

COUNTY OF BUTTE
SINGLE AUDIT REPORT
JUNE 30, 2009

COUNTY OF BUTTE

Single Audit Report
For the Year Ended June 30, 2009

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

To the Board of Supervisors and Grand Jury
County of Butte
Oroville, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Butte, California, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Butte's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Board of Supervisors and Grand Jury
County of Butte

Internal Control Over Financial Reporting (continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Butte's financial statements are free of 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*.

We noted certain matters that we reported to management of the County of Butte in a separate letter dated January 26, 2010.

This report is intended solely for the information and use of management, the Board of Supervisors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California
January 26, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Supervisors and Grand Jury
County of Butte
Oroville, California

Compliance

We have audited the compliance of the County of Butte (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The County of Butte's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Butte's management. Our responsibility is to express an opinion on the County of Butte's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Butte'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. Our audit does not provide a legal determination on the County of Butte's compliance with those requirements.

As described in item 09-SA-1, in the accompanying schedule of findings and questioned costs, the County of Butte did not comply with requirements regarding eligibility that are applicable to its Medical Assistance Program. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Board of Supervisors and Grand Jury
County of Butte

In our opinion, except for the noncompliance described in the preceding paragraph, the County of Butte complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the County of Butte is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 09-SA-1 and 09-SA-2 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the

Board of Supervisors and Grand Jury
County of Butte

accompanying schedule of findings and questioned costs, we consider item 09-SA-1 to be a material weakness.

The County of Butte's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Butte, California, as of and for the year ended June 30, 2009, and have issued our report thereon dated January 26, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Supervisors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Roseville, California
January 26, 2010

COUNTY OF BUTTE

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Agriculture</u>			
Direct Via U.S. Forestry Service:			
Lassen and Plumas Partnership	10.664	--	\$ 18,000
Marijuana Eradication	10.664	--	37,000
Subtotal Direct			<u>55,000</u>
Passed through State Department of Social Services:			
Supplemental Nutrition Assistance Program (SNAP)	10.551	--	31,946,949
EBT Conversion Project - SNAP	10.551	--	2,059
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	--	2,293,542
ISAWS Migration	10.561	0530-205	128,863
Subtotal State Department of Social Services			<u>34,371,413</u>
Passed through State Department of Education:			
National School Lunch Program	10.555	--	143,526
Subtotal State Department of Education			<u>143,526</u>
Passed through State Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children - Vouchers	10.557	--	4,672,964
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	--	1,207,497
Subtotal State Department of Public Health			<u>5,880,461</u>
Passed through State Controller's Office:			
Schools and Roads – Grants to States	10.665	--	391,777
Subtotal State Controller's Office			<u>391,777</u>
Total U.S. Department of Agriculture			<u>\$ 40,842,177</u>
<u>U.S. Department of Commerce, National Telecommunications and Information Agency</u>			
Passed through the State Department of Homeland Security:			
Public Safety Interoperable Communications Grant Program (PSIC)	11.555	--	215,714
Total U.S. Department of Commerce, National Telecommunications and Information Agency			<u>\$ 215,714</u>

* Major Program

COUNTY OF BUTTE

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the State Department of Housing and Community Development:			
Community Development Block Grant/State's Program	14.228 *	05-STBG-1621	\$ 347,124
Community Development Block Grant/State's Program	14.228 *	06-EDBG-2616	647
Community Development Block Grant/State's Program	14.228 *	06-EDBG-2769	273,532
Total U.S. Department of Housing and Urban Development			\$ 621,303
<u>U.S. Department of the Interior</u>			
Direct Program:			
Fish and Wildlife Management Assistance	15.608	--	26,192
Subtotal Direct			26,192
Passed through State Controller's Office:			
Payments in Lieu of Taxes - Bureau of Land Management Entitlement	15.226	--	68,098
Subtotal State Controller's Office			68,098
Total U.S. Department of the Interior			\$ 94,290
<u>U.S. Department of Justice</u>			
Direct Programs:			
Supervised Visitation, Safe Havens for Children	16.527	--	45,000
State Criminal Alien Assistance Program (SCAAP)	16.606	--	77,388
Local Law Enforcement Block Grants Program/Justice	16.738	2007-DJ-BX-0605	7,867
Subtotal Direct			130,255
Passed through State Emergency Management Agency:			
Drug Control and System Improvement	16.579	DC08110040	170,520
Marijuana Suppression Unit Grant	16.579	MS07170040	4,750
Subtotal CFDA 16.579			175,270

* Major Program

COUNTY OF BUTTE

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Justice</u> (continued)			
Passed through State Emergency Management Agency (continued):			
Crime Victim Assistance - Victim Witness Protection	16.575	VW08270040	\$ 70,990
Subtotal State Emergency Management Agency			246,260
Passed through State Department of Corrections & Rehabilitation:			
Juvenile Accountability Incentive Block Grant	16.523	CSA 106-08	12,650
Subtotal State Department of Corrections and Rehabilitation			12,650
Total U.S. Department of Justice			\$ 389,165
<u>U.S. Department of Transportation</u>			
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205 *	--	5,040,081
State and Community Highway Safety	20.600	--	468,453
Total U.S. Department of Transportation			\$ 5,508,534
<u>U.S. Department of Museum & Library Services</u>			
Passed through California State Library:			
Library Services and Technology Act	45.310	--	7,450
Total Department of Museum & Library Services			\$ 7,450
<u>U.S. Department of Education</u>			
Passed through State Department of Alcohol and Drug Abuse Programs:			
Safe and Drug-Free Schools and Communities National Programs	84.184	--	137,143
Drug-Free Schools and Communities – National Programs	84.186	--	215,795
Total U.S. Department of Education			\$ 352,938

* Major Program

COUNTY OF BUTTE

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through State Department of Social Services:			
Temporary Assistance for Needy Families:			
Temporary Assistance for Needy Families - CalWorks	93.558 *	--	\$ 34,075,585
Temporary Assistance for Needy Families - TANF Incentives	93.558 *	--	19,986
Foster Care – Title IV-E - Child Welfare Services	93.558 *	--	481,546
Subtotal CFDA 93.558			<u>34,577,117</u>
Foster Care – Title IV-E - Child Welfare Services	93.645	--	<u>201,511</u>
Foster Care – Title IV-E:			
Foster Care – Title IV-E - Probation Case			
Management	93.658 *	--	529,396
Foster Care – Title IV-E - Probation Preplacement	93.658 *	--	641,871
Foster Care – Title IV-E - Probation - Eligibility			
Determination	93.658 *	--	30,687
Foster Care – Title IV-E - Probation - Training	93.658 *	--	91,077
Foster Care – Title IV-E - Probation Group Home/ Monthly Visits			
93.658 *	--	41,474	
Foster Care – Title IV-E - Foster Care	93.658 *	--	172,420
Foster Care – Title IV-E - KinGap (4F)	93.658 *	--	
Foster Care – Title IV-E - Child Welfare Services	93.658 *	--	4,110,275
Foster Care – Title IV-E - Foster Care Licensing	93.658 *	--	24,232
Foster Care - AB 2129	93.658 *	--	15,446
Foster Care – Title IV-E - FPSP	93.658 *	--	151,574
Foster Care - Options for Recovery	93.658 *	--	127,084
Foster Care - Monthly Visited Group Homes	93.658 *	--	19,481
Foster Care - Kinship/Emergency	93.658 *	--	7,801
Foster Care – Title IV-E - Foster Care SB 163	93.658 *	--	72,037
ARRA - Foster Care – Title IV-E - Foster Care SB 163	93.658 *	--	7,407
Foster Care – Title IV-E - Foster Care Assistance (42)	93.658 *	--	3,418,412
ARRA - Foster Care – Title IV-E - Foster Care Assistance (42)	93.658 *	--	187,664
Foster Care – Title IV-E - Foster Care EA (5K)	93.658 *	--	99,034
Subtotal CFDA 93.658			<u>9,747,372</u>

* Major Program

COUNTY OF BUTTE

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Health and Human Services</u> (continued)			
Passed through State Department of Social Services (continued):			
Adoption Assistance Program:			
Adoption Assistance Program - Refugee Assistance	93.659 *	--	\$ 2,598
Adoption Assistance Program - Adoptions	93.659 *	--	3,163,416
Adoption Assistance Program - Admin	93.659 *	--	70,245
Adoption Assistance Program - Adoptions - Co.	93.659 *	--	9,970
ARRA - Adoption Assistance Program - Assistance	93.659 *	--	226,679
Subtotal CFDA 93.659			<u>3,472,908</u>
Social Services Block Grants:			
In Home Supportive Services (IHSS) - PSCP - Contracts	93.667 *	--	713,057
In Home Supportive Services (IHSS) - PSCP - Individual Provider	93.667 *	--	13,838,734
ARRA - In Home Supportive Services (IHSS) - PSCP - Contracts	93.667 *	--	41,696
In Home Supportive Services (IHSS) - PSCP - Individual Provider	93.667 *	--	655,625
Foster Care – Title IV-E - Child Welfare Services	93.667 *	--	385,271
Subtotal CFDA 93.667			<u>15,634,383</u>
Independent Living	93.674	--	197,412
Medical Assistance Program (Social Services Admin)	93.778 *	--	4,335,832
Subtotal			<u>4,533,244</u>
Subtotal State Department of Social Services			<u>68,166,535</u>
Passed through the State Department of Child Support Services:			
Child Support Enforcement	93.563 *	--	3,846,864
ARRA - Child Support Enforcement			807,818
Subtotal State Department of Child Support Services			<u>4,654,682</u>
Passed through State Department of Public Health:			
CDC Aids Surveillance	93.944	--	35,652
Maternal and Child Health Services (MCAH)- Title V	93.994	--	78,906
Subtotal CFDA 93.994			<u>114,558</u>
Medical Assistance Program (MCAH)-Title XIX	93.778 *	--	65,348

* Major Program

COUNTY OF BUTTE

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Health and Human Services</u> (continued)			
Passed through State Department of Public Health (continued):			
Medical Assistance Program (LEAD)-Title XIX	93.778 *	--	\$ 40,641
Family Planning Services	93.217	--	167,639
Occupational Health and Surveillance Fatality	93.957	--	20,657
Immunization Grants	93.268	--	277,197
Drug-Free Communities Support Programs Grants (B)	93.276	--	96,582
CDC - Bioterrorism & Pandemic Flu	93.283	--	308,659
HRSA National Bioterrorism Hospital Preparedness	93.889	--	188,620
HRSA Aids Early Intervention Program	93.917	--	220,692
CDC Aids Prevention, Testing and Counseling Programs	93.940	--	106,866
Subtotal State Department of Public Health			<u>1,607,459</u>
Passed through the State Department of Health Care Services:			
CCS ADMIN - Title XXI	93.767	--	81,521
Medical Assistance Program (MH-Medi-Cal Admin)	93.778 *	--	1,789,035
Medical Assistance Program (CHDP) - Title XIX	93.778 *	--	263,825
Medical Assistance Program (HCPCFC)-Title XIX	93.778 *	--	138,674
Medical Assistance Program (CCS)-Title XIX	93.778 *	--	478,848
Subtotal State Department of Health Care Services			<u>2,751,903</u>
Passed through State Department of Mental Health:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	--	69,836
Substance Abuse and Mental Health Services Administration	93.243	--	30,000
Runaway and Homeless Youth (RHYA) Substance Abuse and Mental Health Services Administration (SAMHSA)	93.623	--	174,001
	93.958	--	2,052,796
Subtotal State Department of Mental Health			<u>2,326,633</u>
Passed through State Department of Alcohol and Drug Programs:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	--	636,063
Block Grants for Prevention and Treatment of Substance Abuse - Friday Night Live (FNL)	93.959	--	3,000
Block Grants for Prevention and Treatment of Substance Abuse - Club Live (CL)	93.959	--	3,000

* Major Program

COUNTY OF BUTTE

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Health and Human Services</u> (continued)			
Passed through State Department of Alcohol and Drug Programs:			
Block Grants for Prevention and Treatment of Substance Abuse Previous Set-Aside	93.959	--	\$ 328,767
Block Grants for Prevention and Treatment of Substance Abuse HIV Set-Aside	93.959	--	6,609
Block Grants for Prevention and Treatment of Substance Abuse Perinatal Set-Aside	93.959	--	351,568
Block Grants for Prevention and Treatment	93.959	--	54,824
Subtotal State Department of Alcohol and Drug Programs			<u>1,383,831</u>
Total U.S. Department of Health and Human Services			<u>\$ 80,891,043</u>
<u>U.S. Social Security Administration</u>			
Direct Program:			
Social Security Reporting Program	96.002	--	<u>54,550</u>
Total U.S. Social Security Administration			<u>54,550</u>
<u>U.S. Department of Homeland Security</u>			
Passed through State Office of Homeland Security:			
State Homeland Security Program (SHSP) (2007)	97.073	--	30,965
State Homeland Security Program (SHSP) (2008)	97.073	--	<u>276,694</u>
Subtotal CFDA 97.073			307,659
Fire Management Assistance Grant	97.046	--	<u>275,652</u>
Subtotal State Department of Homeland Security			<u>583,311</u>
Passed through State Emergency Management Agency:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	--	<u>1,468,331</u>
Subtotal State Emergency Management Agency			<u>1,468,331</u>
Total U.S. Department of Homeland Security			<u>\$ 2,051,642</u>
Total Expenditures of Federal Awards			<u>\$ 131,028,806</u>

COUNTY OF BUTTE

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>Beginning Federal Loan Balances With a Continuing Compliance Requirement</u>			
<u>U.S. Department of Housing and Urban Development</u>			
Passed through State Department of Housing and Community Development:			
Community Development Block Grants/States Program	14.228 *	--	\$ 1,707,859
Total Expenditures of Federal Awards Including Loans			<u>\$ 132,736,665</u>

* Major Program

COUNTY OF BUTTE

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

Note 1: **Reporting Entity**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the County of Butte. The County of Butte's reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

Note 2: **Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County and is presented on accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 3: **Relationship to Financial Statements**

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's financial statements. Federal award revenues are reported principally in the County's financial statements as intergovernmental revenues in the General and Special Revenue funds.

Note 4: **Subrecipients**

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

Federal CFDA #	Program	Amount
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	\$ 24,177
14.228	Community Development Block Grant	<u>355,979</u>
	Total	<u>\$ 380,156</u>

COUNTY OF BUTTE

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Note 5: **Loans with Continuing Compliance Requirement**

Outstanding federally-funded program loans, with a continuing compliance requirement, carried balances as of June 30, 2009 as follows:

Federal CFDA#	Program Title	<u>Amount Outstanding</u>	
		<u>July 1, 2008</u>	<u>June 30, 2009</u>
14.228	Community Development Block	\$ 1,707,859	\$ 1,688,636

Note 6: **Program Clusters**

Federal programs, which must be audited together as a program cluster, include the following:

Federal CFDA #	Program Title	Federal Expenditures
<u>Food Stamp Cluster:</u>		
10.551	Food Stamps	\$ 31,949,008
10.561	State Administrative Matching Grants for Food Stamp Program	<u>2,422,405</u>
	Total	<u>\$ 34,371,413</u>

Note 7: **Pass-Through Entities' Identifying Number**

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the County 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.

COUNTY OF BUTTE

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Note 8: **Total Federal Awards Expended by CFDA Number**

When there is more than one program under a single CFDA number, the Schedule of Expenditures of Federal Awards presents totals of all programs under the one CFDA number. Occasionally, however, this total may not be conveniently displayed because all programs under one CFDA number are not contiguous. When this occurs, this total is not shown in the Schedule, but instead is provided below:

<u>CFDA No.</u>	<u>Total Federal Expenditures</u>
93.778	\$ 7,112,203

COUNTY OF BUTTE

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

Section 1

Financial Statements

Summary of Auditor's Results

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency identified not considered to be material weaknesses? | None Reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|-------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiency identified not considered to be material weaknesses? | Yes |
| 2. Type of auditor's report issued on compliance for major programs: | |
| Medical Assistance program | Qualified |
| All Other Major Programs | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | Yes |

4. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.228	Community Services Block Grant/State's Program
20.205	Highway Planning and Construction
93.563	Child Support Enforcement
93.558	Temporary Assistance for Needy Families
93.667	In Home Supportive Services
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance Program
93.778	Medical Assistance Program

COUNTY OF BUTTE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Section 1 (continued)

- | | |
|---|--------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$ 3,000,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No |

Section 2

Financial Statement Findings

None Reported

Section 3

Federal Award Findings and Questioned Costs

CFDA 93.778	Finding 09-SA-1
CFDA 93.558	Finding 09-SA-2

COUNTY OF BUTTE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Finding/Program	Findings/Noncompliance
Finding 09-SA-1 Medical Assistance Program CFDA 93.778 Award No. n/a Year: 2008-09	<p><i>Federal Grantor:</i> U.S. Department of Health and Human Services</p> <p><i>Pass-Through Entity:</i> State Department of Social Services</p> <p><i>Compliance Requirement:</i> Eligibility</p> <p><i>Reporting Requirement:</i> Material Weakness; Material Non-Compliance at the major program level</p> <p>We tested eligibility in twenty-nine Medi-Cal cases and noted the following exceptions:</p> <p><u>Criteria and Condition</u></p> <p><i>IEVS:</i> As required by 42 United States Code § 1320b-7, information from the Income Eligibility and Verification System (IEVS) database must be requested and used when making eligibility determinations on cases under this program. Further, the County is required to review and compare the information obtained from IEVS against information contained in the case record to determine whether it affects the individual's eligibility or share of cost. Internal controls require that eligibility workers sign the IEVS form after it is reviewed and used in eligibility determination.</p> <p>We noted that three case files did not contain an IEVS for one assisted member of the family.</p> <p><i>Annual Redeterminations</i> Every twelve months the County must redetermine the eligibility of Medi-Cal recipients with respect to circumstances that may change (e.g., income eligibility). There must be procedures designed to ensure that recipients make timely and accurate reports of any changes in circumstances that may affect their eligibility. The State must promptly redetermine eligibility when it receives information about changes in a recipient's circumstances that may affect his or her eligibility. 42 CFR 435.916.</p> <p>Of twenty-nine cases tested, the required yearly redetermination had not been performed in six cases.</p>

COUNTY OF BUTTE

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

<u>Finding/Program</u>	<u>Findings/Noncompliance</u>
Finding 09-SA-1 CFDA 93.778 (continued)	<p><u>Questioned Costs</u></p> <p>The state handles the actual medical benefits and the County has no access to this information. Because the medical benefits would be the source of any questioned costs, we are not in a position to question costs.</p> <p><u>Perspective</u></p> <p>For IEVS, we computed the error rate at 9.6%. For redeterminations, we computed the error rate at 20.7%. The County has experienced increased caseloads without additional staffing. As a result the County has decided that new cases will be given priority and annual redeterminations will be performed as time allows.</p> <p><u>Effect of Condition</u></p> <p>The effect of the exceptions enumerated above is that clients could receive medical care under this program, to which they are not entitled.</p> <p><u>Recommendation</u></p> <p>We recommend that the Department review the facts regarding these exceptions and determine whether procedures might be implemented to prevent recurrence of these errors. If further internal controls can be implemented, we recommend that they be implemented.</p> <p><u>Corrective Action Plan</u></p> <p>The Department agrees with the findings and has implemented some and begun preparation to implement the following:</p> <ul style="list-style-type: none">• Written refresher training materials were provided to all staff via our Intranet.• Beginning in June 2010, Butte County will go live on the C-IV system. With this system, IEVS reports will become an automated function and will download directly into the client's case.• Supervisors will check each new case and recertification for the appropriate documentation.

COUNTY OF BUTTE

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

<u>Finding/Program</u>	<u>Findings/Noncompliance</u>
Finding 09-SA-1 CFDA 93.778 (continued)	<u>Corrective Action Plan</u> (continued) <ul style="list-style-type: none">• Butte County will be hiring 21 new Eligibility Specialists (ES) within the next 2 months. By August of 2010, these new ESs will be fully trained and will have a full workload. This will significantly decrease the number of cases per caseload allowing the workers to focus on timely Reinvestigations. <p>The above described plan is effective immediately. The contact person for this project is Cristi Roach. Her telephone number is [530-879-3530].</p>
Finding 09-SA-2 Temporary Assistance for Needy Families CFDA 93.558 Award No. Year: 2008-2009	<i>Federal Grantor: U.S. Department of Health and Human Services</i> <i>Pass-Through Entity: State Department of Social Services</i> <i>Compliance Requirement: Eligibility</i> <i>Reporting Requirement: Significant Deficiency</i> We tested eligibility in twenty-nine TANF cases and noted the following exceptions: <u>Criteria and Condition</u> <i>IEVS:</i> As required by Section 1137 of the Social Security Act, benefit information from the Income Eligibility and Verification System (IEVS) database must be requested and used when making eligibility determinations. The County must review and compare the information obtained from IEVS against information contained in the case record to determine whether it affects the individual's eligibility, level of assistance, benefits or services. We noted one case file, which did not contain an IEVS for one assisted member of a family. In two other cases the IEVS was not signed by the eligibility worker. <i>Birth Certificate or Alternate proof of age and citizenship:</i> The California Department of Social Services Manual of Policies and Procedures requires that an individual applying for TANF provide a birth certificate or other enumerated, alternate documents to show birth, age, and citizenship.

COUNTY OF BUTTE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Finding/Program	Findings/Noncompliance
Finding 09-SA-2 CFDA 93.558 (continued)	<p data-bbox="518 394 959 426"><u>Criteria and Condition</u> (continued)</p> <p data-bbox="518 468 1455 569">In two cases, the file did not contain a birth certificate or other enumerated, alternate documents to show birth, age, and citizenship for one member of the family receiving TANF benefits.</p> <p data-bbox="518 611 743 642"><u>Questioned Costs</u></p> <p data-bbox="518 684 1455 785">Despite the exceptions noted above, no client involved was shown to be ineligible for the benefits they received. Therefore, we do not question costs.</p> <p data-bbox="518 827 667 858"><u>Perspective</u></p> <p data-bbox="518 900 1455 1001">For birth certificates or allowable alternates, we computed the error rate at 2%. For missing IEVS, we computed the error rate at 1%. For unsigned IEVS, we computed the error rate at 6.9%.</p> <p data-bbox="518 1043 768 1075"><u>Effect of Condition</u></p> <p data-bbox="518 1117 1455 1178">The effect of the exceptions enumerated above is that clients might receive benefits to which they are not entitled.</p> <p data-bbox="518 1220 743 1251"><u>Recommendation</u></p> <p data-bbox="518 1293 1455 1436">We recommend that the Department review the facts regarding these exceptions and determine whether procedures might be implemented to prevent recurrence of such errors. If further internal controls can be implemented, we recommend that they be implemented.</p> <p data-bbox="518 1478 813 1509"><u>Corrective Action Plan</u></p> <p data-bbox="518 1551 1455 1612">The Department agrees with the findings and has implemented some and begun preparation to implement the following:</p> <ul data-bbox="570 1623 1455 1894" style="list-style-type: none"><li data-bbox="570 1623 1455 1684">• Written refresher training materials on citizenship and birth certificates are available to all staff via our Intranet.<li data-bbox="570 1694 1455 1755">• Supervisors will check each new case and recertification for the appropriate birth or citizenship documentation.<li data-bbox="570 1766 1455 1894">• Beginning in June 2010, Butte County will go live on the C-IV system. With this system, IEVS reports will become an automated function and will download directly into the client's case.

COUNTY OF BUTTE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

<u>Finding/Program</u>	<u>Findings/Noncompliance</u>
Finding 09-SA-2 CFDA 93.558 (continued)	<u>Corrective Action Plan</u> (continued) The above described plan is effective immediately. The contact person for this project is Ken Mackell. His telephone number is [530-879-3528].

COUNTY OF BUTTE

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings	
Finding 08-SA-1	<i>Federal Grantor:</i>	<i>U.S. Department of Housing and Urban Development</i>
Community Development Block Grant/States Program CFDA 14.228	<i>Pass-Through Entity:</i>	<i>State Department of Housing and Community Development</i>
	<i>Compliance Requirement:</i>	<i>Subrecipient Monitoring</i>
	<i>Reporting Requirement:</i>	<i>Material Weakness; Material Noncompliance at Compliance Requirement Level</i>
Award Nos. Various Year: 2007-2008	<u>Recommendation</u>	
	We recommend that the County develop a subrecipient monitoring plan. Some of the steps in the monitoring process include:	
	<ul style="list-style-type: none"> • Develop a monitoring plan at the beginning of each program year in order to match available resources with the needs and capacity of funded subrecipients. • Standardize monitoring procedures - to ensure consistency and thoroughness in monitoring reviews, grantees should use standardized monitoring checklists or guidebooks. Monitoring procedures should also specify the steps to be followed for monitoring visits. 	
	<u>Status</u>	
	Implemented.	
Finding 08-SA-2	<i>Federal Grantor:</i>	<i>U.S. Department of Housing and Urban Development</i>
Community Development Block Grant/States Program CFDA 14.228	<i>Pass-Through Entity:</i>	<i>State Department of Housing and Community Development</i>
	<i>Compliance Requirement:</i>	<i>Reporting</i>
	<i>Reporting Requirement:</i>	<i>Material Weakness</i>
Award Nos. Various Year: 2007-2008	<u>Recommendation</u>	
	We recommend that the County carefully review backup information for accrued expenditures, which are reported in the semi-annual FARs before including such expenditures in the FAR.	

COUNTY OF BUTTE

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
Finding 08-SA-2 CFDA 14.228 (continued)	<u>Status</u> Implemented.
Finding 08-SA-3 In Home Supportive Services CFDA 93.667	<i>Federal Grantor: U.S. Department of Health and Human Services</i> <i>Pass-Through Entity: State Department of Social Services</i> <i>Compliance Requirement: Allowable Costs</i> <i>Reporting Requirement: Significant Deficiency</i>
Award No. N/A Year: 2007-2008	<u>Recommendation</u> We recommend that the County determine whether or not any improvement in the County's internal control system might correct the delay in updating IHSS timesheets with the correct number of hours authorized before the timesheets are mailed by the state to the caregivers. If this attempt to correct the problem is not successful, we recommend that the social worker make additional efforts to notify the caregiver of the revised hours. If the client has memory difficulties, making a short phone call to the caregiver would likely remedy the problem. <u>Status</u> Implemented.

COUNTY OF BUTTE

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
Finding 08-SA-4 Medical Assistance Program CFDA 93.778 Award No. N/A Year: 2007-2008	<i>Federal Grantor: U.S. Department of Health and Human Services</i> <i>Pass-Through Entity: State Department of Social Services</i> <i>Compliance Requirement: Eligibility</i> <i>Reporting Requirement: Material Weakness; Material Noncompliance In Relation to a Major Program (07-SA-1, 07-SA-2, 08-SA-5 and 08-SA-6 considered together)</i>

Recommendation

In determining eligibility for the Medical Assistance Program, the County is required to have facts in the case record to support its eligibility determination. The County must use these facts and documents to support the eligibility determination and the Medi-Cal share of cost. Income is an important component in determining eligibility and share of cost in the various Medi-Cal programs. Internal controls require that income be documented in the file and the income information input into SAWs.

We tested twenty-four cases and located two instances where the information in the file did not support the figures as input into SAWs. In the first instance, the client's *net* employment income was input but employment income should be input at *gross*. In the second instance, the employment income of an individual who was living at the client's home but was not receiving Medi-Cal was erroneously input as the client's employment income.

We recommend that the County further train staff on recording employment income information in SAWs.

Status

Implemented.

COUNTY OF BUTTE

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
Finding 08-SA-5 Medical Assistance Program CFDA 93.778 Award No. N/A Year: 2007-2008	<i>Federal Grantor: U.S. Department of Health and Human Services</i> <i>Pass-Through Entity: State Department of Social Services</i> <i>Compliance Requirement: Eligibility</i> <i>Reporting Requirement: Material Weakness; Material Noncompliance In Relation to a Major Program (07-SA-1, 07-SA-2, 08-SA-5 and 08-SA-6 considered together)</i>

Recommendation

In determining eligibility for the Medical Assistance Program, the County is required to have facts in the case record to support its eligibility determination. The County must review documentation supporting these facts in determining eligibility and the Medi-Cal share of cost. Property which is owned by the applicant is critical in determining eligibility. Allowable property varies according to the number of person. Allowable non-exempt property is very limited and generally ranges between \$2,000 - \$4,200.

Current income from a checking or savings account must be removed from the balance to determine the value of property in a bank account. In valuing an automobile, the year the car was last sold (“asterisk year”), which is shown on the car’s title, must be input into the SAWs system because it changes the value of the car.

We tested twenty-four cases and located seven instances where the property documentation in the file did not support the related information input into SAWs. In four instances the current month’s income was not subtracted from the bank account balance. In one instance a bank account was never input. In two instances the asterisk year was input incorrectly into SAWs, causing the vehicle to be under or over valued.

We recommend that the County further train staff on recording bank accounts and vehicles owned by clients in the SAWs system.

Status

Implemented.

COUNTY OF BUTTE

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
Finding 08-SA-6	<i>Federal Grantor:</i> U.S. Department of Health and Human Services <i>Pass-Through Entity:</i> State Department of Social Services <i>Compliance Requirement:</i> Eligibility <i>Reporting Requirement:</i> Significant Deficiency.
Temporary Assistance for Needy Families (TANF) CFDA 93.558	<u>Recommendation</u>
Award No. N/A Year: 2007-2008	<p>The California State Department of Social Services in administrating the California State Plan for Temporary Assistance of Needy Families (TANF) adopted regulations for the administration of the State Plan and published these regulations in the California Department of Social Services Manual of Policies and Procedures. These regulations require that an individual applying for TANF provide a birth certificate or other enumerated, alternate documents to show birth, age, and citizenship.</p> <p>We tested eligibility in twenty-four TANF cases. In two cases the case files did not contain a birth certificate or other enumerated, alternate documents under the California Department of Social Services Manual of Policies and Procedures, to show birth, age, and citizenship for at least one member of the assisted family. In both of these cases a client self certified birth and citizenship, but there were no later attempts to obtain birth certificate or alternate documentation.</p> <p>We recommend that the County further train staff on accepting a self certificate as proof of client's birth, age, and citizenship.</p>
	<u>Status</u>
	Not corrected. This finding is renumbered to Finding 09-SA-02.

COUNTY OF BUTTE

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
Finding 08-SA-7	<i>Federal Grantor: U.S. Department of Health and Human Services</i> <i>Pass-Through Entity: State Department of Social Services</i> <i>Compliance Requirement: Allowable Costs</i> <i>Reporting Requirement: Material Weakness</i>
Temporary Assistance for Needy Families (TANF) CFDA 93.558	<u>Recommendation</u>
Adoption Assistance CFDA 93.659	We recommend that the Department establish an internal control procedure which will ensure that someone who is familiar with the interdepartmental contract, the applicable California Department of Social Services regulations, and OMB A-87, review and approve all interdepartmental contract charges.
Medical Assistance Program CFDA 93.778	<u>Status</u>
Award No. N/A Year: 2007-2008	Implemented.

COUNTY OF BUTTE

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
Finding 07-SA-1	<i>Federal Grantor:</i> U.S. Department of Health and Human Services <i>Pass-Through Entity:</i> State Department of Social Services <i>Compliance Requirement:</i> Eligibility <i>Reporting Requirement:</i> Material Weakness; Material Noncompliance In Relation to a Major Program
Medical Assistance Program CFDA 93.778	
Award No. N/A Original Finding Year: 2006-2007	<u>Recommendation</u> We recommend that the Department review this omission to request, review, and compare the IEVS to information in the case record. We recommend that the Department attempt to determine why the current system of controls failed to prevent these exceptions and that the Department establish and enforce a policy designed to ensure that IEVS information is reviewed and that this review is documented in the case files. <u>Status</u> Not implemented. This finding is renumbered to 09-SA-1.
Finding 07-SA-2	<i>Federal Grantor:</i> U.S. Department of Health and Human Services <i>Pass-Through Entity:</i> State Department of Social Services <i>Compliance Requirement:</i> Eligibility <i>Reporting Requirement:</i> Material Weakness; Material Noncompliance In Relation to a Major Program
Medical Assistance Program CFDA 93.778	
Award No. N/A Original Finding Year: 2006/2007	<u>Recommendation</u> We recommend that a review process be implemented to ensure that the required annual redeterminations for the Medi-Cal Assistance Program are conducted. <u>Status</u> Not implemented.. This finding was renumbered to 09-SA-1.

COUNTY OF BUTTE

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
Finding 06-1 Temporary Assistance for Needy Families CFDA 93.558 Award No. N/A Original Finding Year: 2005-2006	<i>Federal Grantor:</i> U.S. Department of Health and Human Services <i>Pass-Through Entity:</i> State Department of Social Services <i>Compliance Requirement:</i> Eligibility <i>Reporting Requirement:</i> Reportable Condition; Material Noncompliance In Relation to a Compliance Supplement Audit Objective <u>Recommendation</u> We recommend that the Department review the omission to request, review, and compare the IEVS to information in the case record. We recommend that the Department attempt to determine why the current system of controls failed to prevent exceptions and that the Department establish and communicate a policy designed to ensure that IEVS information is reviewed and that this review is documented in each case.
	<u>Status</u> Not implemented. This finding is renumbered to 09-SA-2.
Finding 06-2 Temporary Assistance for Needy Families CFDA 93.558 Award No. N/A Original Finding Year: 2005-2006	<i>Federal Grantor:</i> U.S. Department of Health and Human Services <i>Pass-Through Entity:</i> State Department of Social Services <i>Compliance Requirement:</i> Eligibility <i>Reporting Requirement:</i> Reportable Condition; Material Noncompliance In Relation to a Compliance Supplement Audit Objective <u>Recommendation</u> We recommend that the County review its current system of ensuring that the sixty-month, time-on-aid limit is not exceeded and determine whether or not training, a review process and/or a revision to the system is warranted.
	<u>Status</u> Implemented.