

COUNTY OF YOLO, CALIFORNIA
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

COUNTY OF YOLO, 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

To the Honorable Board of Supervisors
County of Yolo, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Yolo, 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 December 21, 2018. Our report included an emphasis of matter regarding the County's adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Our report also includes reference to other auditors who audited the financial statements of the First 5 Yolo County Children and Families Commission and Yolo County Housing as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, 2018-003 and 2018-004 to be significant deficiencies.

Compliance and Other Matters

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

County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs and separate corrective action plan. 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 it.

Purpose of this Report

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

Varrinck, Trine, Day & Co. LLP

Sacramento, California
December 21, 2018



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

To the Honorable Board of Supervisors
County of Yolo, California

Report on Compliance for Each Major Federal Program

We have audited the County of Yolo, 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.

The County's basic financial statements include the operation of the Yolo County Housing, which received \$15,470,294 in federal awards which is not included in the schedule during the year ended June 30, 2018. Our audit, described below, did not include the operation of the Yolo County Housing because the Yolo County housing engaged other auditors to perform an audit in accordance with the Uniform Guidance.

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 other major federal 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 item 2018-005. Our opinion on each major federal program is not modified with respect to this 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 separate corrective action plan. The County's responses were not subject 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 item 2018-005 that we consider to be a significant deficiency.

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and separate corrective action plan. The County's response was 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 and Supplemental Schedule of California Department of Community Service and Development

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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 December 21, 2018, which contained unmodified opinions on those financial statements. Our report included an emphasis of matter regarding the County's adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Our report also includes reference to other auditors who audited the financial statements of the First 5 Yolo County Children and Families Commission and Yolo County Housing 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 as a whole. 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. The Supplemental Schedule of California Department of Community Services and Development is presented for purposes of additional analysis and are 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 and the supplemental schedules of the California Department of Community Services and Development are fairly stated in all material respects in relation to the financial statements as a whole.

Varrinick, Trine, Day & Co. LLP
Sacramento, California
March 26, 2019

COUNTY OF YOLO, CALIFORNIA

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

Federal Grantor/Pass-Through Grantor/Program Title/Cluster	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed through State of California Department of Food and Agriculture				
Plant and Animal Disease, Pest Control and Animal Care	10.025	16-0553	\$ 910	\$ -
Plant and Animal Disease, Pest Control and Animal Care	10.025	17-0081	3,645	-
Plant and Animal Disease, Pest Control and Animal Care	10.025	17-0215	66,172	-
Plant and Animal Disease, Pest Control and Animal Care	10.025	16-0201	55,799	-
Plant and Animal Disease, Pest Control and Animal Care	10.025	16-0604	23,098	-
Plant and Animal Disease, Pest Control and Animal Care	10.025	16-0604	20,255	-
Plant and Animal Disease, Pest Control and Animal Care	10.025	16-0601	30,985	-
Plant and Animal Disease, Pest Control and Animal Care	10.025	16-0601	7,835	-
Plant and Animal Disease, Pest Control and Animal Care	10.025	16-0548	6,199	-
Plant and Animal Disease, Pest Control and Animal Care	10.025	17-0453	2,227	-
Plant and Animal Disease, Pest Control and Animal Care	10.025	16-0548	11,861	-
Plant and Animal Disease, Pest Control and Animal Care	10.025	15-0593	1,359	-
Plant and Animal Disease, Pest Control and Animal Care	10.025	15-0593	127	-
Subtotal CFDA 10.025			<u>230,472</u>	<u>-</u>
Passed through State of California Department of Public Health				
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	N/A	1,358,610	-
SNAP Cluster:				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	N/A	347,655	-
Passed through State of California Department of Social Services:				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	N/A	3,692,684	-
Total SNAP Cluster:			<u>4,040,339</u>	<u>-</u>
Passed through State of California Department of Education:				
National School Lunch Program	10.555	N/A	63,015	-
Total Department of Agriculture			<u>5,692,436</u>	<u>-</u>
U.S. Department of Housing and Urban Development:				
Passed through State Department of Housing and Community Development				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii-Program Income	14.228	13-CDBG-8943	105,877	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii-Loan Balance	14.228	13-CDBG-8943	2,234,868	-
Subtotal CFDA 14.228			<u>2,340,745</u>	<u>-</u>
Home Investments Partnership Program-Program Income	14.239	15-HOME-10095	7,686	-
Home Investment Partnerships Program-Loan Balance	14.239	15-HOME-10095	4,988,842	-
Home Investments Partnership Program-New Loans	14.239	15-HOME-10095	4,340,503	-
Subtotal CFDA 14.239			<u>9,337,031</u>	<u>-</u>
Total Department of Housing and Urban Development			<u>11,677,776</u>	<u>-</u>
U.S. Department of Justice				
Passed through State of California Department of Corrections and Rehabilitation				
Edward Byrne Memorial Justice Grant Program	16.738	BSCC 631-17	325,674	-
Passed through State of California Emergency Management Agency				
Crime Victim Assistance	16.575	VW17350570	315,129	-
Crime Victim Assistance	16.575	XC16010570	199,580	199,580
Crime Victim Assistance	16.575	KE17010570	69,120	61,707
Passed through Yolo Empower, Inc.				
Crime Victim Assistance	16.575	VW16 34 0570	35,654	-
Subtotal CFDA 16.575			<u>619,483</u>	<u>261,287</u>
Total Department of Justice			<u>945,157</u>	<u>261,287</u>
U.S. Department of Labor				
Passed through State of California Department of Employment Development:				
WIA/WIOA Cluster:				
WIOA Adult Program	17.258	K7102080	1,627	-
WIOA Adult Program	17.258	K7102080	206,194	-
WIOA Adult Program	17.258	K8106697	677,830	-
Subtotal CFDA 17.258			<u>885,651</u>	<u>-</u>
WIOA Youth Activities	17.259	K8106697	519,393	-
WIOA Youth Activities	17.259	K7102080	471,213	425,952
Subtotal CFDA 17.259			<u>990,606</u>	<u>425,952</u>
WIOA Dislocated Worker Formula Grant	17.278	K7102080	210,719	-
Total WIA/WIOA Cluster:			<u>2,086,976</u>	<u>425,952</u>
Total Department of Labor			<u>2,086,976</u>	<u>425,952</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

COUNTY OF YOLO, CALIFORNIA

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

Federal Grantor/Pass-Through Grantor/Program Title Cluster	Federal CFDA Number	Direct/Pass-Through Grantor's Number	Federal Expenditures	Passed Through to Subrecipients
<u>U.S. Department of Transportation</u>				
Direct Program:				
Airport Improvement Program	20.106	3-06-0342-018-2017	\$ 82,122	\$ -
Passed through State of California Department of Transportation				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	Solano County project	112	-
Highway Planning and Construction	20.205	STPL 5922 (047) & HSIP	46,189	-
Highway Planning and Construction	20.205	BRLO 5922 (059)	1,505	-
Highway Planning and Construction	20.205	BRLO-5922(074)	4,580	-
Highway Planning and Construction	20.205	BRLO 5922 (066)	7,048	-
Highway Planning and Construction	20.205	BRLO-5922(073)	15,418	-
Highway Planning and Construction	20.205	BRLO-5922(077)	132,834	-
Highway Planning and Construction	20.205	BRLO-5922(078)	1,911,840	-
Highway Planning and Construction	20.205	BPMP-5922(097)	3,573	-
Highway Planning and Construction	20.205	HSPIL-5922(094)	1,645	-
Highway Planning and Construction	20.205	BRLO 5922(098)	71,110	-
Highway Planning and Construction	20.205	BRLO 5922(099)	53,972	-
Highway Planning and Construction	20.205	STPL 5922(102)	291,816	-
Highway Planning and Construction	20.205	STPL-5922(101)	160	-
Highway Planning and Construction	20.205	BRLO 5922(103)	7,620	-
Highway Planning and Construction	20.205	BRLO 5922(104)	7,843	-
Highway Planning and Construction	20.205	HRRRL-5922(107)	125,206	-
Highway Planning and Construction	20.205	BRLO 5922(103)	7,921	-
Highway Planning and Construction	20.205	ER-32L0(051)	1,867	-
Highway Planning and Construction	20.205	ER-32L0(054)	1,388	-
Highway Planning and Construction	20.205	ER-32L0(053)	1,388	-
Highway Planning and Construction	20.205	ER-32L0(055)	1,580	-
Highway Planning and Construction	20.205	STPL5922(112)	91,404	-
Highway Planning and Construction	20.205	HSIPL-5922(110)	17,198	-
Total Highway Planning and Construction			<u>2,805,217</u>	<u>-</u>
Passed through State of California Office of Traffic Safety				
State and Community Highway Safety	20.600	PS18037	32,715	-
Highway Safety Cluster:				
National Priority Safety Programs	20.616	DI18014	118,250	-
National Priority Safety Programs	20.616	OP18019	91,519	-
Total Highway Safety Cluster:			<u>209,769</u>	<u>-</u>
Total Department of Transportation			<u>3,129,823</u>	<u>-</u>
<u>Institute of Museum and Library Services</u>				
Passed through California Humanities				
Promotion of the Humanities Federal/State Partnership	45.129	HFAQ16-33	5,000	-
Passed through California State Library				
Grants to States	45.310	40-8702	7,500	-
Total Institute of Museum and Library Services			<u>12,500</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>				
Direct Program:				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79SM063384-01	562,193	-
Unaccompanied Alien Children Program	93.676	N/A	2,814,870	-
Passed through State of California Department of Public Health				
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative	93.074	17-10210	461,576	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	N/A	27,681	-
Immunization Cooperative Agreements	93.268	17-10363	77,381	-
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	N/A	358,266	335,000
Maternal and Child Health Services Block Grant to the States	93.994	N/A	125,489	-

See accompanying notes to the Schedule of Expenditures of Federal Awards

COUNTY OF YOLO, CALIFORNIA

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

Federal Grantor/Pass-Through Grantor/Program Title Cluster	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	Passed Through to Subrecipients
<u>U.S. Department of Health and Human Services (Continued)</u>				
Passed through the State of California Department of Health Care Services Projects for Assistance in Transition from Homelessness (PATH)	93.150	N/A	\$ 32,123	\$ -
Children's Health Insurance Program	93.767	N/A	155,441	-
Block Grants for Community Mental Health Service (MHBG)	93.958	N/A	184,259	-
Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	93.959	N/A	1,095,111	-
Passed through State of California Department of Child Support Services Child Support Enforcement	93.563	N/A	3,565,127	-
Passed through Heluna Health (Public Health Foundation Enterprises) Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	0187.189	26,066	-
Passed through State of California Office of Emergency Services: Children's Justice Grants to States	93.643	ES16010570	55,970	-
Passed through State Department of Social Services Guardianship Assistance Recovery	93.090	N/A	3,347	-
Promoting Safe and Stable Families (PSSF)	93.556	N/A	151,432	-
TANF Cluster: Temporary Assistance for Needy Families (TANF)	93.558	N/A	12,845,990	1,518,531
Total TANF Cluster:			<u>12,845,990</u>	<u>1,518,531</u>
Refugee and Entrant Assistance - State Administered Programs	93.566	N/A	33,670	-
Community-Based Child Abuse Prevention Grants	93.590	N/A	15,234	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A	124,123	-
Foster Care - Title IV-E	93.658	N/A	7,652,003	-
Adoption Assistance	93.659	N/A	4,550,992	-
Social Service Block Grant	93.667	N/A	1,241,770	-
CHAFFIE Foster Care Independent Living	93.674	N/A	62,207	-
Passed through State Department of Community Services and Development Community Services Block Grant	93.569	CSBG - 17F-2052	143,586	-
Community Services Block Grant	93.569	CSBG - 18F-5052	125,173	-
Subtotal CFDA 93.569			<u>268,759</u>	<u>-</u>
Passed through Yolo County Office of Education Head Start	93.600	10572	5,000	-
Medicaid Cluster: Passed through State of California Department of Health Care Services Medical Assistance Program	93.778	N/A	7,509,698	-
Passed through State of California Department of Public Health Medical Assistance Program	93.778	N/A	432,925	-
Total Medicaid Cluster			<u>7,942,623</u>	<u>-</u>
Total Department of Health and Human Services			<u>44,438,703</u>	<u>1,853,531</u>
<u>Social Security Administration</u>				
Direct Program Supplemental Security Income - Inmate Reporting Incentive	96.006	N/A	25,200	-
Total Social Security Administration			<u>25,200</u>	<u>-</u>
<u>Department of Homeland Security</u>				
Passed through State of California Natural Resources Agency Boating Safety Financial Assistance	97.012	N/A	39,098	-
Passed through California Governor's Office of Emergency Emergency Management Performance Grant	97.042	2017-0007	169,489	169,489
Homeland Security Grant Program	97.067	2015-00078	279,854	-
Total Department of Homeland Security			<u>488,441</u>	<u>169,489</u>
Total Expenditures of Federal Awards			<u>\$ 68,497,012</u>	<u>\$ 2,710,259</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

COUNTY OF YOLO, CALIFORNIA

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

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the County of Yolo, California (County) under programs of the federal government for the year ended June 30, 2018. 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). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for the governmental funds and the accrual basis of accounting for the proprietary funds. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in the prior year.

NOTE 3 – INDIRECT COST RATE

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

NOTE 4 – PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

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

NOTE 5 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

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

See accompanying notes to the Schedule of Expenditures of Federal Awards

COUNTY OF YOLO, CALIFORNIA

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

NOTE 6 – MEDICAID CLUSTER

Except for Medi-Cal administrative expenditures, Medicaid (Medi-Cal) and Medicare program expenditures are excluded from the schedule of expenditures of federal awards. These expenditures represent fees for services; therefore, neither is considered a federal award program of the County for purposes of the schedule of expenditures of federal awards or in determining major programs. The County assists the State of California (State) in determining eligibility and provides Medi-Cal and Medicare services through County-owned health facilities. Medi-Cal administrative expenditures are included in the schedule of expenditures of federal awards as they do not represent fees for services.

NOTE 7 – OUTSTANDING LOANS OF FEDERAL FUNDS

The following schedule presents the amount of outstanding loans receivable by CFDA number. All loans with continuing compliance requirements are included on the accompanying Schedule. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented on the Schedule.

The balance of loans outstanding at June 30, 2018 consists of:

CFDA No.	Federal Program	Outstanding Loans at June 30, 2018
14.228	Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	\$ 1,895,466
14.239	Home Investments Partnerships Program	<u>9,329,344</u>
	Total	<u>\$ 11,224,810</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

COUNTY OF YOLO, 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 auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Programs or Clusters</u>
<u>14.239</u>	<u>Home Investment Partnerships Program</u>
<u>17.258/17.259/17.278</u>	<u>WIOA Cluster</u>
<u>93.558</u>	<u>TANF Cluster</u>
<u>93.659</u>	<u>Adoption Assistance - Title IV-E</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 2,054,910</u>
Auditee qualified as low-risk auditee?	<u>No</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

COUNTY OF YOLO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

II. FINANCIAL STATEMENT FINDINGS

FINDING 2018-001

TIMELY BANK RECONCILIATIONS

Criteria or Specific Requirement:

Bank/trustee held investment reconciliations help to create stronger internal control, whereby accountability over cash assets is greatly enhanced. Bank and trustee held investment reconciliations help to safeguard cash by detecting errors on the part of the bank/trustee and/or the County when recording activities in accounts.

Condition Found:

Significant Deficiency - As a result of our test work over the County's bank reconciliations, we noted the County was not performing bank reconciliations in a timely manner. The October 2017 through April 2018 bank reconciliations were not performed in a timely matter. The County subsequently completed all monthly reconciliations for fiscal year 2018 prior to the completion of the financial statement audit.

Context:

Bank reconciliations should be performed monthly to compare bank balances to balances in the general ledger accounts. This is done to ensure accuracy and accountability for all transactions.

Effect:

The lack of timely bank reconciliations could cause errors or theft to go undetected for longer periods of time. Accurate records will keep County staff more informed and allow them to make better financial decisions.

Cause:

The County did not perform reconciliations on a timely basis.

Recommendation:

This is a repeat finding from the FY2017 audit.

We recommend the County implement procedures to ensure bank reconciliations are performed timely and on a monthly basis.

View of Responsible Officials and Planned Corrective Action:

See separate corrective action plan.

COUNTY OF YOLO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2018

II. FINANCIAL STATEMENT FINDINGS

FINDING 2018-002

PROPERTY TAX

Criteria or Specific Requirement:

Revenue & Taxation Code Section 51 requires the Assessor to annually enroll either a property's Proposition 13 base year value factored for inflation, or its market value as of January 1 (taking into account any decline in value), whichever is less. Proposition (Prop) 8 reductions in value are temporary reductions which recognize the fact that the current market value of a property has fallen below its current (Prop 13) assessed value. Once a Prop 8 value has been enrolled, a property's value must be reviewed each following January 1 to determine whether its then current market value is less than its Prop 13 factored value. The County Assessor department is responsible for calculating and recording any Prop 8 adjustments that occur during the year.

Condition Found:

Significant Deficiency – We noted the County does not have a formal documented review process for Prop 8 adjustments. Values are determined by the County Assessor's staff, entered on an excel workbook, and then placed in a centralized file depository. All files in this depository are then reviewed during compilation by the Assistant Chief Assessor into one large excel file and then sent for upload by the Property Tax Software vendor. However, there is no clear documentation of any review performed prior to sending to the Property Tax vendor or subsequent review after upload to ensure the information that is uploaded is complete and accurate. It was noted that the County developed corrective action procedures to correct this deficiency for the subsequent fiscal year.

Context:

The Prop 8 adjustment process is a significant process performed by the County's Assessor department.

Effect:

The County uses an excel workbook to track Prop 8 adjustments, and there is lack of documented formal review of the changes made to property accounts. Errors or unauthorized changes would go undetected.

Cause:

The County has not documented formal policies and procedures over the Prop 8 adjustment process.

Recommendation:

This is a repeat finding from the FY2017 audit.

We recommend the County implement policies and procedures that will ensure the Prop 8 adjustments are formally reviewed. Additionally, the excel file used to track the Prop 8 adjustments should be subject to proper segregation of duties, and changes made to the file should be documented with evidence of management approval. We also recommend that the Prop 8 adjustments made to the Property Tax System are verified for completeness and accuracy.

COUNTY OF YOLO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2018

II. FINANCIAL STATEMENT FINDINGS

View of Responsible Officials and Planned Corrective Action:

See separate corrective action plan.

FINDING 2018-003

SEGREGATION OF DUTIES WITHIN THE FINANCIAL SYSTEM

Criteria or Specific Requirement:

Government Auditing Standards note that management is responsible for implementing systems designed to achieve compliance with applicable laws and regulations; and for establishing and maintaining internal control to help ensure that appropriate goals and objectives are met; using resources efficiently, economically, effectively, and equitably, and safeguarding resources; following laws and regulations; and ensuring that management and financial information is reliable and properly reported.

A proper segregation of duties should include different employees performing the initiation, recording, approval of the transactions and custody of assets.

Condition Found:

Significant Deficiency - As a result of our audit procedures, we noted certain areas of the County's financial system (INFOR) where clear segregation of duties do not appear to be in place in order to prevent unauthorized transactions, error or fraud. To maintain proper segregation of duties, no single employee should have complete control over all components of a transaction. Examples of deficiencies within the County's financial system noted during the audit include the following:

Procurement and Disbursements:

- We noted that certain employees have access to the vendor file and the ability to modify vendor information within the financial system without secondary approval. These employees also have the ability to process invoices within the financial system and process vendor checks. Unauthorized payments may go undetected when employees are granted access to the vendor file and invoice/payment processing areas of the financial system.
- Change orders on contracts are required to be approved by the same authority levels as the initial contract. However, we noted that certain employees have the ability to issue and post change orders on existing contracts in the financial system without the required secondary approval. It was noted that the County put corrective action in place subsequent to fiscal year 2018 to correct this deficiency.
- Invoices over \$5,000 require secondary Department of Financial Service (DFS) approval to ensure proper procurement method is in place for the purchase. However, we noted that this approval can be bypassed in the financial system by the employee initiating payment.

Payroll:

- Certain employees can edit pay-rates within the financial system which could potentially go undetected.

COUNTY OF YOLO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

II. FINANCIAL STATEMENT FINDINGS

Context:

Segregation of duties, whether through physical or electronic systems, must be in place to prevent the unauthorized access, approval and use of the County's assets.

Effect:

The County's internal control systems are weakened and proper safeguards are not in place to prevent error or fraud.

Cause:

The County has not implemented policies and procedures to ensure that segregation of duties is maintained within all areas of the financial system.

Recommendation:

This is a repeat finding from the FY2017 audit.

We recommend that the County assess the access levels of employees within the financial system (INFOR) to ensure that proper segregation of duties is maintained in all business areas. A continual process for monitoring segregation of duty risks within the financial system should be implemented and maintained by the County.

View of Responsible Officials and Planned Corrective Action:

See separate corrective action plan.

FINDING 2018-004

TIMECARD APPROVALS

Criteria or Specific Requirement:

Employee hours processed through the payroll system should be approved by an employee's supervisor in a timely manner. The supervisors' certification is the main approval over the payroll time entered. The County's payroll system should maintain support evidencing the supervisor's timely certification of employee time.

Condition Found:

Significant Deficiency - Based on the testing over the payroll process, we noted the following:

- Eight instances of 40 where the selected individual timecard did not have evidence of supervisor approval in the timekeeping system. Of these 8 instances, 6 also did not have evidence of employee approval.
- Two instances of 40 where the individuals' personnel action form did not have evidence of approval by human resources.

COUNTY OF YOLO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

II. FINANCIAL STATEMENT FINDINGS

Context:

The condition noted above was identified during our testing over the approval of payroll time processed through the County's electronic timekeeping system.

Effect:

The County was not able to provide evidence of employee or supervisor certification payroll time processed through the electronic payroll system for the instances noted above. This could lead to errors in employee time reported.

Cause:

The County did not consistently apply procedures to ensure that employee timecards are properly approved by a supervisor for each pay period.

Recommendation:

We recommend that the County strengthen its policies and procedures to ensure that employee timecards are properly approved by a supervisor for each pay period.

View of Responsible Officials and Planned Corrective Action:

See separate corrective action plan.

COUNTY OF YOLO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

FINDING 2018-005

Program: Adoption Assistance
CFDA No.: 93.659
Federal Agency: U.S. Department of Health and Human Services
Passed-through: California Department of Social Services
Award Year: 2017-2018
Compliance Requirement: Eligibility

Criteria:

Per the OMB *Compliance Supplement*, agencies are required to maintain eligibility records, including documents to support the agency's eligibility determination and information about each individual and benefits paid to or on behalf of the individual. In addition, it is required that eligibility determinations and redeterminations, including obtaining any required documentation and verifications, are performed to determine if individuals are eligible in accordance with the compliance requirements of the program.

Condition Found:

Significant Deficiency, Instance of Non-Compliance - As a result of our eligibility testing of 40 Adoption Assistance program case files, we noted the following:

- 2 case files missing the FC8 forms and 2 case files where the FC8 forms were missing required signatures
- 1 case file where AD4320 was not signed prior to adoption decree.
- 1 case file missing the adoption decree to verify adoption date.

Questioned Costs:

There are known questioned costs totaling \$20,502.

Context:

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

Effect:

The lack of audit evidence for eligibility determination or re-determinations could lead to ineligible individuals receiving benefits or inappropriate amounts of benefits being provided.

Cause:

The condition is caused by the County not following its policies and procedures to ensure the eligibility case files contain documentation to support eligibility.

COUNTY OF YOLO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Recommendation:

We recommend that the County strengthen its current policies and procedures with regards to eligibility determination, required documentation, and maintenance of participant files and ensure that such policies and procedures are formally documented. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

COUNTY OF YOLO, CALIFORNIA

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

Summarized below is the current status of corrective action on audit findings reported in the prior year schedule of audit findings and questioned costs.

Finding No.	Program Name/Description	CFDA No.	Compliance Requirement	Status of Corrective Action
2017-001	Timely Bank Reconciliations	N/A	N/A	Not implemented. See finding 2018-001.
2017-002	Property Tax	N/A	N/A	Partially implemented. See finding 2018-002.
2017-003	Segregation of Duties Within The Financial System	N/A	N/A	Not implemented. See finding 2018-003.
2017-004	Medicaid Cluster – Medical Assistance Program, Medicaid Cluster – In-Home Supportive Services (IHSS)	93.778	Eligibility	Implemented.
2017-005	Supplemental Nutrition Assistance Program (SNAP) Cluster	10.561	Special Tests and Provisions – ADP System for SNAP	Implemented.
2017-006	Child Support Enforcement	93.563	Equipment and Real Property Management	Implemented.
2017-007	Medicaid Cluster – Medical Assistance Program, Medicaid Cluster – In-Home Supportive Services (IHSS), Foster Care IV-E	93.778, 93.658	Cash Management	Implemented.

COUNTY OF YOLO, CALIFORNIA

**SUPPLEMENTAL SCHEDULE OF CALIFORNIA DEPARTMENT
OF COMMUNITY SERVICES AND DEVELOPMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Supplemental Statement of Revenue and Expenditures
CSD Contract No. _17F-2052 (CSBG - \$293,147)
For The Period January 1, 2017 through December 31, 2017

	January 1, 2017 through June 30, 2017	July 1, 2017 through December 31, 2017	Total Reported	Total Budget
<u>Revenue</u>				
Grant revenue	\$ 149,561	\$ 143,586	\$ 293,147	\$ 293,147
<u>Expenditures</u>				
Administration:				
Salaries and wages	\$ 4,161	\$ 5,191	\$ 9,352	\$ 9,352
Fringe benefits	2,409	2,911	5,320	5,320
Operating expenses	2,411	-	2,411	2,411
Other costs	1,785	1,132	2,917	2,917
Subtotal Administrative Costs	10,766	9,234	20,000	20,000
Program Costs:				
Salaries and wages	5,856	16,487	22,343	22,343
Fringe benefits	3,645	9,708	13,353	13,353
Operating expenses	-	-	-	-
Equipment	-	-	-	-
Out-of-state travel	-	-	-	-
Subcontractor services	113,879	70,089	183,968	183,968
Other costs	15,414	38,069	53,483	53,483
Subtotal Program Costs	138,794	134,353	273,147	273,147
Total Expenditures	\$ 149,561	\$ 143,586	\$ 293,147	\$ 293,147