



POWELL & SPAFFORD, INC.
CERTIFIED PUBLIC ACCOUNTANTS

Jessie C. Powell, CPA (Rel.)
Patrick D. Spafford, CPA
Licensed by the California Board of Accountancy
Member: American Institute of Certified Public Accountants

To the Board of Supervisors and the
San Bernardino County District Attorney's Office

We have audited the statement of grant revenues and expenditures of San Bernardino County District Attorney's Office (the Office) *Human Trafficking Advocacy Program* grant for the year ended September 30, 2016. Professional standards require that we provide you with information about our responsibilities under 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 as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated July 14, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the *Human Trafficking Advocacy Program* grant are described in Note 1 to the financial statement. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2016. We noted no transactions entered into by the *Human Trafficking Advocacy Program* grant during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statement prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statement and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statement is management's estimate for amounts due from granting agencies, including the State of California. We evaluated the key factors and assumptions used to determine the amounts due the Office from the State of California, in determining that it is reasonable in relation to the financial statement taken as a whole.

Certain financial statement disclosures may be particularly sensitive because of their significance to the financial statement users. However, the *Human Trafficking Advocacy Program* grant did not have any significant disclosures that are particularly sensitive for the year ended September 30, 2016.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No audit adjustments were proposed as a result of our audit procedures.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 29, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

We would like to take this opportunity to express our sincere appreciation to all personnel within the San Bernardino County District Attorney's Office for their cooperation and valuable assistance during the performance of this engagement.

Restriction on Use

This report is intended solely for the information and use of the San Bernardino County Board of Supervisors and management of the San Bernardino County District Attorney's Office, and is not intended to be, and should not be, used by anyone other than these specified parties.



December 29, 2016

SAN BERNARDINO COUNTY
DISTRICT ATTORNEY'S OFFICE
HUMAN TRAFFICKING ADVOCACY
PROGRAM GRANT
Contract #HA15020360
Financial Statement
with
Independent Auditors' Reports
For the Year Ended September 30, 2016

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Independent Auditors' Report

To the Board of Supervisors and the
San Bernardino County District Attorney's Office

Report on the Financial Statement

We have audited the accompanying statement of grant revenues and expenditures of the San Bernardino County District Attorney's Office (the Office) *Human Trafficking Advocacy Program* grant in accordance with the State of California Governor's Office of Emergency Services Contract #HA15020360 for the year ended September 30, 2016.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. 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, and in accordance with the State of California Governor's Office of Emergency Services *Grant Recipient Handbook*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

The accompanying statement of grant revenues and expenditures was prepared for the purpose of complying with the audit requirements of the State of California Governor's Office of Emergency Services *Grant Recipient Handbook*. As described in Note 1, the statement is not intended to be a complete presentation of the Office's revenues and expenditures.

Auditor's Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to in the first paragraph of this report presents fairly, in all material respects, the grant revenues and expenditures of the San Bernardino County District Attorney's Office of *Human Trafficking Advocacy Program* grant in accordance with the State of California Governor's Office of Emergency Services Contract #HA15020360 for the year ended September 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2016 on our consideration of Office's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance, the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office's internal control over financial reporting and compliance.

Restriction on Use

This report is intended solely for the information and use of the County's Board of Supervisors, District Attorney's Office management and the California Governor's Office of Emergency Services, and is not intended to be, and should not be, used by anyone other than these specified parties.



December 29, 2016

SAN BERNARDINO COUNTY DISTRICT ATTORNEY'S OFFICE
HUMAN TRAFFICKING ADVOCACY PROGRAM
CONTRACT #HA15010360

Statement of Grant Revenues and Expenditures

For the Year Ended September 30, 2016

	<u>Requested</u>	<u>Funds</u>	<u>Matching</u>	<u>Total</u>
Revenues				
Reimbursements received/receivable				\$ 66,144
Expenditures				
Salaries and benefits	\$ 66,144	\$ 66,144	\$ 16,536	\$ 82,680
Services and supplies	-	-	-	-
Excess (deficiency) of revenues over expenditures - Office cash match	<u>66,144</u>	<u>66,144</u>	<u>16,536</u>	<u>82,680</u>
				<u>\$ (16,536)</u>

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SAN BERNARDINO COUNTY DISTRICT ATTORNEY'S OFFICE
HUMAN TRAFFICKING ADVOCACY PROGRAM GRANT
CONTRACT #HA15020360
Note to Financial Statement

1. Summary of Operations and Significant Accounting Policies

Description of the Reporting Entity

The statement represents the grant revenues and expenditures of the San Bernardino County District Attorney's Office (the Office), State of California Governor's Office of Emergency Services (Cal OES) Human Trafficking Advocacy Program grant contract #HA15020360 for the year ended September 30, 2016. The grant was funded by Cal OES and administered by the San Bernardino County District Attorney's Office. The accompanying statement of grant revenues and expenses presents only the activities of the Human Trafficking Advocacy Program grant contract #HA15020360 and is not intended to present the financial position of the San Bernardino County District Attorney's Office nor the County of San Bernardino itself in conformity with accounting principles generally accepted in the United States of America.

Description of Grant

The grant funds were made available to provide funding for Victim/Witness Assistance Centers with a demonstrated history of providing services to victims of human trafficking.

The preparation of this financial statement requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of revenues and expenditures, as well as the disclosure of contingent liabilities. Actual results could differ from those estimates. Management also determines the accounting principles to be used in the preparation of the statement. A description of the significant accounting policies employed in the preparation of this statement follows:

Statement of Grant Revenues and Expenditures

The statement of grant revenues and expenditures presents the eligible costs charged to the Human Trafficking Advocacy Program grant contract #HA15020360 by the San Bernardino County District Attorney's Office and the revenues received in reimbursement of those costs by Cal OES.

Basis of Accounting

Revenues and expenditures are presented on a modified accrual basis. Expenditures are recognized in the accounting period in which they are incurred, that is, when goods are received or services are provided. Revenues are recognized in the accounting period in which reimbursable expenditures are incurred.

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**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**

Independent Auditors' Report

To the Board of Supervisors and the
San Bernardino County District Attorney's Office

We have audited, 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, and in accordance with the State of California Governor's Office of Emergency Services *Grant Recipient Handbook* the statement of grant revenues and expenditures of the San Bernardino County District Attorney's Office (the Office) *Human Trafficking Advocacy Program* grant in accordance with the State of California Governor's Office of Emergency Services Contract #HA15020360 for the year ended September 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated December 29, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Office'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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Office's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2016-2 to be a material weakness.

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 deficiency described in the accompanying schedule of findings and questioned costs as 2016-1 to be a significant deficiency.

December 29, 2016



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.

Purpose of Report

The Office's response to the findings identified in our audit is described in the accompanying views of responsible officials. The Office's response was not subjected to the auditing procedures applied in the audit of the statement of revenues and grant expenditures and, accordingly, we express no opinion on it.

Office's Response to Findings

As part of obtaining reasonable assurance about whether the Office's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2016-1 and 2016-2.

Compliance and Other Matters

Findings and Questioned Costs

For the Year Ended September 30, 2016

2016-1 Allocation of Payroll Costs

Criteria: California Office of Emergency Services Subrecipient Handbook states prior approval is required for budget modifications which transfer funds from one approved budget category to another.

Condition: During the testing of expenditures charged to the program it was noted that amounts reported on the Report of Expenditures and Request for Funds in total did not agree with the final approved budgeted figures between requested funds and matching funds.

Cause: The Report of Expenditures and Request for Funds was not reconciled against the final budget to ensure agreement and compliance.

Effect: Disallowance of costs expended.

Questioned Costs: Unknown.

Recommendation: We recommend that the Office's personnel reconcile the Report of Expenditures and Request for Funds against the final budget prior to the closing period for the grant.

Views of Responsible Official(s): See attached.

2016-2 Requests for Funds

Criteria: California Office of Emergency Services Subrecipient Handbook states the subrecipient must expend cash before claiming an expenditure of the Report of Expenditures and Request for Funds.

Condition: During the testing of expenditures charged to the program it was noted that amounts reported on the Report of Expenditures and Request for Funds did not agree with the supporting documentation used to accumulate payroll information.

Cause: The Report of Expenditures and Request for Funds for the first quarter was not properly reconciled against the worksheet used to accumulate payroll expenditures to ensure agreement and compliance.

Effect: Disallowance of costs expended.

Known Questioned Costs: \$3,219.

Recommendation: We recommend that the Office's personnel reconcile the Report of Expenditures and Request for Funds against the worksheet used to prepare the report before submission to Cal OES.

SAN BERNARDINO COUNTY DISTRICT ATTORNEY'S OFFICE
HUMAN TRAFFICKING ADVOCACY PROGRAM GRANT
CONTRACT #HA15020360

Findings and Questioned Costs (Continued)

For the Year Ended September 30, 2016

Views of Responsible Official(s):

The Department has reviewed the findings and recommendations provided following the Audit of the Human Trafficking Grant. The Department has established procedures according to the recommendations.

Response to Finding #1 – Allocation of Payroll Costs

As recommended, the District Attorney personnel responsible for the program grant will reconcile the Report of Expenditures and Request for Funds against the final budget prior to the closing period for the grant and include in this check, any modifications that have occurred during the grant period. Additionally, the Administrative staff analysts will review the work of each other as an added check.

Response to Finding #2 – Requests for Funds

As recommended, the District Attorney personnel responsible for the Report of Expenditures and Request for Funds will reconcile against the worksheet used to prepare the report before submission to Cal OES. Additionally, personnel responsible will have all documents filed timely to ensure there is no duplication of claims. The Administrative staff analysts will review the work of each other as an added check.