

COUNTY OF IMPERIAL, CALIFORNIA

Single Audit Report

For the Fiscal Year Ended June 30, 2018

COUNTY OF IMPERIAL, CALIFORNIA

**Single Audit Report
For the Fiscal Year Ended June 30, 2018**

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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 Imperial, 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 the County of Imperial, California (County), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 30, 2019. Our report includes a reference to other auditors who audited the financial statements of the Children & Families First Commission, as described in our report on the County's financial statements. This report does not include the results of the other auditor's 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001 through 2018-003 that we consider to be material weaknesses.

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*.

Management's Responses to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



San Diego, California
April 30, 2019



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Supervisors
County of Imperial, California

Report on Compliance for Each Major Federal Program

We have audited the County of Imperial, California's (County) compliance with the types of compliance requirements described in the *OMB 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, 2018. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-004, 2018-005, 2018-007 and 2018-009. 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 accompanying schedule of findings and questioned costs and 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 the Uniform Guidance, 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 a 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 have not been 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 2018-004 through 2018-009 that we consider to be significant deficiencies.

The County's responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and 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 response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated April 30, 2019, which contained unmodified opinions on those financial statements. Our report included a reference to other auditors who audited the financial statements of the Children & Families First Commission, as described in our report on the County's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



San Diego, California
April 30, 2019

**COUNTY OF IMPERIAL, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Federal Grant/Pass-Through Grantor/ Program Title	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Federal Expenditures	Passed Through to Subrecipients
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed Through State Department of Food and Agriculture:				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	16-0339-SF	\$ 244,225	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	17-0428-011/16-0745	102,022	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	17-0145	104,145	-
Subtotal 10.025			450,392	-
Passed Through State Department of Rural Assistance				
Rural Community Development Initiative	10.446	FY 2017	55,245	-
Child Nutrition Discretionary Grants Limited Availability	10.579	01331-SN-13-R	50,849	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 556,486	-
<u>U.S. DEPARTMENT OF COMMERCE</u>				
Economic Development Support for Planning Organizations	11.302	07-86-07262	\$ 87,199	\$ -
TOTAL DEPARTMENT OF COMMERCE			\$ 87,199	\$ -
<u>URBAN DEVELOPMENT</u>				
Housing and Community Development Community Development Block Grants				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	16-CDBG-11151	\$ 934,471	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	14-CALHOME-9835	787,101	-
Subtotal			1,721,572	-
HOME First Time Homebuyers	14.239	13-HOME-9000	565,963	-
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			\$ 2,287,535	-
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Passed Through State Office of Criminal Justice:				
Crime Victim Assistance	16.575	VW16300130	\$ 394,582	-
Crime Victim Assistance	16.575	UV16020130	118,362	-
Subtotal			512,944	-
Violence Against Women Formula Grants	16.588	LE17010130	76,165	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 623-17	138,141	-
TOTAL U.S. DEPARTMENT OF JUSTICE			\$ 727,250	-

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

COUNTY OF IMPERIAL, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

Federal Grant/Pass-Through Grantor/ Program Title	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Federal Expenditures	Passed Through to Subrecipients
<u>U.S. DEPARTMENT OF LABOR</u>				
Passed Through State Department of Employment Development:				
WIOA Adult Program	17.258	K7102031	\$ 1,265,024	1,265,024
WIOA Youth Activities	17.259	K7102031	1,310,060	1,310,060
WIOA Dislocated Worker Formula Grants	17.278	K7102031	2,310,640	-
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	SA-ICWDO-01	166,427	-
Subtotal-WIA/WIO Cluster			5,052,151	2,575,084
TOTAL DEPARTMENT OF LABOR			\$ 5,052,151	2,575,084
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Passed Through State Department of Transportation:				
Highway Planning & Construction:				
Airport Improvement Program	20.106	03-06-0109-34	\$ 7,878	-
Airport Improvement Program	20.106	03-06-0109-35	414,266	-
Airport Improvement Program	20.106	03-06-0109-36	463,246	-
Subtotal			885,390	-
Highway Planning and Construction	20.205	STPLH5958	558,232	-
Subtotal-Highway Planning and Construction Cluster			558,232	-
TOTAL DEPARTMENT OF TRANSPORTATION			\$ 1,443,622	-
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
Air Pollution Control Program Support	66.001	PM-98953801	\$ 86,308	-
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	XA-99T40001	290,000	-
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	FY 2017	27,200	-
Subtotal			317,200	-
TOTAL ENVIRONMENTAL PROTECTION AGENCY			\$ 403,508	-
			Total	-
<u>U.S. ELECTIONS ADMINISTRATION COMMISSION</u>				
Passed Through Secretary of State of California:				
Help America Vote Act Requirements Payments	90.401	17G26113	\$ 4,398	-
TOTAL U.S. ELECTIONS ADMINISTRATION COMMISSION			\$ 4,398	-

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

COUNTY OF IMPERIAL, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

Federal Grant/Pass-Through Grantor/ Program Title	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Federal Expenditures	Passed Through to Subrecipients
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Passed Through State Department of Health Services:				
Nutrition Services Incentive Program	93.053	16-10142	\$ 264,222	-
Subtotal-Aging Cluster			264,222	-
Public Health Emergency Preparedness	93.069	2018 Part A & B	65,588	-
Public Health Emergency Preparedness	93.069	14-10504	241,384	-
Subtotal			306,972	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	15-10357 A-01	39,002	-
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	3U50CK00410-02S1	242,416	-
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	16-10934	49,455	-
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	CDC-RFA-TP16-1602	109,069	-
Subtotal			400,940	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1U52PS004656	220,666	-
Immunization Cooperative Agreements	93.268	15-10422	84,788	-
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning and Surveillance of Blood Lead Levels in Children	93.197	17-10253	34,773	-
Foster Care Title IV-E	93.658	2015-16	254,660	-
Medical Assistance Program	93.778	09-86016/10-87004	26,323	-
Medical Assistance Program	93.778	13-1318	701	-
Subtotal-Medicaid Cluster			27,024	-
National Bioterrorism Hospital Preparedness Program	93.889	14-10504	154,796	-
HIV Care Formulas Grants	93.917	13-20051 A01	116,284	109,605
HIV Care Formulas Grants	93.917	13-20419	45,245	-
Subtotal			161,529	109,605
Maternal and Child Health Service Block Grant:				
Maternal and Child Health Services Block Grant to the States	93.994	201513	337,578	-
Maternal and Child Health Services Block Grant to the States	93.994	CCS	311,397	-
Maternal and Child Health Services Block Grant to the States	93.994	15-10158	631,331	-
Maternal and Child Health Services Block Grant to the States	93.994	CHDP & HCPCFC	534,164	-
Subtotal			1,814,470	-
Total State Dept. of Health			3,763,842	109,605

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

**COUNTY OF IMPERIAL, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)**

Federal Grant/Pass-Through Grantor/ Program Title	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Federal Expenditures	Passed Through to Subrecipients
Passed Through State Department of Alcohol and Drug Programs:				
Block Grant for Community Mental Health Services	93.958	SAMHSA SFY 13-01	608,625	-
Projects for Assistance in Transition for Homelessness (PATH)	93.150	MH 1772 B	59,850	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	SCC 13(17/18)	1,015,498	-
Medical Assistance Program	93.778	SCC 13(17/18)	76,199	-
Passed Through State Department of Social Services:				
Child Support Enforcement	93.563	FY 2017-18	5,198,302	-
Temporary Assistance for Needy Families	93.558	AB98	413,727	-
Temporary Assistance for Needy Families	93.558	FY 2016-17	21,360,297	-
Temporary Assistance for Needy Families	93.558	FY 2016-17	12,016,925	-
Subtotal-TANF Cluster			33,790,949	-
Total State Dept. of Social Services			38,989,251	-
Passed Through State Department Office of Aging:				
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect and Exploitation	93.041	AP-1718-24	2,989	-
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	AP-1718-24	22,898	-
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	AP-1718-24	13,776	-
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	AP-1718-24	208,654	208,654
Special Programs for the Aging, Title III, Part C, Nutrition Svc.	93.045	AP-1718-24	403,505	351,093
Nutrition Services Incentive Program	93.053	AP-1718-24	62,740	62,740
Subtotal-Aging Cluster			714,562	622,487
National Family Caregiver Support, Title III, Part E	93.052	AP-1718-24	96,166	84,510
Total Passed Through State Dept. of Aging			810,728	706,997
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 45,323,993	816,602

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

**COUNTY OF IMPERIAL, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)**

Federal Grant/Pass-Through Grantor/ Program Title	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Federal Expenditures	Passed Through to Subrecipients
<u>EXECUTIVE OFFICE OF THE PRESIDENT</u>				
High Intensity Drug Trafficking Areas Program	95.001	2018	\$ 1,134,982	-
High Intensity Drug Trafficking Areas Program	95.001	GS16SC001A	467,324	-
High Intensity Drug Trafficking Areas Program	95.001	GS18SC001A	733,785	-
Subtotal			<u>2,336,091</u>	<u>-</u>
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT			<u>\$ 2,336,091</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Passed Through Governor's Office of Homeland Security:				
Homeland Security Grant Program	97.067	2016-0102	\$ 2,253,759	1,444,949
Homeland Security Grant Program	97.067	2015-1078	775,753	522,218
Subtotal			<u>3,029,512</u>	<u>1,967,167</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>\$ 3,029,512</u>	<u>1,967,167</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>				
Passed Through Governor's Office of Emergency Services:				
Emergency Management Performance Grants	97.042	2016-0010	\$ 81,526	-
Emergency Management Performance Grants	97.042	2017-0007	81,659	-
Subtotal			<u>163,185</u>	<u>-</u>
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			<u>\$ 163,185</u>	<u>-</u>
<u>U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT (ICE)</u>				
Cyber Tipline	97.076	HSCEMD-15-P-00078	\$ 19,124	-
Cyber Tipline	97.076	2018	23,684	-
Subtotal			<u>42,808</u>	<u>-</u>
TOTAL U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT (ICE)			<u>\$ 42,808</u>	<u>-</u>
<u>NATIONAL PROTECTION & PROGRAMS DIRECTORATE (NPPD)</u>				
Information Analysis Infrastructure Protection and Critical Infrastructure Monitoring and Protection	97.080	HSBP1013P00165	\$ 11,616	-
TOTAL NATIONAL PROTECTION & PROGRAMS DIRECTORATE (NPPD)			<u>\$ 11,616</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 61,469,354</u>	<u>\$ 5,358,853</u>

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

COUNTY OF IMPERIAL, CALIFORNIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 – GENERAL

The accompanying schedule of expenditures of federal awards (SEFA) presents the activity of all federal award programs of the County of Imperial, California (County). Federal awards received directly from federal agencies as well as federal awards passed through other nonfederal agencies, primarily the State of California, are included in the schedule. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The County's reporting entity is defined in Note 2 to the County's basic financial statements.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying SEFA is presented using the modified accrual basis of accounting.

NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported agree or can be reconciled with the amounts reported in the County's basic financial statements.

NOTE 4 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The CFDA numbers included in the accompanying SEFA 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.

NOTE 5 – INDIRECT COST RATE

The County has not elected to use the 10-percent de minimis indirect rate as allowed under the Uniform Guidance.

**COUNTY OF IMPERIAL, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	Yes
Identification of major federal programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
17.258, 17.259, 17.278	WIA Cluster
93.563	Child Support Enforcement
95.001	High Intensity Drug Trafficking Areas
97.067	Homeland Security Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 1,844,081
Auditee qualified as low-risk auditee?	Yes

**COUNTY OF IMPERIAL, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

II. FINANCIAL STATEMENT FINDINGS

2018-001

Schedule of Expenditures of Federal Awards Reporting

Criteria:

The Schedule of Expenditures of Federal Awards (SEFA) should report all federal expenditures meeting the requirements for inclusion during the fiscal year.

Condition:

During our testing, we noted that the amounts reported for various programs varied from the defined federal expenditures as follows:

- Loans that did not have continuing compliance requirements were included
- Costs that were not federally funded were included
- Certain programs were reporting balances based on amounts received rather than costs incurred
- Costs from previous fiscal periods were included

Context:

Costs are accumulated by various departments throughout the County and reported to the auditor-controller's office for inclusion on the SEFA. The condition noted above was identified during our testing of those amounts against the underlying records.

Effect:

The program expenditures reported on the SEFA required adjustments.

Cause:

The County did not have procedures in place to ensure that amounts reported on the SEFA were considered federal expenditures as defined by the OMB.

Recommendation:

We recommend that the County enhance its reporting procedures to ensure that federal expenditures are reported the SEFA.

View of Responsible Officials and Planned Corrective Action:

See separate Corrective Action Plan.

**COUNTY OF IMPERIAL, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

II. FINANCIAL STATEMENT FINDINGS

2018-002

Year End Cutoff

Criteria:

In order to fairly present year-end financial statements, management must perform a year-end closing process to accumulate, reconcile, and summarize information for inclusion. The closing process should include the consideration of balances for proper cutoff. The consideration should take into account all amounts that should be accrued back to the previous period.

Condition:

Transactions that are processed after year-end and up to the County's internally determined closing date are considered for cutoff. However, we noted that transactions that are processed after the County's internally determined closing date, typically late July, are not considered for accrual.

Context:

The County performs cutoff procedures for transactions that after year-end and prior to its internally determined closing date, typically in late July. Those transactions are properly accrued as applicable. However, transactions that are processed after the closing date are not reviewed for potential accrual.

Effect:

Due to the above condition, the County is at an increased risk of understating revenues or expenses on its financial statements.

Cause:

The County does not consider transactions processed after its closing date for potential accrual.

Recommendation:

We recommend that the County enhance its closing procedures to consider transactions subsequent to its closing date. We recommend either developing a process to review subsequent disbursements and receipts for proper cutoff, or by developing estimates for those accruals.

View of Responsible Officials and Planned Corrective Action:

See separate Corrective Action Plan.

**COUNTY OF IMPERIAL, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

II. FINANCIAL STATEMENT FINDINGS

2018-003

Financial Reporting

Criteria:

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Accordingly, the financial statements should be presented in the correct format, include all required funds in the appropriate categories, include all required disclosures and reflect the implementation of current accounting pronouncements.

Condition:

As a result of our audit procedures, we noted the following:

- Certain funds were incorrectly presented and required reclassification. These reclassifications included changing fund types, changing fund groupings, and changing the placement within the financial statements.
- Certain liabilities related to pensions and other post-employment benefits were not previously reported appropriately and required adjustments to beginning equity.
- Interfund balances including deficit cash borrowings were not appropriately presented or disclosed and required adjustment.
- Classification of certain accounting flows were incorrectly reported as “other financing sources/uses” and required reclassification.
- Fund balance and net position classifications were not disclosed appropriately and required adjustment.
- The presentation of the required supplementary information required adjustment to comply with accounting standards.

Context:

The condition noted above was identified as a result of our audit procedures.

Effect:

Due to the above condition, adjustments were necessary to fairly present the County’s financial statements.

Cause:

The County’s current processes did not identify and correct the information in the financial statements.

Recommendation:

We recommend that the County enhance its financial reporting procedures to ensure appropriate financial statement classifications and disclosures. This can be accomplished through the completion of a comprehensive disclosure checklist used in conjunction with report writing.

View of Responsible Officials and Planned Corrective Action:

See separate Corrective Action Plan.

**COUNTY OF IMPERIAL, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The following findings represent significant deficiencies, and/or instances of non-compliance, including questioned costs, required to be reported in accordance with 2 CFR 200, Subpart F.

Finding 2018-004

Program: Child Support Enforcement

CFDA No.: 93.563

Federal Agency: Department of Health and Human Services

Passed-Through: State Department of Social Services

Award Year: FY 2017-18

Compliance Requirement: Allowable Costs/Cost Principles, Cash Management

Criteria:

Education and tuition costs are not eligible costs under the administration of the Child Support Enforcement Program.

Condition:

During our testing, we noted transactions related to the reimbursement of tuition costs were included in the population of program charges.

Questioned Costs:

None noted.

Context:

During our testing, we noted three transactions related to the reimbursement of tuition costs that were included in the pool of costs charged to the program.

Effect:

Costs charged to the program were not eligible.

Cause:

The County did not have procedures in place to ensure that tuition costs were excluded from the program.

Recommendation:

We recommend that the County implement procedures to ensure only allowable program expenditures are included.

View of Responsible Officials and Planned Corrective Action:

See separate Corrective Action Plan.

**COUNTY OF IMPERIAL, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2018-005

Program: Child Support Enforcement, WIA, HIDTA, Homeland Security

CFDA No.: 93.563, 17.258, 17.259, 17.278, 95.001, 97.067

Federal Agency: Department of Health and Human Services, U.S. Department of Labor, Executive Office of the President, U.S. Department of Homeland Security

Passed-Through: State Department of Social Services, State Department of Employment Development, Governor's Office of Homeland Security,

Award Year: FY 2017-18

Compliance Requirements: Allowable Costs, Cash Management

Criteria:

Title 2 CFR Section 200.302(b)(6) and (7) of the Uniform Guidance requires all non-Federal entities to establish written procedures to implement the requirements of 2 CFR section 200.305 (Cash Management) and for determining the allowability of costs in accordance with Subpart E – Cost Principles and the conditions of the Federal award. Additionally, Title 2 CFR Section 200.318(c)(1) and (2) of the Uniform Guidance requires the non-Federal entity to maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts, and covering organization conflicts of interest.

Condition:

The County has not established written procedures to implement the cash management requirements of 2 CFR Section 200.305, including written procedures that minimize the time elapsing between the transfer of funds and disbursement by the County. Further, the County has not established written procedures for determining allowability of costs in accordance with Subpart E – Cost Principles or the conditions of the Federal award.

Questioned Costs:

None noted.

Context:

The condition noted above was identified during our procedures related to cash management and allowable costs for the program, which is subject to the Uniform Guidance.

Effect:

The County has not complied with the specific requirements for written procedures over cash management and allowable costs as described in the Uniform Guidance.

Cause:

The County's procedures did not ensure the required written procedures were developed and implemented in accordance with the Uniform Guidance.

**COUNTY OF IMPERIAL, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:

We recommend the County review its policies and internal control procedures, and formalize written procedures related to cash management requirements within 2 CFR Section 200.305 and allowable costs in accordance with Subpart E – Cost Principles.

Views of Responsible Officials and Planned Corrective Actions:

See separate Corrective Action Plan.

Finding 2018-006

Program: Workforce Investment Opportunity Act Cluster

CFDA No.: 17.258/17.278/17.259

Federal Agency: U.S. Department of Labor

Passed-Through: California Employment Development Department

Award Year: FY 2017-18

Compliance Requirement: Allowable Costs/Cost Principles

Criteria:

Payroll charges are allowable costs to the program and should be allocated based on actual hours worked on the program. The basis for the allocation is documented through employees' timesheets.

Condition:

During our testing, we noted instances in which the hours charged to the program did not agree to the number of hours on the employees' timesheets.

Questioned Costs:

None noted.

Context:

The County tracks payroll costs and charges the costs to the program based on actual hours worked. The condition noted above was identified during testing of payroll costs charged to the program.

Effect:

The risk of the County charging an unsupported amount to the program is increased.

Cause:

The County did not have procedures in place to ensure the reconciliation of the hours on employees' timesheets to the hours used in the allocation of payroll charges to the program.

**COUNTY OF IMPERIAL, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:

We recommend that the County enhance procedures to ensure the accuracy of payroll costs charged to the program. This can be accomplished through the completion and review of a reconciliation of hours charged to the program to employee timesheets.

View of Responsible Officials and Planned Corrective Action:

See separate Corrective Action Plan.

Finding 2018-007

Program: Workforce Investment Opportunity Act Cluster

CFDA No.: 17.258/17.278/17.259

Federal Agency: U.S. Department of Labor

Passed-Through: California Employment Development Department

Award Year: FY 2017-18

Compliance Requirement: Matching, Level of Effort, and Earmarking

Criteria:

A minimum of 75 percent of the Youth Activity funds allocated must be used to provide services to out-of-school youth.

Condition:

As a result of our procedures, we noted the County did not meet the 75% earmarking requirement.

Questioned Costs:

None noted.

Context:

The condition noted above was identified during testing of earmarking requirements. The County is aware of the shortfall and in the process of addressing the issue either through a waiver or a modification in the requirement.

Effect:

The County did not meet the earmarking requirement.

Cause:

The County faces challenges in the administration of the program to the targeted population. These challenges resulted in a shortfall in the percentage of funds used towards this earmarking requirement.

**COUNTY OF IMPERIAL, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:

In order to comply with the earmarking requirements, we recommend that the County obtain a waiver or a modification to the earmarking requirements from the granting agency. Alternatively, we recommend modifying the administration of the program and enhance its controls in place to comply with earmarking requirements.

View of Responsible Officials and Planned Corrective Action:

See separate Corrective Action Plan.

Finding 2018-008

Program: Workforce Investment Opportunity Act Cluster

CFDA No.: 17.258/17.278/17.259

Federal Agency: U.S. Department of Labor

Passed-Through: California Employment Development Department

Award Year: FY 2017-18

Compliance Requirement: Procurement, Suspension, and Debarment

Criteria:

Documentation supporting the justification of a sole source procurement should be maintained in instances for which competitive bidding is not used.

Condition:

During our testing, we noted an instance in which the County did not maintain supporting documentation to demonstrate justification for a sole source procurement.

Context:

The condition noted above was identified during testing of a procurement of a contract.

Effect:

As a result of the condition noted, there is an increased risk of noncompliance with procurement, suspension and debarment requirements.

Cause:

The County did not maintain proper documentation to demonstrate that the procurement satisfied competitive bidding requirements or justification for a sole source procurement.

**COUNTY OF IMPERIAL, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:

We recommend that the County enhance procedures to ensure the maintenance of sufficient documentation to demonstrate that procurements satisfy either competitive bidding requirements or sole source procurement processes.

View of Responsible Officials and Planned Corrective Action:

See separate Corrective Action Plan.

Finding 2018-009

Program: Workforce Investment Opportunity Act Cluster

CFDA No.: 17.258/17.278/17.259

Federal Agency: U.S. Department of Labor

Passed-Through: California Employment Development Department

Award Year: FY 2017-18

Compliance Requirement: Allowable Costs/Cost Principles, Cash Management

Reimbursement for Ineligible Expenditures

Criteria:

Reimbursement requests should be limited to the program. Costs that will be charged to other programs should not be included in reimbursement requests.

Condition:

During our testing, we noted that costs incurred for expenditures for another program were included on the reimbursement requests.

Questioned Costs:

None noted.

Context:

The County pools costs for the WIA program and a separate program. As reimbursement requests are processed, the costs that will be charged to the separate program are included. Costs for each program are subsequently reconciled, however this is completed after the reimbursement requests are submitted.

Effect:

The risk of noncompliance with cash management requirements is increased.

**COUNTY OF IMPERIAL, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Cause:

The County did not have procedures in place to ensure that only WIA program expenditures are included on reimbursement requests.

Recommendation:

We recommend that the County implement procedures to ensure only WIA program expenditures are included on reimbursement requests.

View of Responsible Officials and Planned Corrective Action:

See separate Corrective Action Plan.

**COUNTY OF IMPERIAL, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

FINANCIAL STATEMENT FINDINGS

No matters were reported.

FEDERAL AWARDS FINDINGS

No matters were reported.