706
Subtotal Direct Programs			<u>306,850</u>
Passed through California Emergency Management Agency:			
Victim/Witness Assistance Program	16.575	VW11190470	113,670
Unserved/Underserved Victim Advocacy and Outreach	16.575	UV11020470	119,187
Subtotal CFDA Number 16.575			<u>232,857</u>
Siskiyou County Interagency Narcotics Task Force	16.738	DC11240470	93,266
ARRA - Substance Abuse Offender Treatment Program	16.803	ZO09010470	19,898
ARRA - Evidence Based Adult Rehabilitation Program	16.803	ZP09010470	25,966
ARRA - CalMMET Enforcement Team Recovery Act Program	16.804	ZM09010470	92,507
ARRA - ADA Enforcement Team Recovery Act Program	16.804	ZA09010470	99,689
Subtotal JAG Cluster			<u>331,326</u>
Subtotal Pass Through			<u>564,183</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

**COUNTY OF SISKIYOU**

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
<u>U.S. Department of Justice</u> (continued)			
Passed through Superior Court of Siskiyou County			
Drug Court Discretionary Grant Program	16.585	--	\$ 68,311
Total U.S. Department of Justice			<u>\$ 939,344</u>
<u>U.S. Department of Transportation</u>			
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205	025N/02-5902R	59,570
Highway Planning and Construction	20.205	024N/02-5902R	49,700
Highway Planning and Construction	20.205	020-N/02-5902R	227,093
Highway Planning and Construction	20.205	015-M1/02-5902	630,113
Subtotal CFDA Number 20.205			<u>966,476</u>
Passed through Federal Transit Administration:			
Federal Transit - Formula Grants	20.507	Contract #641169	182,030
Total U.S. Department of Transportation			<u>\$ 1,148,506</u>
<u>U.S. Department Environmental Protection Agency</u>			
Passed through California Environmental Protection Agency:			
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	--	4,182
Total U.S. Department Environmental Protection Agency			<u>\$ 4,182</u>
<u>U.S. Election Assistance Commission</u>			
Passed through Secretary of State			
Help America Vote Act Requirements Payments	90.401	07G30134	11,305
Help America Vote Act Requirements Payments	90.401	11G30124	1,386
Subtotal CFDA Number 90.401			<u>12,691</u>
Total U.S. Election Assistance Commission			<u>\$ 12,691</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through office of Child Abuse Prevention			
Community - Based Child Abuse Prevention Grants	93.590	--	25,933
Passed through State Department of Social Services:			
Temporary Assistance for Needy Families - Assistance	93.558	--	1,541,616
Temporary Assistance for Needy Families - Administration	93.558	--	1,997,549
Subtotal CFDA Number 93.558			<u>3,539,165</u>
Foster Care Title IV-E - Administration	93.658	--	766,170
Foster Care Title IV-E - Assistance	93.658	--	659,398
ARRA - Foster Care Title IV-E - Assistance	93.658	--	6,808
Subtotal CFDA Number 93.658			<u>1,432,376</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

**COUNTY OF SISKIYOU**

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
<u>U.S. Department of Health and Human Services (continued)</u>			
Passed through State Department of Social Services (continued):			
Adoption Assistance Program - Administration	93.659	--	\$ 14,248
Adoption Assistance Program - Assistance	93.659	--	879,413
Subtotal CFDA Number 93.659			<u>893,661</u>
Promoting Safe and Stable Families	93.556	--	26,481
Child Welfare Services - State Grants	93.645	--	43,878
Social Services Block Grant	93.667	--	167,876
Chafee Foster Care Independence Program	93.674	--	54,602
Subtotal			<u>292,837</u>
Passed through State Department of Child Support Services:			
Child Support Enforcement	93.563	--	<u>1,417,377</u>
Passed through State Department of Community Services and Development:			
Community Services Block Grant	93.569	11F-4228	<u>166,707</u>
Passed through State Department of Mental Health Services:			
Block Grants for Community Mental Health Services	93.958	--	<u>112,710</u>
Passed through State Department of Alcohol and Drug Programs:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	--	<u>622,107</u>
Passed through State Department of Health Care Services:			
Maternal and Child Health Services Block Grant to the States	93.994	--	<u>126,497</u>
Medical Assistance Program - Child Health and Disability Prevention	93.778	--	62,763
Medical Assistance Program - California Children's Services	93.778	--	99,117
Medical Assistance Program - Health Care Program for Children Foster Care	93.778	--	7,955
Medical Assistance Program	93.778	--	29,444
Medical Assistance Program	93.778	--	144,084
Medical Assistance Program - In-Home Supportive Services	93.778	--	338,578
Medical Assistance Program - Social Services Administration	93.778	--	695,604
Subtotal CFDA Number 93.778			<u>1,377,545</u>
Passed through State Department of Public Health:			
Public Health Emergency Preparedness	93.069	--	106,473
Immunization Grants	93.268	--	40,234
Community Transformation Grants	93.531	--	3,835
National Bioterrorism Hospital Preparedness Program	93.889	--	37,274
HIV Surveillance	93.944	--	5,484
SCIP Community Intervention Program	93.977	--	5,174
Subtotal Pass Through			<u>198,474</u>
Total U.S. Department of Health and Human Services			<u>\$ 10,205,389</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

**COUNTY OF SISKIYOU**

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

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
<u>U.S. Social Security Administration</u>			
Direct Program:			
Social Security Incentive Program	96.006	--	<u>\$ 9,800</u>
Total U.S. Social Security Administration			<u>\$ 9,800</u>
<u>U.S. Department of Homeland Security</u>			
Passed through California Emergency Management Agency:			
Hazardous Mitigation	97.039	1731-0006	17,866
Emergency Management Performance Grant	97.042	2011-0048	55,484
Homeland Security Grant	97.055	2007-2008	198,358
Homeland Security Grant	97.055	2009-15	43,282
Remote Community Alert Systems Programs	97.067	2009-19	21,004
Remote Community Alert Systems Programs	97.067	2010-0085	43,708
Remote Community Alert Systems Programs	97.067	2011-SS-0077	60,386
Subtotal Pass Through			<u>440,088</u>
Total U.S. Department of Homeland Security			<u>\$ 440,088</u>
Total Expenditures of Federal Awards			<u><u>\$ 22,418,012</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

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**COUNTY OF SISKIYOU**

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

**NOTE 1: REPORTING ENTITY**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the County of Siskiyou. The County of Marin's reporting entity is defined in Note 1 to the County's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

**NOTE 2: BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting and the accrual basis of accounting for program expenditures accounted for in governmental funds and proprietary funds, respectively, as described in Note 1 of the County's basic financial statements.

**NOTE 3: RELATIONSHIP TO FINANCIAL STATEMENTS**

The amounts report in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's financial statements. Federal award revenues are reported principally in the County's financial statements as intergovernmental revenues in the General and Special Revenue funds.

**NOTE 4: SUBRECIPIENTS**

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

<u>Federal CFDA #</u>	<u>Program</u>	<u>Amount</u>
10.561	Supplemental Nutrition Assistance Program	\$ 33,551
16.585	Siskiyou Family Drug Court Enhancement Project	66,934
16.803	Substance Abuse Offender Treatment Program	45,864
93.556	Promoting Safe and Stable Families (PSSF)	26,481
93.558	Temporary Assistance for Needy Families	223,308
93.590	Community-Based Child Abuse Prevention	25,933
93.674	Chafee Foster Care Independence Program	1,710
93.958	Mental Health Block Grant - Public Health Dept.	19,556
93.959	SAPT Block Grant	97,500
	Total	<u>\$ 540,837</u>

**COUNTY OF SISKIYOU**

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

**NOTE 5: LOANS WITH CONTINUING COMPLIANCE REQUIREMENTS**

Outstanding federally-funded program loans, with a continuing compliance requirements, carried the following balances as of July 1, 2011 and June 30, 2012:

Federal CFDA #	Program	July 1, 2011	June 30, 2012
14.228	Community Development Block Grant/State's Program	\$ 3,022,587	\$ 3,407,188
14.239	HOME Investments Partnership Program	307,000	307,000
	Total	<u>\$ 3,329,587</u>	<u>\$ 3,714,188</u>

**NOTE 6: PROGRAM CLUSTERS**

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

Federal CFDA #	Program	Federal Expenditures
<u>Child Nutrition Cluster:</u>		
10.553	School Breakfast Program	\$ 9,830
10.555	National School Lunch Program	15,169
	Total	<u>\$ 24,999</u>

Federal CFDA #	Program	Federal Expenditures
<u>JAG Program Cluster:</u>		
16.738	Siskiyou County Interagency Narcotics Task Force	\$ 93,266
16.803	ARRA - Substance Abuse Offender Treatment	19,898
16.803	ARRA - Evidence Based Adult Rehabilitation Program	25,966
16.804	ARRA - CalMMet Enforcement/Team Recovery Act Program	92,507
16.804	ARRA - ADA Enforcement Team Recovery Act	99,689
	Total	<u>\$ 331,326</u>

**COUNTY OF SISKIYOU**

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

**NOTE 7: AMERICAN RECOVERY AND REINVESTMENT ACT EXPENDITURES**

In accordance with requirements under U.S. Office of Management and Budget (OMB) Circular A-133, expenditures or federal awards under the American Recovery and Reinvestment Act of 2009 (ARRA) are separately identified in the Schedule by inclusion of the prefix "ARRA" in the identifying name of the federal program on the Schedule of Expenditures of Federal Awards.

**NOTE 8: PASS-THROUGH ENTITIES' IDENTIFYING NUMBER**

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

**NOTE 9: TOTAL FEDERAL AWARDS EXPENDED BY CFDA NUMBER**

When there is more than one program under a single CFDA number, the schedule of expenditures of federal awards presents totals of all programs under the one CFDA number. Occasionally, however, this total could not be conveniently displayed because all programs under one CFDA number were not contiguous. When this occurred, this total is not shown in the schedule, but is instead provided below.

<u>CFDA Number</u>	<u>Total Federal Expenditures</u>
97.055	\$ 241,640
97.067	125,098
16.803	45,864
16.804	192,196

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**COUNTY OF SISKIYOU**

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

**Section 1 – Summary of Auditor’s Results**

Financial Statements

- |  |             |
|--|-------------|
| 1. Type of auditor’s report issued:  | Unqualified |
| 2. Internal controls over financial reporting:                                 |             |
| a. Material weaknesses identified:   | Yes         |
| b. Significant deficiency identified not considered to be material weaknesses? | Yes         |
| 3. Noncompliance material to financial statements noted?                       | No          |

Federal Awards

- |   |             |
|---|-------------|
| 1. Internal control over major programs:  |             |
| a. Material weaknesses identified?  | Yes         |
| b. Significant deficiency identified not considered to be material weaknesses?  | Yes         |
| 2. Type of auditor’s report issued on compliance for major programs:  | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | Yes         |

4. Identification of major programs:

CFDA Number

Name of Federal Program

10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.666	Schools and Roads - Grants to Counties
14.228	Community Services Block Grants/State’s Program And Non-Entitlement Grants in Hawaii
16.738, 16.803, 16.804	JAG Program Cluster
20.205	Highway Planning and Construction
93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance Program

- |   |           |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs?       | \$672,540 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No        |

**COUNTY OF SISKIYOU**

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

**Section 2**

Financial Statement Findings

Financial Statement and SEFA Preparation	Finding 12-FS-1
American Recovery and Reinvestment Act Requirements	Finding 12-FS-2
Net Pension Asset	Finding 12-FS-3
Fund Balance Classification and Special Revenue Fund Classification	Finding 12-FS-4
General Ledger Recording – Receivables and Payables	Finding 12-FS-5
General Ledger Recording of Liabilities	Finding 12-FS-6
Record Audit Adjustments	Finding 12-FS-7
Completeness of Receivables	Finding 12-FS-8
Capital Assets Related to Landfills	Finding 12-FS-9
Capital Asset Records	Finding 12-FS-10
Recording of Retainage Payable	Finding 12-FS-11

**Section 3**

Federal Award Findings and Questioned Costs

CFDA 14.228	Finding 12-SA-1
CFDA 16.738, 16.803, 16.804	Finding 12-SA-2
CFDA 16.738, 16.803, 16.804	Finding 12-SA-3
CFDA 93.558	Finding 12-SA-4

## COUNTY OF SISKIYOU

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

#### **Finding 12-FS-1**

##### *Financial Statement and SEFA Preparation*

##### Criteria

Statement on Auditing Standard No. 115, *Communicating Internal Control Related Matters Identified in a Audit* (SAS 115), applies to the County's current year fiscal audit. The standard provides guidance in that if an entity is unable to draft its own financial statements, there may be a material weakness or significant deficiency. External auditors cannot be part of the County's internal controls, including controls over the preparation of the financial statements, and are prohibited from auditing their own work as doing so impairs their independence. These same requirements apply to the Schedule of Expenditures of Federal Awards (SEFA).

The Schedule of Expenditures of Federal Awards (SEFA), while not a part of the basic financial statements, is audited in relation to the basic financial statements, in accordance with the requirements of OMB Circular A-133. OMB Circular A-133 requires auditors to determine major programs and perform risk determinations based on a complete SEFA prior to performing fieldwork.

##### Condition

In the process of obtaining the County's federal expenditures and reconciliations to the general ledger by grant and by program we were unable to obtain the federal expenditures and reconciliations for many of the grants and programs in a timely manner. This delay resulted in significant changes to the required risk assessment process that determines which major programs must be audited.

##### Cause

The Auditor-Controller's Office relies on the departments to identify federal expenditures by grant and by program and does not currently have an adequate system in place for following up on missing or inaccurate information. In addition, departments did not provide complete and accurate information in all instances.

##### Effect of Condition

Not having an adequate system in place for compiling the SEFA can result in missing or inaccurate federal expenditures being reported. Since the external auditors must identify the County's major programs using its SEFA, inaccurate balances may result in additional work and audit fees if a new major program is identified upon completion of fieldwork.

##### Recommendation

We recommend that the County review all expenditures reported on the SEFA for accuracy and completeness and compare what is reported to the general ledger. We further recommend that the County ensure that all departments have provided their federal expenditures, including loans, in-kind and other federal awards. We also recommend that the County have more than one person review the SEFA prior to submitting it for the audit to help ensure that all grants and programs are reported in a timely manner.

**COUNTY OF SISKIYOU**

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

**Finding 12-FS-1**

*Financial Statement and SEFA Preparation (continued)*

Management Response

The Auditor-Controller feels that it is clear that departments are struggling in understanding the expectation of preparing documentation for the single audit. The Auditor-Controller will be talking to the County Administrator about this finding and how best to resolve it. With staffing levels as low as they are the Auditor-Controller does not see this finding going away, and feels that it places the county at risk for potentially paying back federal awards due to grants not being managed appropriately.

The Auditor-Controller would be looking to the departments to properly prepare the SEFA. They should then have a supervisor in their own department review for accuracy. Once these steps have been followed, they will forward to the Auditor-Controller for final review in a timely manner.



## COUNTY OF SISKIYOU

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

#### **Finding 12-FS-2**

##### *American Recovery and Reinvestment Act Requirements*

##### Criteria

The American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5) (ARRA) requires entities that receive ARRA funds to agree to (1) maintain records that identify adequately the source and application of ARRA awards; (2) separately identify the Federal award number, CFDA number, and the amount of ARRA funds; (3) provide identification of ARRA awards in their Schedule of Expenditures of Federal Awards (SEFA) and Data Collection Form (SF-SAC) and require their subrecipients to provide similar identification in their SEFA and SF-SAC. Additional information, including presentation requirements for the SEFA and SF-SAC.

##### Condition

During our audit we noted the County did not establish the requirements listed below as required for entities that received ARRA funds:

- 1) Establish a point person for ARRA funds.
- 2) Be able to segregate and track ARRA funds.
- 3) Establish a process for accepting ARRA funds.
- 4) Appoint someone to be responsible for quarterly reporting.

##### Cause

The Auditor-Controller's Office relies on the departments to identify federal expenditures by grant and by program and does not currently have an adequate system in place for following up on missing or inaccurate information. In addition, departments did not provide complete and accurate information in all instances.

##### Effect of Condition

The County could inadvertently omit ARRA fund expenditures on its SEFA as required by law.

##### Recommendation

We recommend the County establish and maintain internal controls that will allow for the proper identification and tracking of the County's ARRA fund expenditures. We also recommend the County assign someone to be the "Point Person" responsible for ARRA funds and identify someone to be responsible for quarterly reporting.

##### Management Response

The Auditor-Controller created a special account specifically for ARRA funds. The hope was that this would allow for the departments to better manage the grant awards. Based on this finding it is clear that there are other internal control issues that need to be addressed. The Auditor has spoken to the CAO about her concerns, and expressed them with some of the board members. It is clear that without proper management of the grants, it places the funding at risk, as well as the potential to pay back the grant funds. Without additional staffing in the Auditor's office, this is not a function that could be taken on at this point in time. The Auditor will reach out to the CAO to discuss a possible resolution to this finding.

**COUNTY OF SISKIYOU**

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

**Finding 12-FS-3**

*Net Pension Asset*

Criteria

GASB Statement No. 27 requires that governments report a net pension obligation or asset for past under- or over-contributions. This is defined as the cumulative difference between annual pension cost and actual contributions made to a plan.

Condition

During the audit, we noted that the County had previously issued pension obligation bonds during the 2007/2008 fiscal year. However, there was no pension asset recorded on the County's government wide statements. A prior period adjustment of \$14.3 million was recorded in the government wide statements to recognize the pension asset.

Cause

The County does not have a process to identify events that may result in the generation of a net pension obligation or asset.

Effect of Condition

By not recording the net pension obligation or asset, the County could materially understate its assets or liabilities.

Recommendation

We recommend that the County modify its closing process to identify events that may have resulted in a net pension obligation or asset and address them appropriately for the financial statements.

Management Response

The Auditor-Controller acknowledges the need to post the net pension obligation or asset. This will be added to our year-end closing procedures.

## COUNTY OF SISKIYOU

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

#### **Finding 12-FS-4**

##### *Fund Balance Classification and Special Revenue Fund Classification*

##### Criteria

GASB Statement No. 54 was effective during the 2010/2011 fiscal year. Under this statement, fund balance in the governmental funds is required to be classified as nonspendable, restricted, committed, assigned, or unassigned.

In addition, GASB Statement No. 54 included a number of changes to the governmental funds definitions. The most significant change impacted special revenue funds. Special revenue fund reporting is permitted only if all of the following conditions have been met:

1. The fund receives resources that are restricted or committed to expenditures for a specific purpose.
2. Resources that are restricted or committed comprise a substantial portion of the fund's total resources.
3. The nature of the restriction or commitment is not temporary.

##### Condition

The County has added equity accounts to its general ledger to comply with GASB Statement No. 54 categories, and made reclassifying journal entries for equity amounts. However, the effects of the current year's revenues and expenditures were not analyzed to determine what the June 30, 2012 ending balances should be.

In addition, we noted that a number of special revenue funds in the financial statements did not appear to meet the GASB Statement No. 54 criteria for special revenue funds, as they had only assigned fund balance, or do not receive qualifying revenues.

##### Cause

The County did not provide an analysis of the current year's revenues and expenditures for fund balance classification.

##### Effect of Condition

The County could have a misstatement of fund balance classifications.

##### Recommendation

We recommend that the County develop a process to analyze and document the effects that a given year's revenues, expenditures, and other activity would have on the GASB 54 fund balance classes. We also recommend that the County review its special revenue funds to determine if they meet the criteria for presentation as a special revenue fund under GASB Statement No. 54. If a fund does not meet that criteria, then the County may combine its activity with another, qualifying fund, on the financial statements, or its activity should be combined with the General Fund for financial statement reporting purposes.

##### Management Response

The Auditor-Controller supplied the outside auditor's with the policy adopted by the Board, work papers, rationale, and how we identify current and future revenue. I do not believe this finding to be accurate and will take no action on it.

## COUNTY OF SISKIYOU

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

#### **Finding 12-FS-5**

##### *General Ledger Recording – Receivables and Payables*

##### Criteria

Governmental Accounting Standards Board and GAAP require that the County's assets and liabilities be included in its financial statements. To facilitate this, those balances should generally be recorded in the County's general ledger.

##### Condition

During the audit, we noted that the County does not post receivables or payables that are not received or paid during the accrual period in the general ledger. These items, consisting of estimates and actual subsequent transactions, are accumulated in separate schedules and are provided to the external auditor for inclusion in the financial statements. For the year ended June 30, 2012, \$76,952 of accounts payable and \$1,237,680 of receivables were not recorded by the County.

##### Cause

The County does not have a process to record estimated receivables and payables on the general ledger.

##### Effect of Condition

By not recording all assets and liabilities in the general ledger the risk of material misstatement is increased.

##### Recommendation

We recommend that the County modify its closing procedures so that all known receivables and payables are recorded on the general ledger.

##### Management Response

This is the first time that we have had this audit finding, with no change in our process. After careful consideration, the Auditor-Controller agrees with the recommendation and will implement this process with our year-end procedures.

**COUNTY OF SISKIYOU**

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

**Finding 12-FS-6**

*General Ledger Recording of Liabilities*

Criteria

Governmental Accounting Standards Board and GAAP require that the County's assets and liabilities be included in its financial statements. To facilitate this, those balances should generally be recorded in the County's general ledger.

Condition

During the audit, we noted that the following balances were either not recorded in the general ledger, or the balances were not current:

- Short term portion of compensated absences
- Other postemployment benefits (OPEB) liability

Cause

The County does not have a process to record these liabilities or post changes to them as necessary.

Effect of Condition

By not recording these liabilities or not reviewing and adjusting them periodically, the risk of material misstatement is increased.

Recommendation

We recommend that the County include balance sheet accounts in their closing process to ensure that balances are recorded at the appropriate amounts at year end.

Management Response

The Auditor-Controller agrees with this recommendation, and will incorporate this with our year-end closing process.

## COUNTY OF SISKIYOU

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

#### **Finding 12-FS-7**

##### *Record Audit Adjustments*

##### Criteria

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

##### Condition

During the audit, we noted that some of the prior year's audit adjustments had not been recorded in the County's general ledger. We also noted instances where other adjustments made for financial reporting were not posted. This resulted in beginning equity not reconciling to the prior year's audited amounts without significant adjustments.

##### Cause

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

##### Effect of Condition

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

##### Recommendation

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

##### Management Response

In the prior fiscal year we communicated clearly with the outside auditor as to which journal entries we agreed with, and which ones we did not. We have documentation that supports that we told them we would not input an incorrect journal into our system. We communicated this to the current outside auditors and requested that a prior year adjustment be made. Reversing a journal that was never made did not make sense to us, nor did posting an erroneous journal entry. The Auditor-Controller will take no action on this finding.

## COUNTY OF SISKIYOU

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

#### **Finding 12-FS-8**

##### *Completeness of Receivables*

##### Criteria

Under the modified accrual basis of accounting which is used to account for the County's governmental funds as required by generally accepted accounting principles (GAAP), income that has been earned must be reported as a receivable regardless of whether it has been collected within forty-five days following the close of the County's fiscal year end. Receivables that are not collected within the forty-five days following the close of the County's fiscal year end should be reported as deferred revenues.

##### Condition

During the audit, we tested management's assertion that receivables were complete by reviewing subsequent deposits. We noted a significant receivable that was not recorded at the end of the year despite the revenue recognition criteria being met. The total amount of the audit adjustment was \$119,849.

##### Cause

As the County's accounting system reports transactions on a cash basis during the year, additional processes are required to collect information about receivables and then to incorporate those balances into the general ledger accounts. Although subsequent receipt of a receivable is the best evidence about the existence of a receivable at year end, the first forty-five days of deposits following the close of the accounting period is an insufficient range of time to ensure completeness of receivables. Because departments may not be adequately trained to recognize receivables and report this information, the Auditor-Controller's Office may not have the information necessary to ensure receivables are complete.

##### Effect of Condition

Incomplete revenue accruals may lead to a material understatement of revenues in the financial statements.

##### Recommendation

We recommend that the County consider additional steps in its year-end closing process to ensure material misstatements do not occur. Such steps might include training County departments to more readily recognize receivables and performing a risk assessment process for each receivable account to ensure its completeness.

##### Management Response

The Auditor-Controller agrees with this recommendation and will be creating an unavailable revenue account in the general ledger for this purpose.

**COUNTY OF SISKIYOU**

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

**Finding 12-FS-9**

*Capital Assets Related to Landfills*

Criteria

According to GASB Statement No. 18 *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, "equipment and facilities included in the estimated total current cost of closure and postclosure care should not be reported as capital assets. Equipment...included in the estimated total current cost should be reported as a reduction of the accrued liability for MSWLF closure and postclosure care when they are acquired."

Condition

During the audit, we noted that several construction in progress projects included on the County's capital asset schedule appeared to be related to closure/postclosure for the County's landfills and should not be capitalized. After researching the projects, the County agreed and an audit adjustment was proposed to remove \$55,701 from the capital assets schedule.

Cause

The County was not aware that closure/postclosure related assets were being capitalized.

Effect of Condition

By capitalizing items that are to be used solely for landfill closure or postclosure care, the County was not in compliance with generally accepted accounting principles.

Recommendation

We recommend that the County include information regarding this exception to the general capitalization criteria in closing procedures related to capital assets.

Management Response

The Auditor-Controller's Office has reached out to Sanitation and discussed this matter with their staff. They will no longer be including the closure/postclosure information in with the capital asset information that is being reported. This item has been resolved by the time the financial statements were prepared.



## COUNTY OF SISKIYOU

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

#### **Finding 12-FS-10**

##### *Capital Asset Records*

##### Criteria

GASB Statement No. 34 requires the cost of capital assets to be capitalized and depreciated over their useful lives in the County's government-wide statements.

##### Condition

The County uses a Microsoft Access database to track and calculate depreciation for its equipment type capital assets. All other asset types are tracked and depreciated, if applicable, in a series of spreadsheets. In performing the audit over capital assets, we were provided with 10 files which tracked various portions of capital assets balances.

The County's general ledger system has a capital asset module which is currently not used for financial reporting.

##### Cause

The current system of database and spreadsheets appears to have evolved over time to meet the most urgent needs of the County, but does not appear to have been reconsidered to improve accuracy or usability.

##### Effect of Condition

With the current capital asset record keeping system in place, duplications, omissions, miscalculations of depreciation expense, and other errors are a greater risk due to the complexity of the multiple-file structure. These errors, if undetected, could cause a material misstatement.

##### Recommendation

We recommend that the County consolidate its capital asset records into a single database or file to simplify recordkeeping and improve accuracy. The County may wish to investigate fully implementing the Banner capital asset module for all capital asset records and calculations, including those necessary for financial reporting.

##### Management Response

The outside auditor could not demonstrate what they were referring to in duplications etc. The Auditor will continue to work on the fixed asset module implementation, but is concerned about staff availability. As a result of the outside auditor's inability to support this finding, the Auditor-Controller will take no action on this item.

**COUNTY OF SISKIYOU**

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

**Finding 12-FS-11**

*Recording of Retainage Payable*

Criteria

All liabilities of the County should be recorded appropriately in the financial statements.

Condition

During our audit, we noted that the County held back amounts as retention on construction related vendor payments. This is a common practice, but the amount that is retained by the County should be recorded as a liability in a retainage payable account. Upon further inquiry, we came to understand that retainage was not recorded as an expense or liability, or included in the capital asset tracking, until it was paid out to the vendor.

Cause

The County does not record retainage payable until it is released and paid to the vendor.

Effect of Condition

By not recording the retainage payable, the County understates its liabilities and expenses for the year. If the retainage is related to a capitalizable project, then the construction in progress balance would be understated. Recording the retainage amounts at the time of each payment is also a way to check the contractor's records and reconcile them with the County's balance.

Recommendation

We recommend that the County properly record transactions that have retainage payable and that the balance is reconciled to the contractor's invoice to discover any errors made by either party.

Management Response

Auditor-Controller agrees with this recommendation and will implement a Retainage Payable account in the 12/13 fiscal year.

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## COUNTY OF SISKIYOU

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

<b>Reference Number</b>	12-SA-1
<b>Federal Program Title</b>	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
<b>CFDA Number</b>	14.228
<b>Federal Agency</b>	U.S. Department of Housing and Urban Development
<b>Pass Through Entity</b>	State Department of Housing and Community Development
<b>Compliance Requirement</b>	Program Income

#### Criteria

Over a number of years, the County has offered subsidized loan programs to residents and businesses funded by the Federal Community Development Block Grant (CDBG) program and passed through the State Department of Housing and Community Development. As the loans are extended by and repayable to the County, they are properly recognized as assets on the County's financial statements under generally accepted accounting principles. To ensure they are reported properly, the County's procedures must incorporate an accurate accounting for principal and interest components of each loan, and for repayments made over time.

#### Condition

The County has approximately 67 loans outstanding from various County residents and businesses that were made under the CDBG program. Total outstanding loan balances are recorded by fund via journal entries in the County's general ledger system, with the principal and interest components of these loan balances accounted for through the use of separate Excel spreadsheets set up for each loan.

As of June 30, 2012, there was a variance of approximately \$4,800 between the outstanding loan balance being reported on the Excel spreadsheet being maintained by the Department and the ending loans receivable balance as recorded on the County's financial statements.

The Department has acquired a dedicated software product to account for these loan balances, but the product has not yet been totally implemented.

#### Questioned Costs

No costs are questioned.

#### Cause

The discrepancy was caused by unreconciled beginning balances between the Excel spreadsheet being maintained by the Department and the County's financial statements.

#### Effect of Condition

Loan balances can be miscalculated or overlooked, especially as the number of spreadsheets involved grows larger. As well, the multiple versions of a single loan payment schedule invite error.

## COUNTY OF SISKIYOU

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

**Reference Number:** 12-SA-1 (continued)

#### Recommendation

We recommend that the Auditor-Controller's Office conduct a review of the loans receivable balances to prepare to implement the new software product, and we recommend that the Public Health Department promptly furnish all records necessary to enable the Auditor-Controller's Office to complete this review. We recommend that the Public Health Department proceed thereafter with the setup of all loan balances in the new software and furnish documentation of each loan setup to the Auditor-Controller's Office for verification.

#### Corrective Action Plan

While it is reported that the County has approximately 67 loans, the list provided by the Department identified a total of 58 which included 49 existing loans and 9 new loans issued in 2011/12, not an additional 9 loans. It is further noted that the 58 includes duplicates as a result of tracking loans by funding sources and those loans paid off/closed but in process of accounting clean up.

The Department continues to agree that accounts cannot effectively or accurately be managed through individual spreadsheets. While the audit period covered activities through June 30, 2012, the outside auditor was informed that the county ceased use of spreadsheets to manage loan accounts in July 2012.

The County continues to work with the Auditor to reconcile the beginning loan account balances for two loans. The vast majority (95%) of accounts have been reconciled. The Department welcomes review and participation of the Auditor's Office in resolving unreconciled loan balances. The Department objects to the implication that it does not respond timely to requests by the Auditor. The Department has and will continue to communicate and respond timely to any request for records. The Department is seeking timely responses from the Auditor to resolve beginning balance discrepancies to ensure accurate beginning loan balances. Full implementation of loan servicing software has been implemented. Loan servicing policies and procedures have been developed to assist with consistent implementation.

Terry Barber, PHCDD

#### *Auditor-Controller's Office Response*

The Auditor-Controller feels that better communication is needed between the departments. This would help facilitate a better working relationship and reduce the errors and misunderstandings that have occurred. With the reduction in staff, auditing this program at the level that it needs to be audited will continue to be problematic.

The contact person for this Corrective Action Plan is Terry Barber, Director, Public Health & Community Development Department. Her telephone number is (530) 841-2110.

**COUNTY OF SISKIYOU**

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

**Reference Number** 12-SA-2  
**Federal Program Title** JAG Program Cluster  
ARRA – JAG Program Cluster  
**CFDA Number** 16.738, 16.803, and 16.804  
**Federal Agency** U.S. Department of Justice  
**Pass Through Entity** California Emergency Management Agency  
**Compliance Requirement** Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria

Direct payroll charges to federal grants for employee time spent on grant functions must be supported with the documentation required by OMB Circular A-87. Where the applicable employees worked on an allowable grant activity as well as non-grant related activities and/or activities related to other grants, required documentation consists of reports signed by each employee accounting for the total number of hours worked and showing an actual distribution of those hours to grant and non-grant functions. These reports must be prepared at least monthly and should coincide with one or more pay periods. Substitute methods may be used, but only if such methods have been approved by the Federal agency overseeing the grant (2 CFR 225, Appendix B § (8)(h)).

Condition

During our audit of the JAG Cluster grants (in the Sheriff’s Department), we learned that employees who worked on only one grant may not comply with the six-month certification procedures under OMB A-87. We also learned that officers input their time into the payroll timekeeping system Kronos before the work is performed. However, after the scheduled time for this work, employees are required to adjust Kronos. Finally, the employee timecards and functional timesheets were not signed by either the employee or the supervisor for 2 employees in our sample. The error rate for the sample was  $2 / 3 = 66.67\%$ .

Questioned Costs

Though the officers input their time into Kronos prior to performing the work, policies require that the officers review the time after the work is performed and determine that it is accurate. Based on the documentation that was provided us and reviewed by us, we did not feel it was necessary to question any costs.

Cause

The Department did not have proper oversight to ensure that the employee timecards and functional timesheets were being properly completed, reviewed and signed.

Effect of Condition

Assigning employee time to programs before it is worked, not requiring all employees who work on only one program to adequately certify their time and processing payroll before the supervisor has approved the time all result in increased risk of payroll and grant billing errors.

Recommendation

We recommend that the County set and enforce policies which would require strict compliance with the salaries documentation requirements of OMB A-87 for all federal grant programs and that the County increase efforts to ensure the requirements that timesheets be certified by the employee and approved by the supervisor.

**COUNTY OF SISKIYOU**

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

**Reference Number:** 12-SA-2 (continued)

Corrective Action Plan

The Sheriff's Department and County have put a procedure into place that requires all Supervisors and employees to approve their time. Due to 24 hour shift work as required in the Sheriff's Department, electronically approving time is not always possible before payroll is due and locked by the Auditor's office. Therefore, timesheets are now being printed and staff is providing wet signatures on hard copies and submitting to Payroll. This should ensure that payroll is not processed before the Supervisor and/or employee have a chance to approve their time.

The contact person for this Corrective Action Plan is Jon Lopey, Siskiyou County Sheriff. His telephone number is (530) 842-8326.

**COUNTY OF SISKIYOU**

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

**Reference Number** 12-SA-3  
**Federal Program Title** JAG Program Cluster  
ARRA – JAG Program Cluster  
**CFDA Number** 16.738, 16.803, and 16.804  
**Federal Agency** U.S. Department of Justice  
**Pass Through Entity** California Emergency Management Agency  
**Compliance Requirement** Reporting

Criteria

The California Emergency Management Agency Recipient Handbook states that accounting systems for CalEMA projects may be on a cash, accrual, or modified cash basis (Section 6400.7). However, the Report of Expenditures and Request for Funds (CalEMA 2-201) can only be made on a cash basis (Section 6300).

Condition

During our audit of the JAG cluster grants (in the Sheriff's Department), we noted that in a few instances items of expense were accrued but not paid in cash prior to being claimed.

Questioned Costs

No costs are questioned. The discrepancies resulted in timing errors but no over-claiming took place with the grantor.

Cause

Delays in processing vendor payments have extended the claim timeline since expenditures involved in these grants cannot be claimed until paid.

Effect of Condition

Including costs in the cash basis reimbursement claims that have not been paid by the County during the claiming period might result in adjustments to reimbursements and detrimental audit findings.

Recommendation

We recommend that the Department review the process for preparing the 201s to determine what steps might be taken to ensure that claims are accurately reported. We further recommend that the Auditor-Controller's Office work with the Sheriff's Office to assist them in ensuring that their vendor invoices are processed expeditiously so that the Department can adequately plan for the expenditure of grant funds.

Corrective Action Plan

It is understood by the Sheriff's Department that 201s need to be reported on a cash, rather than accrual, basis. This finding was brought to our attention in late 2011 and has been corrected. All expenditures are balanced to Banner each month and only those costs that are expended are claimed.

The contact person for this Corrective Action Plan is Jon Lopey, Siskiyou County Sheriff. His telephone number is (530) 842-8326.



## COUNTY OF SISKIYOU

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

<b>Reference Number</b>	12-SA-4
<b>Federal Program Title</b>	Temporary Assistance to Needy Families
<b>CFDA Number</b>	93.558
<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Pass Through Entity</b>	State Department of Social Services
<b>Compliance Requirement</b>	Eligibility and Special Tests (Required Welfare to Work Participation)

#### Criteria

Each adult receiving Federal TANF assistance must participate in the Welfare to Work Program (WTW) unless the person is exempt by reason of their status or the person is granted an exemption. If such an individual refuses to engage in WTW activities, the Department must sanction the individual during the period of time of refusal to participate in WTW.

#### Condition

Of the 40 case files selected for eligibility testing, we noted three case files where the Department failed to have the required documentation to support that the Department was in compliance with this requirement. The error rate for the sample was  $3 / 40 = 7.50\%$ .

#### Questioned Costs

No costs are questioned.

#### Cause

The Department did not have proper oversight to ensure that the forms were being properly reviewed and signed by the applicants and the Eligibility Workers.

#### Effect of the Condition

The effect of not sanctioning those individuals who are noncompliant with the WTW program is that individuals could receive TANF benefits to which they are not entitled.

#### Recommendation

We recommend that the Department review its internal control system of ensuring that each adult individual, who must participate in WTW but does not, is sanctioned as required by law. If any improvement in the design or operation of internal controls is warranted, the improvement should be implemented.

#### Corrective Action Plan

As a result of the County of Siskiyou - Schedule of Findings and Questioned Costs, Siskiyou County has re-trained their staff to express the importance of properly reviewing form WTW1 with all WTW Customers and collecting the signature from the applicant at the time of application for aid. When it is determined that a customer refuses to comply with WTW Program requirements, the worker will sanction the customer in a timely manner in accordance with State and Federal rules and timeframes. Supervisors will complete Focus-Reviews on all intakes completed and ensure that all workers comply with this requirement.

The contact person for this Corrective Action Plan is Trish Barbieri, Program Manager. Her telephone number is (530) 841-2754.

**COUNTY OF SISKIYOU**

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

**Finding 11-SA-1**  
**CFDA No. 14.228**

Recommendation

We recommend that the Auditor-Controller's Office conduct a review of the loans receivable balances to prepare to implement the new software product, and we recommend that the Public Health Department promptly furnish all records necessary to enable the Auditor-Controller's Office to complete this review within 90 days. We recommend that the Public Health Department proceed thereafter with the setup of all loan balances in the new software by the end of the fiscal year and furnish documentation of each loan setup to the Auditor-Controller's Office for verification.

Status

Partially implemented. This is a reoccurring finding from prior year and is renumbered as Finding 12-SA-1.

**Finding 11-SA-2**  
**CFDA No. 14.228**

Recommendation

We recommend the County put together policies for monitoring its subrecipients and ensuring that these monitoring procedures are conducted. We further recommend that the County develop a monitoring checklist for these procedures. The U.S. Department of Housing and Urban Development Guidebook for CDBG Grantees on Subrecipient Oversight may be a good source for consultation. It can be found online at [portal.hud.gov/hudportal/documents/huddoc?id=DOC\\_17096.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_17096.pdf).

Status

Implemented.

**Finding 11-SA-3**  
**CFDA No. 16.810, 16.738, 16.803, 16.804, 20.205 and 20.219**

Recommendation

We recommend that the County set and enforce policies which would require strict compliance with the salaries documentation requirements of OMB A-87 for all federal grant programs and that the County increase efforts to enforce the requirement that timesheets be certified by the employee and approved by the supervisor.

Status

Implemented for CFDA Numbers 16.810, 20.205 and 20.219.

Not implemented for CFDA Numbers 16.738, 16.803 and 16.804. This is a reoccurring finding from prior year and is renumbered as Finding 12-SA-2.

**COUNTY OF SISKIYOU**

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

**Finding 11-SA-4**  
**CFDA No. 16.738, 16.803, and 16.804**

Recommendation

We recommend that the Department review the process for preparing the 201s to determine what steps might be taken to ensure that claims are accurately reported. We further recommend that the Auditor-Controller's Office work with the Sheriff's Office to assist them in ensuring that their vendor invoices are processed expeditiously so that the Department can adequately plan for the expenditures of grant funds.

Status

Not implemented. This is a reoccurring finding from prior year and is renumbered as Finding 12-SA-3.

**Finding 11-SA-5**  
**CFDA No. 20.205 and 20.219**

Recommendation

We recommend that the County review its procedures to ensure compliance with the Davis-Bacon Requirements. If the County does not have a control sheet for logging the weekly certified payrolls as received, we recommend that it develop such a worksheet. We further recommend that a policy be set in place requiring that the certified payroll be logged into the control sheet and that this control sheet be reviewed periodically for missing items.

Status

Implemented.

**Finding 11-SA-6**  
**CFDA No. 10.561 and 93.558**

Recommendation

We recommend that total hours input be compared to the timestudies to minimize the potential for keying errors to impact the result.

Status

Implemented.

**Finding 11-SA-7**  
**CFDA No. 10.551, 10.561, 10.557, 14.228, 16.738, 16.803, 16.804, 16.810, 93.558, 10.551, 10.561, 10.557, 10.668, 14.228, 16.738, 16.803, 16.804, 16.810 and 93.558**

Recommendation

We recommend that an individual be assigned to monitor federal expenditure data submitted by various departments to ensure that the expenditures reconcile to the operating ledger.

Status

Not implemented. This is a reoccurring finding from prior year and is renumbered as Finding 12-FS-1 and Finding 12-FS-2.

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**SUPPLEMENTAL STATEMENTS OF REVENUES AND EXPENDITURES**

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**COUNTY OF SISKIYOU**

Schedule of the California Emergency Management Agency  
and the Department of Corrections and Rehabilitation Program Grants Expenditures  
For the Year Ended June 30, 2012

Program	Expenditures Claimed			Share of Expenditures Current Year		
	For the Period Through June 30, 2011	For the Year Ended June 30, 2012	Cumulative As of June 30, 2012	Federal Share	State Share	County Share
<b>Victim/Witness Assistance Program - VW11190470</b>						
Personal services	\$ 51,126	\$ 110,573	\$ 161,699	\$ 110,573	\$ -	\$ -
Operating expenses	-	3,097	3,097	3,097	-	-
Totals	<u>\$ 51,126</u>	<u>\$ 113,670</u>	<u>\$ 164,796</u>	<u>\$ 113,670</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Unserved/Underserved Victim Adovacy and Outreach - UV11020470</b>						
Personal services	\$ 38,786	\$ 101,253	\$ 140,039	\$ 101,253	\$ -	\$ -
Operating expenses	-	17,934	17,934	17,934	-	-
Totals	<u>\$ 38,786</u>	<u>\$ 119,187</u>	<u>\$ 157,973</u>	<u>\$ 119,187</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Siskiyou County Interagency Narcotics Taskforce - DC11240470</b>						
Personal services	\$ 117,018	\$ 77,121	\$ 194,139	\$ 77,121	\$ -	\$ -
Operating expenses	17,355	16,145	33,500	16,145	-	-
Totals	<u>\$ 134,373</u>	<u>\$ 93,266</u>	<u>\$ 227,639</u>	<u>\$ 93,266</u>	<u>\$ -</u>	<u>\$ -</u>
<b>ARRA - Substance Abuse Offender Treatment Program - ZO09010470</b>						
Personal services	\$ 38,573	\$ 2,266	\$ 40,839	\$ 2,266	\$ -	\$ -
Operating expenses	21,500	17,632	39,132	17,632	-	-
Totals	<u>\$ 60,073</u>	<u>\$ 19,898</u>	<u>\$ 79,971</u>	<u>\$ 19,898</u>	<u>\$ -</u>	<u>\$ -</u>
<b>ARRA - Evidence Based Adult Rehabilitation Program ZP09010470</b>						
Personal services	\$ 10,546	\$ 13,225	\$ 23,771	\$ 13,225	\$ -	\$ -
Operating expenses	4,524	12,741	17,265	12,741	-	-
Totals	<u>\$ 15,070</u>	<u>\$ 25,966</u>	<u>\$ 41,036</u>	<u>\$ 25,966</u>	<u>\$ -</u>	<u>\$ -</u>
<b>ARRA - CalMMET Enforcement Team Recovery Act Program - ZM09010470</b>						
Personal services	\$ 1,133	\$ 10,935	\$ 12,068	\$ 10,935	\$ -	\$ -
Operating expenses	5,502	81,572	87,074	81,572	-	-
Equipment	13,821	-	13,821	-	-	-
Totals	<u>\$ 20,456</u>	<u>\$ 92,507</u>	<u>\$ 112,963</u>	<u>\$ 92,507</u>	<u>\$ -</u>	<u>\$ -</u>
<b>ARRA - ADA Enforcement Team Recovery Act Program - ZA09010470</b>						
Personal services	\$ 43,656	\$ 11,464	\$ 55,120	\$ 11,464	\$ -	\$ -
Operating expenses	72,703	88,225	160,928	88,225	-	-
Equipment	33,386	-	33,386	-	-	-
Totals	<u>\$ 149,745</u>	<u>\$ 99,689</u>	<u>\$ 249,434</u>	<u>\$ 99,689</u>	<u>\$ -</u>	<u>\$ -</u>

**COUNTY OF SISKIYOU**

Supplemental Statement of Revenues and Expenditures  
CSD Contract No. 11F-4228  
For the Period January 1, 2011 through December 31, 2011

	January 1, 2011 through June 30, 2011	July 1, 2011 through December 31, 2011	Total
<u>Revenue</u>			
Grant revenue	\$ 85,308	\$ 166,707	\$ 252,015
Total Revenue	<u>\$ 85,308</u>	<u>\$ 166,707</u>	<u>\$ 252,015</u>
<u>Expenditures</u>			
Administration Costs:			
Subcontractor services	\$ 15,319	\$ 15,279	\$ 30,598
Total Administrative Costs	<u>15,319</u>	<u>15,279</u>	<u>30,598</u>
Program Costs:			
Subcontractor services	<u>69,989</u>	<u>151,428</u>	<u>221,417</u>
Total Program Costs	<u>69,989</u>	<u>151,428</u>	<u>221,417</u>
Total Expenditures	<u>\$ 85,308</u>	<u>\$ 166,707</u>	<u>\$ 252,015</u>