



Single Audit Report
Prepared in Accordance with the Uniform Guidance
For the Fiscal Year Ending June 30, 2019
County of Imperial, California

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 1

Independent Auditor’s 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 3

Schedule of Expenditures of Federal Awards 6

Notes to Schedule of Expenditures of Federal Awards 9

Schedule of Findings and Questioned Costs10

Summary Schedule of Prior Audit Findings.....22



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

Board of Supervisors
County of Imperial, California

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, 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 (the County), as of and for the year then ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements and have issued our report thereon dated May 8, 2020. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, 2019-004 and 2019-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2019-003 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 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 result 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

San Diego California
May 14, 2020



Independent Auditor's 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 (the 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, 2019. 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 federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's 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, 2019.

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 item 2019-006. Our opinion on each major federal program is not modified with respect to these matters.

The County's response to the noncompliance finding 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.

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 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 and significant deficiencies and therefore, material weaknesses and 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 2019-006 and 2019-007 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 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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated May 8, 2020, 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

San Diego, California
May 14, 2020

County of Imperial, California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grant/Pass-Through Grantor/ Program/Cluster Title	Federal C.F.D.A. Number	Pass-Through/ Grantor's Number	Program 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	17-0453-034-SF	\$ 230,050	\$ -
Plant and Animal Disease, Pest Control, and Animal Care	10.025	18-0293-001-SF/17-0428-011-SF	90,112	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	18-0199	151,757	-
Subtotal			471,919	-
Passed Through State Department of Rural Assistance:				
Rural Community Development Initiative	10.446	FY 2017	36,000	-
National School Lunch Program	10.555	01331-SN-13-R	61,027	-
Total U.S. Department of Agriculture			568,946	-
<u>U.S. Department of Commerce</u>				
Direct Programs:				
Economic Development_Support for Planning Organizations	11.302	ED18SEA3020011	5,276	-
Total U.S. Department of Commerce			5,276	-
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grants Cluster:				
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	16-10298	59,337	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	16-CDBG-11151	3,579,869	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	17-CDBG-12013	385,846	-
Subtotal Community Development Block Grants Cluster			3,965,715	-
Total U.S. Department of Housing and Urban Development			4,025,052	-
<u>U.S. Department of Justice</u>				
Passed Through State Office of Criminal Justice:				
Crime Victim Assistance	16.575	VW18320130	130,724	-
Crime Victim Assistance	16.575	UV18030130	151,543	-
Subtotal			282,267	-
Violence Against Women Formula Grants	16.588	LE18020130	189,488	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 623-17	3,134	-
Total U.S. Department of Justice			474,889	-
<u>U.S. Department of Labor</u>				
Passed Through State Department of Employment Development:				
WIOA Cluster:				
WIA/WIOA Adult Program	17.258	K8106178	2,345,355	2,170,822
WIA/WIOA Youth Activities	17.259	K8106178	3,302,002	2,213,179
WIA/WIOA Dislocated Worker Formula Grants	17.278	K8106178	2,171,307	-
Subtotal-WIA/WIO Cluster			7,818,664	4,384,001
Total U.S. Department of Labor			7,818,664	4,384,001
<u>U.S. Department of Transportation</u>				
Passed Through State Department of Transportation:				
Airport Improvement Program	20.106	03-06-0109-36	4,271	-
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	STPLH5958	451,467	-
Highway Planning and Construction	20.205	1813ADDF01	46,691	-
Subtotal-Highway Planning and Construction Cluster			498,158	-
Total U.S. Department of Transportation			502,429	-

County of Imperial, California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grant/Pass-Through Grantor/ Program/Cluster Title	Federal C.F.D.A. Number	Pass-Through/ Grantor's Number	Program Expenditures	Passed Through to Subrecipients
<u>U.S. Environmental Protection Agency</u>				
Direct Programs:				
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	356,000	-
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	FY 2018	49,200	-
Subtotal			<u>405,200</u>	<u>-</u>
Total U.S. Environmental Protection Agency			<u>491,508</u>	<u>-</u>
<u>Elections Assistance Commission</u>				
Passed Through Secretary of State of California:				
Help America Vote Act Requirements Payments	90.401	18G26113	12,841	-
Help America Vote Act Requirements Payments	90.401	18G27113	22,691	-
Subtotal			<u>35,532</u>	<u>-</u>
Total Elections Assistance Commission			<u>35,532</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>				
Passed Through State Department of Health Services:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistant Program	10.561	16-10142	356,906	-
Subtotal-SNAP Cluster			<u>356,906</u>	<u>-</u>
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	17-10156	171,846	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	U50CK00410	377,360	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1813 Base00	254,210	-
Immunization Cooperative Agreements	93.268	17-10319	86,004	-
Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	17-10253	31,978	-
Foster Care_Title IV-E	93.658	2018-19	140,954	-
Medicaid Cluster:				
Medical Assistance Program	93.778	10-87004/14-90029	150,634	-
Medical Assistance Program	93.778	13-17 EVRGN	23,639	-
Subtotal-Medicaid Cluster			<u>174,273</u>	<u>-</u>
National Bioterrorism Hospital Preparedness Program	93.889	17-10156	161,136	19,037
HIV Care Formulas Grants	93.917	15-11055	115,941	109,494
Maternal and Child Health Services Block Grant to the States	93.994	201813 Imperial/MCAH	407,939	-
Maternal and Child Health Services Block Grant to the States	93.994	Imperial (13) CCS FY 18-19	309,381	-
Maternal and Child Health Services Block Grant to the States	93.994	15-10158	629,951	-
Maternal and Child Health Services Block Grant to the States	93.994	CHDP & PMM&O	441,855	-
Subtotal			<u>1,789,126</u>	<u>-</u>
Passed Through State Department of Alcohol and Drug Programs:				
Block Grant for Community Mental Health Services	93.958	SAMHSA SFY 13-01	797,404	-
Projects for Assistance in Transition for Homelessness (PATH)	93.150	MH 1772 B	59,866	-
Medicaid Cluster:				
Medical Assistance Program	93.778	SCC 13(17/18)	1,482,595	-
Subtotal-Medicaid Cluster			<u>1,482,595</u>	<u>-</u>
Passed Through State Department of Social Services:				
Child Support Enforcement	93.563	FY 2017-18	5,657,105	-
TANF Cluster:				
Temporary Assistance for Needy Families	93.558	AB98	225,374	-
Temporary Assistance for Needy Families	93.558	FY 2018-19	20,260,351	-
Temporary Assistance for Needy Families	93.558	FY 2018-19	10,446,617	-
Subtotal-TANF Cluster			<u>30,932,342</u>	<u>-</u>

County of Imperial, California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grant/Pass-Through Grantor/ Program/Cluster Title	Federal C.F.D.A. Number	Pass-Through/ Grantor's Number	Program Expenditures	Passed Through to Subrecipients
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-1819-24	\$ 2,880	\$ -
Special Programs for the Aging Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	AP-1819-24	22,050	-
Special Programs for the Aging Title III, Part D, Disease Prevention and Health Promotion Services	93.043	AP-1819-24	19,135	-
Aging Cluster:				
Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	AP-1819-24	257,258	73,619
Special Programs for the Aging Title III, Part C, Nutrition Services	93.045	AP-1819-24	461,852	405,925
Nutrition Services Incentive Program	93.053	AP-1819-24	62,011	62,011
Subtotal-Aging Cluster			781,121	541,555
National Family Caregiver Support, Title III, Part E	93.052	AP-1819-24	123,142	108,549
Total U.S. Department of Health and Human Services			43,537,374	778,635
<u>Executive Office of the President</u>				
Direct Programs:				
High Intensity Drug Trafficking Areas Program	95.001	2018	1,357,317	-
Subtotal			1,357,317	-
Total Executive Office of the President			1,357,317	-
<u>U.S. Department of Homeland Security</u>				
Passed Through Governor's Office of Homeland Security:				
Homeland Security Grant Program	97.067	2016-0102	262,116	-
Homeland Security Grant Program	97.067	2017-0102	964,629	-
Homeland Security Grant Program	97.067	2017-0083	191,191	-
Homeland Security Grant Program	97.067	2018-0008	10,800	-
Subtotal			1,428,736	-
Federal Emergency Management Agency				
Passed Through Governor's Office of Emergency Services:				
Emergency Management Performance Grants	97.042	2017-0007	81,619	-
Emergency Management Performance Grants	97.042	2018-0008	163,467	-
Subtotal			245,086	-
U.S. Immigration and Customs Enforcement (Ice)				
Direct Programs:				
CyberTipline	97.076	70CMSD19P00000001	42,017	-
CyberTipline	97.076	2019	545	-
Subtotal			42,562	-
National Protection & Programs Directorate (Nppd)				
Direct Programs:				
Information Analysis Infrastructure Protection (IAIP) and Critical Infrastructure Monitoring and Protection	97.080	HSBP1013P00165	68,051	-
Total U.S. Department of Homeland Security			1,784,435	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 60,601,422	\$ 5,162,636

Note 1 - Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) presents the activity of all federal award programs of the County of Imperial, California (the 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 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). Because the schedule presents only a selected portion of the operations of the County, it is not intended to and do not present the financial position, changes in net assets, *net position, fund balance, or cash flows* of the County. The County's reporting entity is defined in Note 1 to the County's basic financial statements.

B. Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting for the governmental funds and on the accrual basis for the proprietary funds, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

C. Relationship to Basic Financial Statements

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

Note 2 - Indirect Cost Rate

The County has elected not to use the 10% de minimis cost rate allowed under the Uniform Guidance.

Note 3 - 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 4 - Direct and Indirect (Pass-Through) Federal Awards

Federal awards may be granted directly to the County by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the County. The Schedule includes both of these types of Federal award programs when they occur.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

Name of Federal Program	CFDA Number
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228
TANF Cluster	93.558
Dollar threshold used to distinguish between type A and type B programs:	\$ 1,818,043
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

**2019-001 Landfill Closure and Post-closure Costs
Material Weakness**

Criteria:

Per GASBS 18, municipal solid waste landfills (MSWLF) reported using proprietary fund accounting and reporting, a portion of the estimated total current cost of MSWLF closure and post-closure care should be recognized as an expense and as a liability in each period that the MSWLF accepts solid waste. Recognition should begin on the date the MSWLF begins accepting solid waste, continue in each period that it accepts waste, and be completed by the time it stops accepting waste. Estimated total current cost should be assigned to periods based on MSWLF use rather than on the passage of time.

Condition:

As a result of our landfill testing for the year ended June 30, 2019, we noted that post-closure costs were not included in the determination of the reported landfill liability. In addition, we noted the County does not maintain information on the payment made against the post-closure liability on closed landfills.

Cause:

The County's methodology for tracking and reporting landfill activity did not incorporate the necessary information to comply with GASBS 18.

Effect:

Based on the condition above, the landfill liability was understated by approximately \$8.7 million and required adjustment. Additionally, current year activity was understated by approximately \$0.6 million and required adjustment.

Repeat Finding from Prior Year:

No

Recommendation:

We recommend the County implement policies and procedures to properly calculate the year-end closure and post closure liability

Views of Responsible Officials and Planned Corrective Action:

See separate corrective action plan.

Section II – Financial Statement Findings

**2019-002 Claims Payable
Material Weakness**

Criteria:

Management is responsible for the fair presentation of the claims payable which is accomplished through the review of a third party actuarial report and internal records. In accordance with GASBS 10, County is required to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including allocated loss adjustment expenses (ALAE) and unallocated loss adjustment expenses (ULAE).

Condition:

During our testing of the claims payable balance, we noted the reported claims payable balance did not reconcile to the supporting actuarial reports.

Cause:

The County did not properly reconcile supporting information to the amounts reported.

Effect:

Based on the condition above, the claims payable liability was understated at the beginning of the period by approximately \$13.8 million and required adjustment. Additionally, current year activity was overstated by approximately \$0.7 million and required adjustment.

Repeat Finding from Prior Year:

No

Recommendation:

We recommend the County implement policies and procedures to properly reconcile claims payable information and properly calculate the year-end balance.

Views of Responsible Officials and Planned Corrective Action:

See separate corrective action plan.

Section II – Financial Statement Findings

**2019-003 Cash and Investments
 Significant Deficiency**

Criteria:

In accordance with GASBS 31, investment balances should be reported at fair value. Due to/from other funds should be reported for funds that have deficit cash positions at year end. In accordance with GASBS 54, special revenue funds should be used to report the accumulation of restricted or committed resources to be used for specific purposes.

Condition:

We noted that the County's financial reporting process did not report the fair value of the investments at June 30. Additionally, certain funds with deficit positions in the County's pooled cash and investment fund borrowed funds from other special revenue funds without a documented consideration of the compliance considerations of those funds.

Cause:

The County's process for the year-end close did not include reporting cash and investments at fair value or the consideration of the restrictions on the source of funds alleviating other funds' deficit position.

Effect:

Based on the condition above, cash and investment balances were adjusted by approximately \$3.7 million to reflect fair value. Additionally, adjustments were recorded to remove deficit cash positions between funds.

Repeat Finding from Prior Year:

No

Recommendation:

We recommend the County update its year-end closing policies and procedures to incorporate cash and investment presentation requirements.

Views of Responsible Officials and Planned Corrective Action:

See separate corrective action plan.

Section II – Financial Statement Findings

**2019-004 Schedule of Expenditures of Federal Awards Reporting
Material Weakness**

Criteria:

Title 2, Subtitle A, Chapter II, Part 200, Subpart F, paragraph 502 (§ 200.502) of the Code of Federal Regulations stipulates that the determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. In general, these activities pertain to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards such as:

- Expenditure/expense transaction associated with awards including grants, cost-reimbursement contracts
- The disbursement of funds to subrecipients
- The use of loan proceeds under loan and loan guarantee programs
- The receipt of property, surplus property, or the use of program income.
- The distribution or use of food commodities
- The disbursement of amounts entitling the non-Federal entity to an interest subsidy, and
- The period when insurance is in force.

Additionally, Title 2, Subtitle A, Chapter II, Part 200, Subpart F, paragraph 510 (§ 200.510) of the same Code requires the auditee to prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal award expended as determined in accordance with § 200.502. At the minimum, the schedule must:

- List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide applicable Federal agency name.
- For Federal awards received as a subrecipient, the name of the passthrough entity and identifying number assigned by the pass-through entity must be included
- Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- Include the total amount provided to subrecipients from each Federal program.

Section II – Financial Statement Findings

Condition:

During our testing of the schedule of expenditures of Federal awards (SEFA), we noted the following:

- Costs that were not federally funded were included.
- Certain programs included reported balances which were based on the amount received rather than costs incurred.
- The determination of whether the funding was direct or indirect was not made for certain programs
- Various adjustments were necessary to certain programs including the identification of the correct CFDA #, program name or cluster.

Cause:

Costs are accumulated by various departments throughout the County and reported to the auditor-controller's office for inclusion on the SEFA. The County's procedures did not ensure that amounts reported on the SEFA included all required elements or were based on defined federal expenditures.

Effect:

The expenditures included in the SEFA required adjustment.

Repeat Finding from Prior Year:

Yes

Recommendation:

We recommend that the County revise and enhance its reporting procedures to ensure that defined federal expenditures are reported the SEFA with all necessary identification elements.

Views of Responsible Officials and Planned Corrective Action:

See separate corrective action plan.

Section II – Financial Statement Findings

**2019-005 Financial Reporting
Material Weakness**

Criteria:

GASB, COD-FIN RPT, Section 2200: Comprehensive Annual Financial Reports (CAFR), paragraph 104 established the minimum requirements for General Purpose External Financial Report and suggested that the CAFR should be prepared and published promptly after the close of the fiscal year. 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

- Interfund balances including deficit cash borrowings were not appropriately presented or disclosed and required adjustment.
- Due from another department within the County was not appropriately recognized and realized.
- Certain liabilities related to claim payable and closure/post-closure liabilities were not previously reported appropriately; therefore, required adjustments to beginning equity.
- The worksheets used to calculate major funds did not appropriately identify funds requiring to be major funds and incorrectly identified funds not requiring to be major funds as major.
- Audited financial information for a discretely presented component unit was not reconciled to the County's financial statements.
- Combining schedules of nonmajor funds were not presented for certain fund types.

Cause:

The County's current process did not ensure that all balances were fairly presented and properly disclosed in a timely manner.

Effect:

Adjustments were necessary to fairly present the County's financial statements and drafts of the financial statements were not ready for review timely.

Section II – Financial Statement Findings

Repeat Finding from Prior Year:

Yes

Recommendation:

We recommend 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.

Views of Responsible Officials and Planned Corrective Action:

See separate corrective action plan.

Section III – Federal Award Findings and Questioned Costs

2019-006 **Program:** Temporary Assistance for Needy Families (TANF) Cluster
CFDA No.: 93.558
Federal Grantor: U.S. Department of Health and Human Services
Passed-through: California Department of Social Services
Award No. and Year: Various
Compliance Requirements: Eligibility
Significant Deficiency in Internal Control over Compliance/Non-Compliance – Other Matters

Criteria:

The Uniform Guidance Compliance Supplement requires that eligibility determinations and redeterminations, including obtaining any required documentation and verifications, were performed and the individual was determined to be eligible in accordance with the compliance requirements of the program.

Condition:

For each case, the client must go through an intake process that requires information on the SAWS 1, SAWS 2 Plus and CW 2.1 be obtained to determine eligibility. During the mid-year review, the client must submit the SAR7 form in order to continue benefits. As a result of our participant case files testing, we noted that for three of 40 case files, no evidence was retained to support eligibility determination and benefit continuation, such as SAWS 1, SAWS 2 Plus, CW 2.1 and SAR 7.

Cause:

The condition is primarily caused by the County's Social Services Department not following policies and procedures to ensure the eligibility case files contain documentation to support eligibility and recertifications.

Effect:

Case data may not be current or accurate in the case file or the system, which could lead to initial and continued eligibility errors, inaccurate benefit calculations, and benefit overpayments.

Questioned Costs:

None reported

Section III – Federal Award Findings and Questioned Costs

Context:

The condition above was identified during our testing of the eligibility requirements of the program.

Repeat Finding from Prior Year:

No

Recommendation:

We recommend that the County strengthen its established policies and procedures with regard to initial and ongoing eligibility determination, required documentation and verifications, maintenance of case files, and ensure that policies and procedures are strictly adhered to by County personnel.

Views of Responsible Officials and Planned Corrective Action:

See separate corrective action plan.

Section III – Federal Award Findings and Questioned Costs

2019-007 **Program:** Temporary Assistance for Needy Families (TANF) Cluster
CFDA No: 93.558
Federal Grantor: U.S. Department of Health and Human Services
Passed-through: California Department of Social Services
Award No. and Year: Various
Compliance Requirements: Special Tests and Provisions
Significant Deficiency in Internal Control over Compliance

Criteria:

In accordance with *45 CFR section 261.14*, the State agency must reduce or terminate the assistance payable to the family if an individual in a family receiving assistance refuses to work, subject to any good cause or other exemptions established by the State.

Condition:

During the testing of compliance with eligibility requirements, we noted two cases that involved adults who were not working and non-compliant with Welfare to Work, but benefits were not reduced or denied.

Cause:

The Imperial County Department of Social Services' procedures did not ensure that individuals were sanctioned for refusal to work.

Effect:

Failure to follow the eligibility requirement results in non-compliance with Federal regulations.

Questioned Costs:

Benefits paid to beneficiaries who are ineligible totaled \$9,409 for the fiscal year ended June 30, 2019.

Context:

The condition above was identified during our testing of the eligibility requirements of the program.

Repeat Finding from Prior Year:

No

Section III – Federal Award Findings and Questioned Costs

Recommendation:

We recommend that the Department of Social Services strengthen its current policies and procedures to ensure that individuals are properly sanctioned and benefits are reduced or denied for refusal to work in accordance with *45 CFR section 261.14*.

Views of Responsible Officials and Planned Corrective Action:

See separate corrective action plan.

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

Financial Statement Findings:

Finding No.	Category	Status of Corrective Action
2018-001	Schedule of Expenditures of Federal Awards Reporting	Not implemented – See 2019-004
2018-002	Year End Cutoff	Implemented
2018-003	Financial Reporting	Partially Implemented – See 2019-005

Federal Award Findings:

Finding No.	Program Name/Description	CFDA No.	Compliance Requirement	Status of Corrective Action
2018-004	Child Support Enforcement	93.563	Allowable Costs/Cost Principles, Cash Management	Implemented
2018-005	Child Support Enforcement, WIA, HIDTA, Homeland Security	93.563, 17.259, 17.258,95.001,97.067	Allocable Costs, Cash Management	Implemented
2018-006	Workforce Investment Opportunity Act Cluster	17.258, 17.278, 17.259	Allowable Costs/Cost Principles	Implemented
2018-007	Workforce Investment Opportunity Act Cluster	17.258, 17.278, 17.259	Matching, Level of Effort, and Earmarking	Implemented
2018-008	Workforce Investment Opportunity Act Cluster	17.258, 17.278, 17.259	Procurement, Suspension, and Debarment	Implemented
2018-009	Workforce Investment Opportunity Act Cluster	17.258, 17.278, 17.259	Allowable Costs/Cost Principles, Cash Management	Implemented