

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**Single Audit Report  
(OMB Circular A-133)**

**For the Fiscal Year Ended June 30, 2013**

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SINGLE AUDIT REPORT  
(OMB CIRCULAR A-133)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Board of Supervisors  
County of San Bernardino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of San Bernardino, California (County), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 20, 2013. Our report includes an emphasis of matter paragraph regarding the County's adoption of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*, GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and an emphasis of matter paragraph regarding one-time transactions related to the dissolution of the former Redevelopment Agency. Our report also included a reference to other auditors who audited the financial statements of the San Bernardino County Flood Control District, San Bernardino County Consolidated Fire Districts, and the County of San Bernardino Redevelopment Successor Agency Private-Purpose Trust Fund, as described in our report on the County of San Bernardino's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described as item 2013-001 in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

### **Compliance and Other Matters**

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

### **County's Response to Findings**

The County's response to the finding identified in our audit is described in the County's separate corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Vavrinik, Trine, Day & Co. LLP*

Rancho Cucamonga, California  
December 20, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133; AND THE SUPPLEMENTAL SCHEDULE OF OFFICE OF CALIFORNIA STATE DEPARTMENT OF AGING GRANTS**

Board of Supervisors  
County of San Bernardino, California

**Report on Compliance for Each Major Federal Program**

We have audited the County of San Bernardino, California's (the County) compliance with the types of compliance requirements described in the *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, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, 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 2013-002 through 2013-009. Our opinion on each major federal program is not modified with respect to these matters.

The County's responses to the noncompliance findings identified in our audit are described in the County's separate corrective action plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

## **Report on Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-002 through 2013-009 that we consider to be significant deficiencies.

The County's responses to the internal control over compliance findings identified in our audit are described in the County's separate corrective action plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 and Supplemental Schedule of Office of California State Department of Aging Grants**

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 year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's financial statements. We have issued our report thereon dated December 20, 2013, which contained an unmodified opinion on those financial statements. Our report includes an emphasis of matter paragraph regarding the County's adoption of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*, GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and an emphasis of matter paragraph regarding one-time transactions related to the dissolution of the former Redevelopment Agency. We did not audit the financial statements of the San Bernardino County Flood Control District, County of San Bernardino Consolidated Fire District, and the County of San Bernardino Redevelopment Successor Agency Private-Purpose Trust Fund for the year ended June 30, 2013. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the San Bernardino County Flood Control District, County of San Bernardino Consolidated Fire District, and the County of San Bernardino Redevelopment Successor Agency Private-Purpose Trust Fund are based on the reports of the other auditors. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. The Supplemental Schedule of Office of California State Department of Aging Grants is presented for purposes of additional analysis 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 Schedule of Expenditure of Federal Awards and Supplemental Schedule of Office of California State Department of Aging Grants are fairly stated in all material respects in relation to the financial statements as a whole.

*Varrinck, Trine, Day & Co. LLP*

Rancho Cucamonga, California  
March 25, 2014

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/Program Title	Federal CFDA Number	Grant Identification/ Pass-Through Entity Identification Number	Federal Award Expenditures
<b>U.S. Department of Agriculture:</b>			
Pass-Through Programs:			
Child Nutrition Cluster:			
California Department of Education:			
School Breakfast Program	10.553	36-10363-6037469-01	\$ 200,601
National School Lunch Program	10.555	36-10363-6037469-01	310,217
Total Child Nutrition Cluster			<u>510,818</u>
Supplemental Nutrition Assistance Program (SNAP) Cluster:			
California Department of Social Services:			
Supplemental Nutrition Assistance Program Administration	10.561	1946001347-A7	39,143,835
California Department of Public Health:			
Regional Nutrition for a Healthy California	10.561	1946001347-A7	1,243,664
Supplemental Nutrition Assistance Program Education	10.561	11-10489	540,519
Total Supplemental Nutrition Assistance Program Cluster			<u>40,928,018</u>
California Department of Education:			
Child and Adult Care Food Program	10.558	3615241-J	2,193,583
Child and Adult Care Food Program	10.558	36-10363-6037469-01	60,058
Total California Department of Education			<u>2,253,641</u>
California Department of Food and Agriculture:			
Asian Citrus Psyllid Detection Program	10.025	N/A	91,750
Light Brown Apple Moth Detection Program	10.025	(11,12)-8520-1164-CA	65,400
Pest Surveillance Canine Inspection Team	10.025	11-8520-1165-CA	280,111
Phytophthora Ramorum (Sudden Oak Death) Program	10.025	11-8523-0572-CA	7,191
Pierce's Disease Control	10.025	12-8506-0484-CA	23,028
California Department of Food and Agriculture:			
Inspection, Grading, and Standardization	10.162	10-0458	8,876
California Department of Food and Agriculture:			
Meat, Poultry and Egg Product Inspection	10.447	12-25-A-3269	4,239
Total California Department of Food and Agriculture			<u>480,595</u>
California Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	11-10489	12,183,047
Schools and Roads Cluster			
State Controller:			
Schools and Roads - Cluster	10.665	99003102	172,198
Total Schools and Roads Cluster			<u>172,198</u>
<b>Total Pass-Through Programs</b>			
			<u>56,528,317</u>
Direct Programs:			
Cooperative Forestry Assistance			
2008 San Bernardino Mountains Tree Mortality and Fuels Management Program	10.664		2,710,606
Cooperative Law Enforcement and Controlled Substance Agreements FY 11-12	10.111E11051360222		68,322
Cooperative Law Enforcement and Controlled Substance Agreements FY 12-13	10.111E11051360222		1,699
Total Direct Programs			<u>2,780,627</u>
<b>Total U.S. Department of Agriculture</b>			
			<u>59,308,944</u>
<b>U.S. Department of Commerce:</b>			
Direct Programs:			
Low-Power Television and Translator Upgrade Program			
County Service Area 70 TV5 - San Bernardino County Special Districts	11.559		6,986
Total U.S. Department of Commerce			<u>6,986</u>

[1] Denotes a major federal financial assistance program.  
 N/A No identifying number was assigned by pass-through entity.

See accompanying notes to schedule of expenditures of federal awards.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/Program Title	Federal CFDA Number	Grant Identification/ Pass-Through Entity Identification Number	Federal Award Expenditures
<b>U.S. Department of Housing and Urban Development:</b>			
Pass-Through Programs:			
Community Development Block Grant (CDBG) Cluster:			
Pass-Through Programs:			
City of Chino Hills:			
Adult Literacy -Chino Hills	14.218	0711008883190	10,000
City of Chino:			
Library Literacy Day- Chino	14.218	2010-056	5,000
City of Hesperia:			
Adult Literacy Program-Hesperia	14.218	B-11-MC-06-0578	5,000
City of Rialto:			
Adult Literacy Program - Rialto	14.218	B-10-MC-06-0571	10,000
Town of Apple Valley:			
Library Literacy Day - Apple Valley	14.218	B-10-MC-06-0588	5,000
Direct Programs:			
Community Development Block Grant	14.218		7,058,376
Neighborhood Stabilization Program Grant (NSP1)	14.218		2,173,223
Neighborhood Stabilization Program Grant (NSP3)	14.218		3,213,395
ARRA - Community Development Block Grant	14.253		64,462
Total Community Development Block Grant Cluster [1]			<u>12,544,456</u>
Inland Empire Economic Recovery Corporation:			
Economic Development Initiative - Special Projects, Neighborhood Initiative	14.251	N/A	70,151
<b>Total Pass-Through Programs</b>			<u>70,151</u>
<b>U.S. Department of Housing and Urban Development: (Continued)</b>			
Direct Programs:			
Emergency Shelter Grant Program	14.231		641,770
HOME Investment Partnerships Program	14.239		6,757,180
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257		73,948
<b>Total Direct Programs</b>			<u>7,472,898</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>20,087,505</u>
<b>U.S. Department of the Interior:</b>			
Pass -Through Programs:			
State Controller's Office:			
Taylor Grazing Act	15.227	N/A	2,995
<b>Total Pass-Through Programs</b>			<u>2,995</u>
Direct Programs:			
Southern Nevada Public Land Management	15.235		274,257
National Resource Stewardship	15.944		22,102
Cultural Natural Resource Preservative	15.AAV		1,435
<b>Total Direct Programs</b>			<u>297,794</u>
<b>Total U.S. Department of the Interior</b>			<u>300,789</u>
<b>U.S. Department of Justice:</b>			
Pass-Through Programs:			
JAG Program Cluster:			
California Emergency Management Agency:			
Anti Drug Abuse Enforcement Team Program (ADA)	16.738	DC11 22 0360	34,158
Anti Drug Abuse Enforcement Team Program (ADA)	16.738	BSCC 632-12	470,943
ARRA - Anti Drug Abuse Program Enforcement Team	16.804	ZA09 01 0360	6,696
Total Pass-Through JAG Program Cluster [1]			<u>511,797</u>
California Emergency Management Agency:			
Victim Witness Assistance Program	16.575	071-00000	420,698
Underserved Victim Advocacy and Outreach Program	16.575	071-00000	120,566
Grant Program Paul Coverdell Forensic Sciences Improvement - 2010	16.742	CQ10 07 0360	39,996
Grant Program Paul Coverdell Forensic Sciences Improvement - 2012	16.742	CQ12 08 0360	20,320
Total California Emergency Management Agency			<u>601,580</u>
State of California - Corrections Standards Authority:			
Juvenile Accountability Block Grant	16.523	CSA 137-12	89,830
<b>Total Pass-Through Programs</b>			<u>1,203,207</u>

[1] Denotes a major federal financial assistance program.  
 N/A No identifying number was assigned by pass-through entity.

See accompanying notes to schedule of expenditures of federal awards.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/Program Title	Federal CFDA Number	Grant Identification/ Pass-Through Entity Identification Number	Federal Award Expenditures
<b>U.S. Department of Justice: (Continued)</b>			
Direct Programs:			
U.S. National Institute of Justice:			
Forensic DNA Backlog Reduction - 2010	16.741		138,627
Forensic DNA Backlog Reduction - 2011	16.741		42,620
Total U.S. National Institute of Justice:			<u>181,247</u>
Community Oriented Policing Services Office (COPS)			
Secure our Schools (SOS) Grant	16.710		23,886
Total Community Oriented Policing Services Office (COPS)			<u>23,886</u>
JAG Program Cluster:			
Bureau of Justice Assistance:			
2009 Edward Byrne Memorial Justice Assistance Grant	16.738		29,207
2010 Edward Byrne Memorial Justice Assistance Grant	16.738		31,896
2011 Edward Byrne Memorial Justice Assistance Grant	16.738		28,569
2012 Edward Byrne Memorial Justice Assistance Grant	16.738		598,733
ARRA - 2009 Edward Byrne Memorial Justice Assistance Grant	16.804		202,441
Total Direct JAG Program Cluster			<u>890,846</u>
Solving Cold Cases with DNA #2011 DN-BX-K545	16.560		269,465
Bulletproof Vest Partnership Program	16.607		7,437
2008 Congressionally Recommended Awards	16.753		123,384
2009 Congressionally Recommended Awards	16.753		1,052,714
Southwest Border Prosecution Initiative	16.755		353,358
Second Chance Act Adult Offender Reentry Program for Planning	16.812		6,956
Total Bureau of Justice Assistance			<u>2,704,160</u>
Drug Enforcement Administration:			
2012 Domestic Cannabis Eradication/Suppression Program	16.2012-40		171,306
2013 Domestic Cannabis Eradication/Suppression Program	16.2013-43		3,012
DEA-Riverside Task Force (RTF) Agreement FY 11-12	16.SCSHR 11-728		4,189
DEA-Riverside Task Force (RTF) Agreement FY 12-13	16.SCSHR 12-665		44,988
Total Drug Enforcement Administration			<u>223,495</u>
Department of Treasury:			
Equitable Sharing Program [1]	16.922		6,573,615
U.S. Marshal Service:			
US Marshall Fugitive Task Force FY 11-12	16.JLEO-12-0044		60,456
US Marshall Fugitive Task Force FY 12-13	16.JLEO-13-0044		231,335
Total U.S. Marshal Service			<u>291,791</u>
Federal Bureau of Investigation:			
FBI - Gang Impact Team (GIT) 11-12	16.281D-LA-243251		37,267
FBI - Gang Impact Team (GIT) 12-13	16.281D-LA-243251		73,897
Total Federal Bureau of Investigation			<u>111,164</u>
<b>Total Direct Programs</b>			
<b>Total U.S. Department of Justice</b>			
<u>11,312,565</u>			
<b>U.S. Department of Labor:</b>			
Pass-Through Programs:			
Workforce Investment Act Cluster			
California Employment Development Department			
Workforce Investment Act - Adult	17.258	AA-22924-12-55-A-6	6,370,741
Workforce Investment Act - Youth	17.259	AA-21384-11-55-A-6	4,610,698
Workforce Investment Act - Dislocated Workers	17.278	AA-21384-11-55-A-6	7,552,259
Total Workforce Investment Act Cluster			<u>18,533,698</u>
California Employment Development Department			
CA Multi Sector Workforce Partnership Grant	17.277	EM-22035-11-60-A-6	423,920
Total California Employment Development Department			<u>18,957,618</u>
California Department on Aging:			
Senior Community Service Employment Program - Title V (SCSEP)	17.235	TV-1213-20	367,934
Total California Department on Aging			<u>367,934</u>
<b>Total Pass-Through Programs</b>			
<b>Total U.S. Department of Labor</b>			
<u>19,325,552</u>			

[1] Denotes a major federal financial assistance program.  
 N/A No identifying number was assigned by pass-through entity.

See accompanying notes to schedule of expenditures of federal awards.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/Program Title	Federal CFDA Number	Grant Identification/ Pass-Through Entity Identification Number	Federal Award Expenditures
<b>U.S. Department of Transportation:</b>			
Pass-Through Programs:			
California Department of Transportation:			
Highway Planning and Construction Cluster			
Highway Planning and Construction Grant	20.205	08-5954R	1,839,379
Safe Route to Schools	20.205	08-SBD-0-CR	34,236
Total Highway Planning and Construction Cluster			<u>1,873,615</u>
Total California Department of Transportation			<u>1,873,615</u>
California Office of Traffic Safety:			
Highway Safety Cluster			
Office of Traffic and Safety - High-Risk Drunk Driving Supervision Program	20.608	18X9205464CA13	311,271
State and Community Highway Safety	20.600	AL1069	283,003
Total Highway Safety Cluster			<u>594,274</u>
<b>Total Pass-Through Programs</b>			<u>2,467,889</u>
Direct Programs:			
Airport Improvement Program	20.106		1,793,223
<b>Total Direct Programs</b>			<u>1,793,223</u>
<b>Total U.S. Department of Transportation</b>			<u>4,261,112</u>
<b>U.S. Institute of Museum and Library Services:</b>			
Direct Programs:			
Congressional Set-Aside, Museums	45.312		1,460
<b>Total U.S. Institute of Museum and Library Services</b>			<u>1,460</u>
<b>U.S. Department of Energy:</b>			
Direct Programs:			
ARRA - Energy Efficiency and Conservation Block Grant	81.128		125,543
<b>Total U.S. Department of Energy</b>			<u>125,543</u>
<b>U.S. Department of Health and Human Services:</b>			
Pass-Through Programs:			
Medicaid Cluster:			
California Department of Health Services:			
Medi-Cal Assistance Program (HSS)	93.778	MS 1809-17	49,255,822
Medi-Cal Assistance Program	93.778	4260-111-0001	2,453,239
Medical Administrative Activities (MAA)	93.778	08-85127	209,829
California Department on Aging:			
Medi-Cal Assistance Program (Title XIX, MSSP)	93.778	MS-1213-17	554,851
California Department of Social Services:			
In-Home Support Services-Public Authority	93.778	N/A	2,463,677
California Department of Alcohol and Drug Program:			
Medi-Cal Assistance Program	93.778	07-NNA36	2,153,258
Total Medicaid Cluster [1]			<u>57,090,676</u>
Aging Cluster:			
California Department on Aging:			
Special Programs for the Aging - Chapter 3	93.041	AP-1213-20	20,534
Special Programs for the Aging - Chapter 2	93.042	AP-1213-20	53,017
Special Programs for the Aging - Title III, Part D	93.043	AP-1213-20	94,643
Special Programs for the Aging - Title III, Part B	93.044	AP-1213-20	1,408,258
Special Programs for the Aging - Title III, Parts C1 and C2	93.045	AP-1213-20	2,885,454
National Family Caregiver Support - Title III, Part E	93.052	AP-1213-20	566,368
Nutrition Program for the Elderly (NSIP)	93.053	AP-1213-20	564,723
Total Aging Cluster [1]			<u>5,592,997</u>
Immunization Cluster:			
California Department of Public Health:			
Immunization Grant	93.268	63-0317191	526,772
Total Immunization Cluster			<u>526,772</u>
TANF Cluster:			
California Department of Social Services:			
Temporary Assistance for Needy Families	93.558	1946001347-A7	151,308,458
Total TANF Cluster			<u>151,308,458</u>
California Department of Alcohol and Drug Program:			
Substance Abuse Prevention and Treatment Block Grant (SAPT) [1]	93.959	07-NNA36	8,574,996
California Department of Public Health:			
Public Health Emergency Preparedness - CDC Base and Laboratory	93.069	94-6001347	2,545,331
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	12-10233	286,036
Project Grants for Tuberculosis Control	93.116	63-0317191	174,199
Childhood Lead Poisoning Prevention	93.197	11-10328	147,878
HIV Care Formula Grant - Title II	93.917	10-95284	620,511
HIV Prevention Program	93.940	10-95284	371,061
Prevention Health Services - Sexually Transmitted Diseases Control	93.977	10-10055	100
Hospital Preparedness (HPP) FY 12-13	93.889	EOP 12-74	463,894
Maternal and Child Health Services Block Grant (MCAH)	93.994	201136	215,671
Total California Department of Public Health:			<u>4,824,681</u>

[1] Denotes a major federal financial assistance program.

N/A No identifying number was assigned by pass-through entity.

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/Program Title	Federal CFDA Number	Grant Identification/ Pass-Through Entity Identification Number	Federal Award Expenditures
<b>U.S. Department of Health and Human Services: (Continued)</b>			
California Department of Health Care Services:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	1946001347J5	517,911
Strategic Prevention Framework State Incentive Grant	93.243	N/A	72,835
Mental Health Services Block Grant (SAMHSA) [1]	93.958	1946001347J5	3,402,866
Total California Department of Health Care Services			3,993,612
California Department of Social Services:			
Guardianship Assistance [1]	93.090	1946001347-A7	3,038,184
Promoting Safe and Stable Families	93.556	1946001347-A7	1,988,995
Refugee and Entrant Assistance	93.566	1946001347-A7	32,815
Refugee and Entrant Assistance - Admin	93.566	1946001347-A7	525
Child Welfare Services - State Grants	93.645	1946001347-A7	1,612,722
Adoption Assistance	93.659	1946001347-A7	22,289,008
Adoption Assistance - Admin	93.659	1946001347-A7	2,538,828
Social Service Block Grant - Title XX [1]	93.667	1946001347-A7	3,765,514
Social Service Block Grant [1]	93.667	1946001347-A7	17,984,670
Chafee Foster Care Independence Program	93.674	1946001347-A7	965,780
Foster Care - Title IV - E - TAD [1]	93.658	1946001347-A7	53,041,088
Foster Care - Title IV - E - PRB [1]	93.658	TAD 006852425 DCS 13	8,711,628
Total California Department of Social Services			115,969,757
California Department of Child Support Services:			
Child Support Enforcement	93.563	1004CA4004	25,428,817
Total California Department of Social Services			25,428,817
Child Care Development Fund Cluster			
California Department of Education:			
Child Care and Development	93.575	CSPP-2424	155,016
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CSPP-2424	289,291
Total Child Care Development Fund Cluster			444,307
Total California Department of Education			444,307
California Department on Aging:			
Health Insurance Counseling and Advocacy Program (HICAP)	93.779	HI-1112-20	150,032
Total California Department of Aging			150,032
California Family Health Council:			
Family Planning Service - Title X	93.217	454-5320-71209-12/13	503,471
Total California Family Health Council			503,471
<b>Total Pass-Through Programs</b>			374,408,576
Direct Programs:			
Consolidated Health Centers	93.224		211,508
Affordable Care Act (ACA) Grants for Capital Development in Health Care	93.526		66,300
Affordable Care Act (ACA) Grants for New & Expanded Services under The Health Care Center	93.527		172,846
Head Start Cluster:			
Head Start Program	93.600		40,452,770
Total Head Start Cluster			40,452,770
HIV Emergency Relief Formula Grant Title I	93.914		7,232,225
Grants to Provide Outpatient Services for HIV Disease - Part C	93.918		559,281
<b>Total Direct Programs</b>			48,694,930
<b>Total U.S. Department of Health and Human Services</b>			423,103,506
<b>U.S. Executive Office of the President:</b>			
Direct Programs:			
High Intensity Drug Trafficking Area (IRNET & RMTF) G10LA0001A	95.001		52,794
High Intensity Drug Trafficking Area (IRNET & RMTF) G11LA0001A	95.001		388,997
High Intensity Drug Trafficking Area (IRNET & RMTF) G12LA0001A	95.001		748,064
<b>Total U.S. Executive Office of the President</b>			1,189,855

See accompanying notes to schedule of expenditures of federal awards.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/Program Title	Federal CFDA Number	Grant Identification/ Pass-Through Entity Identification Number	Federal Award Expenditures
<b>U.S. Department of Homeland Security:</b>			
Pass-Through Programs:			
California Emergency Management Agency:			
Public Assistance Grants - Transportation (1952)	97.036	071-00000	4,158
FY 2010 Buffer Zone Protection Program	97.078	2010-BT-T0-0020- OES 071-00000	53,757
FY 2011 Emergency Management Performance Grant (EMPG) Program [1]	97.067	2011-0048 OES ID #071-00000	225,302
FY 2012 Emergency Management Performance Grant (EMPG) Program [1]	97.067	071-00000, 2012-EP-0027	188,291
Legislative Pre-Disaster Mitigation Competitive Grant	97.047	071-91092	105,776
FY 2011 State Homeland Security Grant Program [1]	97.067	2011-0048, EOS #071-0000	1,505,831
FY 2012 State Homeland Security Grant Program [1]	97.067	2012-SS-00123, EOS #071-0000	417,157
FY 2010 Metropolitan Medical Response System [1]	97.067	2010-0019 FIPS#071-0000	279,395
FY 2011 Metropolitan Medical Response System [1]	97.067	2011-SS-0077 FIPS#071-0000	224,313
FY 2009 State Homeland Security Grant Program [1]	97.067	2009-0019 FIPS#071-0000	27,495
FY 2010 State Homeland Security Grant Program [1]	97.067	2010-0085, 071-00000	2,146,824
Total California Emergency Management Agency			5,178,299
Governor's Office of California Volunteers			
FY 2010 Corps Grant - Phase I [1]	97.067	DVP03Y-001	3,313
Total Governor's Office of California Volunteers			3,313
Governor's Office of Emergency Services			
FY 2010 Corps Grant - Phase II [1]	97.067	DVP03Y2-001	122,883
Total Governor's Office of Emergency Services			122,883
City of Los Angeles:			
FY 2009 Regional Catastrophic Preparedness Grant Program	97.111	C-119439	44,266
Total City of Los Angeles			44,266
<b>Total Pass-Through Programs</b>			5,348,761
Direct Programs:			
Assistance to Firefighters Grant	97.044		293,955
<b>Total Direct Programs</b>			293,955
<b>Total U.S. Department of Homeland Security</b>			5,642,716
<b>Total Expenditures of Federal Awards</b>			<b>\$ 544,666,533</b>

[1] Denotes a major federal financial assistance program.  
 N/A No identifying number was assigned by pass-through entity.

See accompanying notes to schedule of expenditures of federal awards.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

*NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

**A. General**

The accompanying schedule of expenditures of federal awards (SEFA) for the fiscal year ended June 30, 2013, presents the activity of all federal financial assistance programs of the County of San Bernardino, California (the "County"). The County's reporting entity is defined in Note 1 to the County's basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included on the SEFA.

**B. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting except for programs recorded in the County's enterprise funds, which are presented using the accrual basis of accounting, which is described in Note 1 to the County's basic financial statements.

**C. Relationship to Basic Financial Statements**

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's financial statements.

**D. Relationship to Federal Financial Reports**

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, with the amounts reported in the related federal financial reports.

**E. 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 has 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.

**F. Federal Catalog of Federal Domestic Assistance (CFDA) Numbers**

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

**G. Medicaid Cluster**

Except for Medi-Cal administrative expenditures, Medi-Cal and Medicare program payments are excluded from the schedule of expenditures of federal awards. These payments represent fees for services; therefore, neither is considered a federal award program of the County for purposes of the schedule of expenditures of federal awards or in determining major programs. The County assists the State of California (the State) in determining eligibility and provides Medi-Cal and Medicare services through County-owned health facilities.

Medi-Cal administrative expenditures are included in the schedule of expenditures of federal awards as they do not represent fees for services.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE #2 – OUTSTANDING LOANS OF FEDERAL FUNDS AT JUNE 30, 2013**

At June 30, 2013, \$4,000,000 is owed to the United States Army Corp of Engineers for the construction of the San Timoteo Creek Project. Other than repayment of principle and interest, there is no continuing compliance requirements on this loan, and as such, are not reported on the Schedule of Expenditures of Federal Awards.

**NOTE #3 - AMOUNT PROVIDED TO SUBRECIPIENTS**

Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards as of June 30, 2013, the County provided federal awards to subrecipients as follows:

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Award Expenditures</b>
Regional Nutrition Network for a Healthy California	10.561	\$ 658,161
Community Development Block Grant	14.218	1,724,183
Emergency Shelter Grant Program	14.231	566,998
ARRA-Homelessness Prevention and Rapid Re-Housing Program	14.257	73,948
Secure our Schools (SOS) Grant	16.710	23,886
Anti-Drug Abuse Enforcement Team Program (ADA)	16.738	74,015
Edward Byrne Memorial Justice Assistance Grant	16.738	538,598
Workforce Investment Act - Youth	17.259	3,455,793
State and Community Highway Safety	20.600	42,419
Special Programs for the Aging - Title III, Part B	93.044	359,955
Special Programs for the Aging - Title III, Parts C1 and C2	93.045	2,628,318
National Family Caregiver Support - Title III, Part E	93.052	195,675
Nutrition Program for the Elderly (NSIP)	93.053	564,723
Substance Abuse and Mental Health Services Projects	93.243	58,105
Promoting Safe and Stable Families	93.556	1,502,371
Temporary Assistance for Needy Families	93.558	1,044,454
Head Start Program	93.600	2,328,244
Chafee Foster Care Independent Program	93.674	433,001
MediCal Assistance Program (Alcohol and Drug Services)	93.778	1,980,477
Health Insurance Counseling and Advocacy Program (HICAP)	93.779	138,672
HIV Emergency Relief Formula Grant Title I	93.914	6,138,909
Mental Health Services Block Grant (SAMHSA)	93.958	2,253,150
Substance Abuse Prevention and Treatment Block Grant (SAPT)	93.959	6,409,150
High Intensity Drug Trafficking Area (IRNET & RMTF)	95.001	113,211
FY2011 Emergency Management Performance Grant (EMPG)	97.067	240,037
FY2012 Emergency Management Performance Grant (EMPG)	97.067	102,366
FY2010 State Homeland Security Grant Program	97.067	422,003
FY2011 State Homeland Security Grant Program	97.067	528,979
FY2010 Metropolitan Medical Response System	97.067	279,395
<b>Total Subrecipients Expenditures</b>		<b>\$ 34,879,196</b>

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**I. SUMMARY OF AUDITORS' RESULTS**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) Identification of major programs:	<u>Yes</u>
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<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>14.218, 14.253</u>	<u>Community Development Block Grant (Includes ARRA)</u>
<u>16.922</u>	<u>Equitable Sharing Program</u>
<u>93.041, 93.042, 93.043, 93.044,</u>	
<u>93.045, 93.052, 93.053</u>	<u>Aging Cluster</u>
<u>93.090</u>	<u>Guardianship Assistance</u>
<u>93.658</u>	<u>Foster Care</u>
<u>93.667</u>	<u>Social Services Block Grant</u>
<u>93.778</u>	<u>Medicaid Cluster</u>
<u>93.958</u>	<u>Mental Health Services Block Grant (SAMHSA)</u>
<u>93.959</u>	<u>Block Grant for the Prevention and Treatment of Substance Abuse (SAPT)</u>
<u>97.067</u>	<u>Homeland Security Grant Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 3,000,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**II. FINANCIAL STATEMENT FINDINGS**

**FINDING 2013-001**

**RECORDING OF INVESTMENT PURCHASES AT YEAR-END**

**Criteria:**

As part of the year-end closing process and preparation of the County's CAFR, the County Treasurer's office prepares fair market valuation information to assist the Auditor-Controller's office with the calculation and recording of the fair market value adjustment in the County's Financial Accounting System and CAFR in accordance with Government Accounting Standards Board No. 31 - *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The County relies on a third party financial advisor for fair market valuation of the Treasurer's pooled investments. At year-end, the investment portfolio value is identified and adjustments are made to record the fair market value of the investment pool in the Comprehensive Annual Financial Report (CAFR).

**Condition:**

It was noted that the County Treasurer did not factor into the June 30, 2013 fair market value adjustment, the cost of a \$50,000,000 investment purchased on June 27, 2013. As a result, the total cost of the County's investments used to prepare the GASB 31 adjustment was understated, resulting in an overstatement of the unrealized gain on investments reported in the County's CAFR. An adjustment made related to the calculation of the GASB 31 adjustment in the amount of \$50,000,000, resulting in a decrease in cash and investments and decrease in the unrealized gain on investments was proposed and recorded by management.

**Context:**

The difference was identified when comparing the total investment balances per the Custodial Agent's trustee statements and the County's third party financial advisor reports as of June 30, 2013.

**Cause:**

It was noted that the investment pool is reconciled on a monthly basis to the Custodial Agent's trustee statements; however, the Custodial Agent's monthly trustee statements are prepared on a "settlement date basis" rather than a "trade date basis". As such, the investment purchased on June 27, 2013 (settling after year-end) was not included in the Custodial Agent's trustee statements. In accordance with generally accepted accounting principles, governments should report its investments on trade date basis in the financial statements. The Custodial Agent's trustee statements are used by the County to prepare the GASB 31 adjustment and provides the total cost of the County's investments at June 30. It is noted the County's third party financial advisor included the purchased investment in their June 30, 2013 investment report and identified the investment purchase as an "unsettled trade" and also reported the related cost and fair market value.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**III. FINANCIAL STATEMENT FINDINGS, CONTINUED**

**Effect:**

The Custodial Agent's trustee statements excluded investment purchased at June 27, 2013 from the June 30, 2013 monthly statement. The County's third party financial advisor's investment report included the investment as of June 30, 2013. This resulted in differences between the costs basis between both reports. This difference was not identified before the County prepared the GASB 31 fair market value adjustment, and resulted in a misstatement in the draft of the County's CAFR. An adjustment was made related to the GASB 31 adjustment in the amount of \$50,000,000, resulting in a decrease in cash and investments and decrease in the fair market value of investments was proposed and recorded by management.

**Recommendation:**

The County should review its current policies and procedures to ensure it is accurately accounting for investments purchased on a "trade date basis". Specific procedures should be implemented to address the reconciliation of investments based on the trade date rather than the settlement date. As part of the year end closing process, investments purchased prior to year end should be separately identified and properly included in the total costs of investment used to prepare the County GASB 31 fair market value adjustment.

**View of Responsible Official and Planned Corrective Action:**

See separate corrective action plan.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

The following findings represent significant deficiencies, and/or instances of noncompliance that are required to be reported by OMB Circular A-133.

**FINDING 2013-002**

**Program:** Guardianship Assistance

**CFDA No.:** 93.090

**Federal Grantor:** U.S. Department of Health and Human Services

**Passed-through:** California Department of Social Services

**Award No.:** 1946001347-A7

**Award Year:** FY 2012-2013

**Compliance Requirement:** Allowable Activities and Allowable Costs/Cost Principles

**Criteria:**

The *March 2013 Office of Budget and Management (OMB) OMB Circular A-133 Compliance Supplement* states that the County must comply with 2 CFR Part 225 (OMB Circular A-87), "*Cost Principles for State, Local, and Indian Tribal Governments*". In accordance with OMB Circular A-87, Attachment B, Section 8h, the following requirements apply to the County's federal grants:

Per subsection (1): Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

OMB Circular A-133, Sub-part C, Section 300, Part b, states that the auditee is responsible for "maintaining 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:**

*Instance of Non-Compliance* - Of the employee and payroll transactions selected for testing, we noted 1 time study that was not supported by the time sheet resulting in 116 hours of unallocable time being charged to the program.

**Questioned Costs:**

\$3,786

**Context:**

The condition noted above was identified during our examination of the County (Transitional Assistance Department)'s time study, payroll and time card process.

**Effect:**

As a result of the condition noted, there is an increased risk of non-compliance with activities allowed and unallowed requirements and the allowable costs/cost principles requirements.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED**

**Cause:**

The County (Transitional Assistance Department)'s procedures did not consistently ensure that the review of time cards and time studies were documented. Additionally, the appropriate level of monitoring was not administered by the department that was sufficient to prevent, detect and correct the discrepancies between the time reported on the time study and the time reported on the time sheet.

**Recommendation:**

We recommend that the County (Transitional Assistance Department) strengthen procedures to ensure that time cards and time studies are consistently approved by a supervisor. In addition, we recommend that the County (Transitional Assistance Department) strengthen its procedures to ensure hours documented on a time study are adequately supported by timecards.

**Views of Responsible Officials and Planned Corrective Actions:**

See separate corrective action plan.

**FINDING 2013-003**

**Program:** Block Grants for Community Mental Health Services

**CFDA No.:** 93.958

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

**Passed-through:** California Department of Health Care Services

**Award No.:** 1946001347J5

**Award Year:** FY 2012-2013

**Compliance Requirement:** Allowable Activities and Allowable Costs/Cost Principles

**Criteria:**

The *March 2013 Office of Budget and Management (OMB) OMB Circular A-133 Compliance Supplement* states that the County must comply with 2 CFR Part 225 (OMB Circular A-87), "*Cost Principles for State, Local, and Indian Tribal Governments*". In accordance with OMB Circular A-87, Attachment B, Section 8h, the following requirements apply to the County's federal grants:

Per subsection (1): Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

In addition, OMB Circular A-133, Sub-part C, Section 300, Part b, states that the auditee is responsible for "maintaining 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."

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED**

**Condition:**

*Significant Deficiency, Instance of Non-Compliance* – Based on review of payroll expenses charged to the program, it was noted that a retirement incentive payment made to a retired employee was charged to the program. This is not an allowable cost, as the employee was retired and did not work on the program during the fiscal year.

**Questioned Costs:**

\$3,350

**Context:**

The condition noted above was identified during examination of expenditures directly charged to the program. It was noted that a retirement incentive payment was charged to the program. This charge is related to an employee that retired in 2009 and has not been involved in programmatic activities since.

**Effect:**

As a result of the condition noted, there is an increased risk of non-compliance with allowable activities and allowable costs/cost principles requirements.

**Cause:**

The County (Department of Behavioral Health)'s procedures did not ensure that unallowed costs were not charged to the program.

**Recommendation:**

We recommend that the County (Department of Behavioral Health) strengthen procedures to ensure that only allowable costs are charged to the program.

**View of Responsible Official and Planned Corrective Action:**

See separate corrective action plan.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED**

**Finding 2013-004**

**Program:** Block Grants for Community Mental Health Services

**CFDA No:** 93.958

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

**Passed-through:** California Department of Health Care Services

**Award No:** 1946001347J5

**Award Year:** FY 2012-2013

**Compliance Requirement:** Earmarking

**Criteria:**

Per the grant agreement by and between the County and the California Department of Health Care Services, the County has a 10% administrative budget as specified on the "Federal Grant Detailed Program Budget".

**Condition:**

*Significant Deficiency, Instance of Non-Compliance* - For fiscal year 2012-2013, the County (Department of Mental Health) allocated to the program \$316,233 in administrative costs. This amount agreed to the "Federal Grant Detailed Program Budget" included in the County's fiscal year 2012-2103 agreement with the California Department of Health Care Services. However, the County could only support \$243,886 in actual administrative costs resulting in a difference of \$72,347.

**Questioned Costs:**

\$72,347

**Context:**

A 10% administrative budget was approved by the California Department of Health Care Services. The County charged the entire 10% administrative budget to the program in fiscal year 2012-2013, however, actual administrative costs for the year totaled \$243,866.

**Effect:**

The total actual administrative costs were less than total amount charged to the program, resulting in questioned costs of \$72,347.

**Cause:**

Adequate monitoring controls do not appear to be in place to ensure that the County complies with the earmarking requirements under the terms of the grant agreement.

**Recommendation:**

We recommend the County implement policies and procedures to ensure that the County complies with the earmarking requirement under the terms of the grant agreement.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED**

**View of Responsible Official and Planned Corrective Action:**

See separate corrective action plan.

**FINDING 2013-005**

**Program:** Equitable Sharing

**CFDA No.:** 16.922

**Federal Agency:** U.S Department of Justice

**Award Year:** FY 2012-2013

**Compliance Requirement:** Special Tests and Provisions

**Criteria:**

The Guide to Equitable sharing for State and Local Law Enforcement Agencies, Section X.B., requires qualifying state and local law enforcement agencies that receive federally shared cash, proceeds, or tangible property to perform an audit consistent with the Single Audit Act Amendments of 1996 and OMB Circular A-133. It is the task force leader's responsibility to ensure that all recipient member agencies are not only Program participants, but also compliant in the Program at the time of transfer. These reporting and compliance requirements apply to all inter-agency transfers. Transferring agencies should confirm the recipient's agencies' compliance each time a transfer occurs by viewing U.S. Department of Justice Asset Forfeiture and Money Laundering Section (AFMLS) website at [www.justice.gov/criminal/afmls](http://www.justice.gov/criminal/afmls) Agency Compliance link and retaining a copy of the screen shot for compliance confirmation as the website is updated daily.

**Condition:**

*Instance of Non-Compliance* – As a result of test work performed, we noted the County (Sheriff's Department) was not performing the necessary review of the AFMLS website to ensure participating agencies set to receive Program funds are in compliance with the program.

**Questioned Costs:**

We identified no questioned costs in our tests of compliance with this requirement.

**Context:**

The condition noted above was identified during our testwork over the program's special tests and provisions compliance.

**Effect:**

The County (Sheriff's Department) is at risk of transferring federal funds to a recipient agency out of compliance. These risks can also lead to the spending of federal monies by agencies that are not in compliance with the Department of Justice.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED**

**Cause:**

The County (Sheriff's Department) was unaware of the special tests and provisions requiring that prior to funds being distributed to member agencies, the AFMLS website is to be reviewed to ensure the member agency receiving funds is compliant with respect to the program.

**Recommendation:**

It is noted that this is a repeat condition noted in the fiscal 2012 Single Audit. We recommend the County (Sheriff's Department) implement procedures over compliance assurance as it relates to transfers made to recipient agencies before Asset Forfeiture funds are physically transferred to ensure that the agency is in compliance with the Department of Justice as well as print screen the check performed prior to disbursement to evident that the County (Sheriff's Department) performed the compliance verification.

**Views of Responsible Officials and Corrective Action:**

See separate corrective action plan.

**FINDING 2013-006**

**Program:** Equitable Sharing

**CFDA No.:** 16.922

**Federal Agency:** U.S. Department of Justice

**Award Year:** FY 2012-2013

**Compliance Requirement:** Procurement Suspension and Debarment

**Criteria:**

The Guide to Equitable sharing for State and Local Law Enforcement Agencies, Section X.B., requires qualifying state and local law enforcement agencies that receive federally shared cash, proceeds, or tangible property to perform an audit consistent with the Single Audit Act Amendments of 1996 and OMB Circular A-133.

The *March 2013 Office of Budget and Management (OMB) OMB Circular A-133 Compliance Supplement* states that the Entity's procurement policies should comply with applicable Federal requirements and that the procurement of goods or services with programmatic funds be in accordance with such policies and procedures.

**Condition:**

*Significant Deficiency, Instance of Non-Compliance* – Based on testing performed we noted that the County (Sheriff's Department) did not procure goods and services with programmatic funds in accordance with the County's policies and procedures. County policies and procedures require that when federal funds are being used to procure goods and services that the contract contain language specific to various OMB Circular A-133 requirements. As the funding source was not correctly identified as federal at the onset of the procurement process, the standard contract language referring to the various OMB Circular A-133 requirements was not included in the contract thus not communicated to the vendor.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED**

**Questioned Costs:**

We identified no questioned costs in our tests of compliance with this requirement.

**Context:**

The condition noted above was identified during our testing over the program's Procurement, Suspension and Debarment compliance requirements.

**Effect:**

By not including the standard language in the contract referring to various OMB Circular A-133 compliance requirements, the County (Sheriff's Department) has an increased risk of future non-compliance with the Procurement, Suspension and Debarment compliance requirements.

**Cause:**

The County's policies and procedures require that when federal funds are being used to procure goods and services that the contract contain language specific to various OMB Circular A-133 requirements, these requirements are listed in a separate attachment to the contract. As the funding source was not correctly identified as federal at the onset of the procurement process, this attachment containing the federal requirements was not included in the contract, thus not communicating the various OMB Circular A-133 requirements to the vendor.

**Recommendation:**

We recommend the County (Sheriff's Department) strengthen their policies and procedures over the procurement of goods and services procured with federal funds to ensure goods and services procured with federal funds are properly identified and federal contract provisions are stated in each agreement. Additionally, we recommend that the County (Sheriff's Department) implement policies and procedures designed to more closely monitor their projects being funded with federal monies.

**Views of Responsible Officials and Corrective Action:**

See separate corrective action plan.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED**

**FINDING 2013-007**

**Program:** Equitable Sharing

**CFDA No.:** 16.922

**Federal Agency:** U.S. Department of Justice

**Award Year:** FY 2012-2013

**Compliance Requirement:** Davis-Bacon Act

**Criteria:**

The Guide to Equitable sharing for State and Local Law Enforcement Agencies, Section X.B., requires qualifying state and local law enforcement agencies that receive federally shared cash, proceeds, or tangible property to perform an audit consistent with the Single Audit Act Amendments of 1996 and OMB Circular A-133.

The *March 2013 Office of Budget and Management (OMB) OMB Circular A-133 Compliance Supplement* states that all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40 USC 3141- 3144, 3146, and 3147 (formerly 40 USC 276a to 276a-7)).

Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations.

**Condition:**

*Significant Deficiency, Instance of Non-Compliance* – Based on testing performed, we noted the County (Sheriff's Department) did not properly identify and communicate Davis-Bacon Act provisions in a construction contract for a project being federally funded.

**Questioned Costs:**

We identified no questioned costs in our tests of compliance with this requirement.

**Context:**

The condition noted above was identified during our testing over the program's Davis-Bacon Act compliance requirements.

**Effect:**

There is an increased risk of non-compliance with the Davis Bacon compliance requirements set forth in *OMB Circular A-133 Compliance Supplement*.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED**

**Cause:**

The County's policies and procedures require that when federal funds are being used to procure goods and services that the contract contain language specific to various OMB Circular A-133 requirements, these requirements are listed in a separate attachment to the contract. As the funding source was not correctly identified as federal at the onset of the procurement process, this attachment containing the federal requirements was not included in the contract, thus, not communicating the various OMB Circular A-133 requirements, including the Davis-Bacon Act requirements to the vendor. Ultimately the Davis Bacon requirements were not communicated in the contract with the vendor.

**Recommendation:**

We recommend the County (Sheriff's Department) strengthen their policies and procedures over the communication of federal requirements, including Davis-Bacon Act requirements, within the agreements with County vendors.

**Views of Responsible Officials and Corrective Action:**

See separate corrective action plan.

**FINDING 2013-008**

**Program:** Equitable Sharing

**CFDA No.:** 16.922

**Federal Agency:** U.S. Department of Justice

**Award Year:** FY 2012-2013

**Compliance Requirement:** Reporting

**Criteria:**

The Guide to Equitable Sharing for State and Local Law Enforcement Agencies requires that on annual basis the County (Sheriff's Department) submit an Equitable Sharing Agreement and Certification to the Department of Justice within 60 days of the County's year end (June 30).

**Condition:**

*Significant Deficiency, Instance of Non-Compliance* – Based on testing performed over the Equitable Sharing Agreement and Certification for fiscal year-end June 30, 2013 submitted to the Department of Justice (DOJ), could not be supported by the accounting records. It was noted that expenditures reported to the DOJ contained transfers to other County departments, and that those transfers were not supported by actual costs resulting in several adjustments the SEFA to properly reflect true federal expenditures.

**Questioned Costs:**

We identified no questioned costs in our tests of compliance with this requirement.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED**

**Context:**

The condition noted above was identified during our testing over the program's Reporting compliance requirements.

**Effect:**

By not reporting the actual expenditures of the program, there is an increased risk of non-compliance with the Reporting compliance requirements set forth in *OMB Circular A-133 Compliance Supplement*.

**Cause:**

Based on the testing performed, it was noted that transfers of Equitable Sharing funds to other County departments were recorded on the SEFA as Equitable Sharing program expenditures. These transfers were also reported as expenditures to the Department of Justice via the Equitable Sharing Agreement and Certification report as of June 30, 2013. Once reconciling the transfers to the underlying expenditures, it was noted that several adjustments were made to the FY 2013 SEFA to reflect actual federal expenditures incurred as of June 30, 2013.

**Recommendation:**

We recommend the County (Sheriff's Department) strengthen its policies and procedures as it relates to the accurate reporting of federal expenditures on the SEFA and those reported out to its Federal Awarding Agency, the US Department of Justice.

**Views of Responsible Officials and Corrective Action:**

See separate corrective action plan.

**FINDING 2013-009**

**Program:** Homeland Security Grant Program

**CFDA No.:** 97.067

**Federal Grantor:** U.S. Department of Homeland Security

**Passed-through:** California Emergency Management Agency

**Award No.:** Various

**Award Year:** 2009, 2010, 2011, 2012

**Compliance Requirement:** Sub recipient Monitoring

**Criteria:**

The *March 2013 Office of Budget and Management (OMB) OMB Circular A-133 Compliance Supplement* requires a pass-through entity to be responsible for:

*Subrecipient Audits* - (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient's audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED**

**Condition:**

*Significant Deficiency, Instance of Non-Compliance* – As a result of our audit, we noted that following based on our testing performed over subrecipient monitoring:

- For 5 of the 5 subrecipient files tested, the County did not request and did not receive issued single audit reports for the most recent fiscal years.
- For 5 of the 5 subrecipient files tested, the County did not request and did not receive required corrective action plans for applicable single audits of the subrecipients in the most recent fiscal years.

**Questioned Costs:**

We identified no questioned costs in our tests of this compliance requirement.

**Context:**

The condition noted above was identified during examination of the County's subrecipient monitoring procedures.

**Effect:**

There is an increased risk of non-compliance to the OMB Circular A-133 single audit requirements by the subrecipients as result of these conditions.

**Cause:**

The County did not follow its procedures to ensure all subrecipients receiving \$500,000 or more in federal assistance submit single audit reports and to ensure timely follow up was performed with respect to applicable single audit findings.

**Recommendation:**

We recommend that the County follow its established procedures to ensure all required subrecipient monitoring procedures required by OMB Circular A-133 are performed on a timely basis.

**View of Responsible Official and Planned Corrective Action:**

See separate corrective action plan.

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Summarized below is the current status of all audit findings reported in the prior year audit's schedule of audit findings and questioned costs.

<b>Finding No.</b>	<b>Program</b>	<b>CFDA No.</b>	<b>Compliance Requirement</b>	<b>Status</b>
2012-01	SNAP Cluster	10.561	Special Tests and Provisions – ADP System for SNAP	Implemented
2012-02	Equitable Sharing	16.922	Special Test and Provisions	Partially Implemented, See Finding 2013-005
2012-03	ARRA – Energy Efficiency and Conservation Block Grant	81.128	Reporting	Implemented

**COUNTY OF SAN BERNARDINO, CALIFORNIA**

**SUPPLEMENTAL SCHEDULE OF OFFICE OF CALIFORNIA  
STATE DEPARTMENT OF AGING GRANTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Federal Award Expenditures</u>	<u>State Expenditures</u>
Senior Community Service Employment Program - Title V (SCSEP)	17.235	TV-1112-20	\$ 367,934	\$ -
Special Programs for the Aging - Chapter 3	93.041	AP-1112-20	20,534	-
Special Programs for the Aging - Chapter 2	93.042	AP-1112-20	53,017	-
Special Programs for the Aging - Title III, Part D	93.043	AP-1112-20	94,643	-
Special Programs for the Aging - Title III, Part B	93.044	AP-1112-20	359,955	-
Special Programs for the Aging - Title III, Parts C1 and C2	93.045	AP-1112-20	2,628,318	289,195
National Family Caregiver Support - Title III, Part E	93.052	AP-1112-20	195,675	-
Nutrition Program for the Elderly (NSIP)	93.053	AP-1112-20	564,723	-
Medi-Cal Assistance Program (Title XIX, MSSP)	93.778	MS-1112-17	554,851	-
Health Insurance Counseling and Advocacy Program (HICAP)	93.779	HI-1112-20	138,672	224,777
<b>Totals</b>			<u>\$ 4,978,322</u>	<u>\$ 513,972</u>