

COUNTY OF BUTTE
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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

Board of Supervisors
County of Butte
Oroville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Butte (the County), as of and for the year ended June 30, 2017, 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 22, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. (2017-001).

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency. (2017-002).

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 are described in the accompanying Schedule of Findings and Questioned Costs. The County’s response was 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 result of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Roseville, California
December 22, 2017



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

Board of Supervisors
County of Butte
Oroville, California

Report on Compliance for Each Major Federal Program

We have audited the County of Butte's (the County) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2017, and have issued our report thereon dated December 22, 2017, that contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the 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 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 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 financial statements or to the 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

Roseville, California
December 22, 2017

COUNTY OF BUTTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Department of Agriculture</u>				
Direct Via U.S. Forestry Service:				
Cooperative Law Enforcement - Lassen US Forest (Plumas)	10.664	16-LE-11051360-006	\$ 6,000	\$ -
Cooperative Law Enforcement - Plumas US Forest (Lassen)	10.664	16-LE-11051360-010	6,000	-
Cooperative Law Enforcement - Marijuana Eradication - Plumas, Tahoe & Lassen National Forests	10.664	16-LE-11051360-010	24,000	-
Passed through California Department of Forestry & Fire Protection:				
Volunteer Fire Assistance Program (VFA)	10.664	7FG15015	19,946	-
Passed through CA Department of Food & Agriculture:				
USFS State & Private Forestry - Broom Eradication	10.664	16-0343-SF	1,843	-
Subtotal CFDA 10.664			<u>57,789</u>	<u>-</u>
Plant and Animal Disease, Pest Control and Animal Care -- Pierce's Disease/Glassy-Winged Sharpshooter (GWSS)	10.025	16-0336-SF 10-8520-1211-CA	55,239	-
Plant and Animal Disease, Pest Control and Animal Care -- Asian Citrus Psyllid (ACP) & Exotic Pest Detection	10.025	10-8520-1317-CA 10-8520-0934-CA	38,008	-
Subtotal CFDA 10.025			<u>93,247</u>	<u>-</u>
Passed through State Department of Education:				
National School Lunch Program	10.555		60,120	-
Passed through State Department of Social Services:				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program (SNAP ED)	10.561		5,426,425	-
ISAWS/C-IV Conversion	10.561		48,398	-
Passed through CA Department of Public Health:				
Supplemental Nutrition Assistance Program (PH - SNAP Ed)	10.561	13-20489	575,507	302,861
Subtotal SNAP Cluster - CFDA 10.561			<u>6,050,330</u>	<u>302,861</u>
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	14-10223 & 15-10056	1,135,338	3,543
Total U.S. Department of Agriculture			<u>\$ 7,396,824</u>	<u>\$ 306,404</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Program:				
HUD Housing grants	14.267		124,119	-
Development Block Grant/State's Program:				
Community Development Block Grant/State's Program	14.228	10-DRI-6785	74	-
Community Development Block Grant/State's Program	14.228	12-CDBG-8374	80,988	64,625
Community Development Block Grant/State's Program	14.228	14-CDBG-9888	488,540	72,075
Community Development Block Grant/State's Program	14.228	Outstanding Loans	4,874,718	-
Community Development Block Grant Cluster - CFDA 14.228			<u>5,444,320</u>	<u>136,700</u>
Home Investment Partnerships Program - Housing Rehab (HIPP)	14.239	13-HOME-8994	193,244	50,906
Home Investment Partnerships Program	14.239	Outstanding Loans	255,230	-
Subtotal CFDA 14.239			<u>448,474</u>	<u>50,906</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 6,016,913</u>	<u>\$ 187,606</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF BUTTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Department of Justice</u>				
Direct Programs:				
State Criminal Alien Assistance Program (SCAAP)	16.606		\$ 26,328	\$ -
Passed through California Office of Emergency Services:				
Probation Specialized Supervision Program (VAWA)	16.588	PU14 02 0040 PU15 03 0040	102,291	31,929
Passed through California Emergency Management Agency:				
Crime Victim Assistance - Victim Witness Protection (VOCA)	16.575	VW16060040	208,496	-
Passed through State of California Board of State & Community Corrections:				
Edward Byrne Memorial Justice Assistance (JAG - Youthbuild)	16.738	651-16 July 16-Dec 16	20,000	20,000
Edward Byrne Memorial Justice Assistance (JAG - Youthbuild)	16.738	651-16 July 16-Dec 16	210,424	210,424
Edward Byrne Memorial Justice Assistance (JAG - Youthbuild)	16.738	651-17 Jan 17- June 17	28,000	28,000
Edward Byrne Memorial Justice Assistance (JAG - Youthbuild)	16.738	651-17 Jan 17- June 17	483,033	483,033
Subtotal CFDA 16.738			<u>741,457</u>	<u>741,457</u>
Passed through Department of Justice Criminal Division				
Department of Justice DEA grant	16.922	2016-09	49,367	-
Department of Justice DEA grant	16.922	2017-08	4,749	-
Passed through U.S. Marshal's Office:				
Federal Equitable Sharing	16.922	CA004013A/CA0040000	1,016,904	-
Federal Seizure Funds	16.922	CA004013A	201,946	-
Subtotal CFDA 16.922			<u>1,272,966</u>	<u>-</u>
Total U.S. Department of Justice			\$ 2,351,538	\$ 773,386
<u>U.S. Department of Transportation</u>				
Passed through CA State Department of Transportation:				
Highway Bridge Program (HBP)	20.205	5912/BPMP-5912	2,739,237	-
Transportation Enhancement (TE)	20.205	TEA22-14-0001	938,001	-
Highway Safety Improvement Program (HR3)	20.205	HRRRL-5912(099)	673,443	-
Subtotal CFDA 20.205			<u>4,350,681</u>	<u>-</u>
Passed through CA Office of Traffic Safety:				
High Intensity DUI Enforcement	20.608	AL1701	161,484	-
National Priority Safety Programs	20.616	OP1605	109,673	-
Total U.S. Department of Transportation			\$ 4,621,838	\$ -
<u>U.S. Department of Health and Human Services</u>				
Direct Programs:				
Substance Abuse and Mental Health Services Administration (SAMHSA-STOP ACT)	93.243		5,000	-
Substance Abuse and Mental Health Services Drug Free Communities Support Program Grants (SAMHSA -STOP ACT)	93.276		2,000	-
Substance Abuse and Mental Health Services Drug Free Communities Support Program	93.276		109,514	-
Subtotal CFDA 93.276			<u>111,514</u>	<u>-</u>
Passed through Essential Access Health:				
Family Planning Services (TITLE X)	93.217	2900-5320-71209-15 2900-5320-71219-16-17	97,688	-
Passed through National Assn of County and City Health Officials:				
National Assn of County and City Health Officials (NACCHO)	93.103	2016-011205	6,136	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF BUTTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Health and Human Services (continued)				
Passed through California Department of Social Services:				
Temporary Assistance for Needy Families - CalWorks	93.558		\$ 4,162,219	\$ -
Temporary Assistance for Needy Families - CEC Programs Admin CalWorks	93.558		13,185,506	-
Child Welfare Services TANF Admin	93.558		408,086	-
ISAWS/C-IV Conversion	93.558		22,022	-
Foster Care – Title IV-E - Foster Care EA (5K)	93.558		547,272	-
Subtotal CFDA 93.558			18,325,105	-
Foster Care – Title IV-B - Child Welfare Services	93.645		375,568	-
PSSF Admin (Includes PSSF Monthly Caseworker visits)	93.556		216,057	-
Kin-GAP Title IV-E Admin	93.090		24,147	-
Kin-GAP Fed Assistance	93.090		240,999	-
Subtotal CFDA 93.090			265,146	-
OCAP / Community Based Child Abuse Prevention	93.590		30,624	-
Independent Living	93.674		146,854	-
SACWIS (New System Project Intake Module Participation)	93.658		35,170	-
Foster Care & Title IV-E - Administration & Waiver	93.658		496,174	-
Foster Care – Title IV-E - Foster Care	93.658		346,141	-
Foster Care – Title IV-E - Child Welfare Services	93.658		4,510,207	-
Foster Care – Title IV-E - Foster Care Licensing	93.658		15,254	-
Foster Care - AB 2129	93.658		1,080	-
CSEC	93.658		6,351	-
CWS Case Review	93.658		183,883	-
SA/HIV Infant Admin	93.658		144,769	-
Foster Care - Monthly Visited Group Homes	93.658		22,064	-
Foster Care - Kinship/Emergency	93.658		4,995	-
Foster Care – Title IV-E - Foster Care SB 163	93.658		74,116	-
Foster Care – Title IV-E - Foster Care Assistance (42)	93.658		5,132,812	-
Foster Parent Recruitment, Retention and Support Program (FPRRS)	93.658		50,298	-
Child & Family Team	93.658		36,300	-
CWSOIP	93.658		105,087	-
Passed through CA Dept of Public Health:				
Resource Family	93.658		124,052	-
Subtotal CFDA 93.658			11,288,753	-
Passed through California Department of Social Services:				
Adoption Assistance Program - Adoptions	93.659		6,415,157	-
Adoption Assistance Program - Admin	93.659		68,759	-
Adoption Assistance Program - Adoptions - Co.	93.659		723,250	-
Subtotal CFDA 93.659			7,207,166	-
Social Services Block Grants:				
In Home Supportive Services (IHSS) - PSCP - Individual Provider	93.667		925,026	-
Licensing Title XX	93.667		(4,687)	-
Child Welfare Services Title XX Admin	93.667		687,539	-
Foster Care Assistance Title XX	93.667		366,788	-
Subtotal CFDA 93.667			1,974,666	-
Passed through the State Department of Child Support Services:				
Child Support Enforcement	93.563	1604CACSES	4,972,778	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF BUTTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Department of Health and Human Services (continued)</u>				
Passed through CA Dept of Public Health:				
CDC - National Bioterrorism Hospital Preparedness, Public Health Emergency Preparedness (CDC BASE) (HPP PGM) (PHEP EBOLA)	93.074	14-10494 & 15-10348	\$ 405,669	\$ -
TB Real Time Allocation (CDC)	93.116		4,680	-
Immunization Grants (IAP)	93.268	15-10414	64,198	-
MCAH-CA Home Visiting Program	93.505	15-10154	588,897	543,561
HIV Care (HRSA)	93.917	13-20047 & 15-11052	161,858	-
HIV / Aids Surveillance (CDC)	93.944	13-20121	35,226	-
Maternal and Child Health Services (MCAH)- Title V	93.994	201504	144,309	-
Medical Assistance Program (LEAD)-Title XIX	93.778	14-10041	30,425	-
MCAH Title XIX	93.778	201504	6,044	-
Passed through CA Dept of Health Care Services:				
Medical Assistance Program (MH-MEDI-CAL UR/ADMIN)	93.778	12-89356	1,315,005	-
Medical Assistance Program (Social Services Admin)	93.778		6,071,440	-
Medical Assistance Program (CHDP) - TITLE XIX	93.778		170,231	-
Medical Assistance Program (HCPCFC)-TITLE XIX	93.778		153,504	-
Medical Assistance Program (CCS)-TITLE XIX	93.778		421,157	-
Medical Assistance Program (HCPCFC RX Oversight)	93.778		8,630	-
Medical Assistance Program Cost Avoidance Program	93.778		75,301	-
Medical Assistance Program (SUD Admin)	93.778	14-90050	191,638	-
Total Medi-Cal Cluster - CFDA 93.778			<u>8,443,375</u>	<u>-</u>
Projects for Assistance in Transition from Homelessness (PATH)	93.150		86,227	-
CCS Admin - Title XXI	93.767		80,316	-
Block Grants for Community Mental Health Services (SAMHSA)	93.958	3B09SM010005-14S3	570,109	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	14-90050	896,968	-
Block Grants for Prevention and Treatment of Substance Abuse - Friday Night Live (FNL)	93.959	14-90050	6,000	-
Block Grants for Prevention and Treatment of Substance Abuse Previous Set-Aside	93.959	14-90050	644,545	-
Subtotal CFDA 93.959			<u>1,547,513</u>	<u>-</u>
Total U.S. Department of Health and Human Services			\$ 57,155,432	\$ 543,561
<u>Social Security Administration</u>				
Direct Program:				
Social Security Reporting Program	96.002		23,800	-
Total Social Security Administration			\$ 23,800	\$ -
<u>U.S. Department of Homeland Security</u>				
Passed through CA Dept of Parks & Recreation (DBAW):				
Boating Safety Financial Assistance	97.012	C15L0626	38,996	-
Passed through CA Office of Emergency Services:				
Emergency Management Performance Grants (EMPG) (2016)	97.042	2016-0010	171,566	-
State Homeland Security Grant Program (HSGP) (2015)	97.067	2015-078	34,786	-
State Homeland Security Grant Program (HSGP) (2016)	97.067	2016-0102	73,272	-
Subtotal CFDA 97.067			<u>108,058</u>	<u>-</u>
Total U.S. Department of Homeland Security			\$ 318,620	\$ -
Total Expenditures of Federal Awards			\$ 77,884,965	\$ 1,810,957

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF BUTTE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs of the County of Butte for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. 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. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 CATALOG OF FEDERAL DOMESTIC (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2017 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier and the word "unknown" were used.

NOTE 4 INDIRECT COST RATE

The County did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414. Uniform Guidance §200.510(6) requires the County to disclose whether or not it elected to use the 10 percent de minimis cost rate that §200.414(f) allows for nonfederal entities that have never received a negotiated indirect cost rate.

COUNTY OF BUTTE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017

NOTE 5 LOANS WITH CONTINUING COMPLIANCE REQUIREMENTS

Outstanding federally-funded program loans, with a continuing compliance requirement, carried balances as of June 30, 2017 as follows:

Federal CFDA No.	Program Title	SEFA June 30, 2017	FY 16/17 Paydowns	County Balance June 30, 2017
14.228	Community Development Block Grants/ States Program	\$ 4,874,718	\$ 738,449	\$ 4,136,269
14.239	HOME Investment Partnerships Program	\$ 255,230	-	\$ 255,230

NOTE 6 PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

The following schedule presents the amount of outstanding loans of federal funds. The loans were provided by the USDA Rural Housing Service:

Federal CFDA No.	Program Title	Amount Outstanding	
		July 1, 2016	June 30, 2017
10.766	Community Facilities Loans and Grants	\$ 8,583,287	\$ 8,471,287

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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? x yes none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified? yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
20.205	Highway Planning and Construction
93.563	Child Support Enforcement
93.659	Adoption Assistance
10.561	Supplemental Nutrition Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 2,336,549

Auditee qualified as low-risk auditee? x yes no

**COUNTY OF BUTTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings

**Finding 2017-001
Reconciliation of Outside Bank Accounts
Type of Finding: Material Weakness**

Condition

While performing our audit procedures, we noted that the cash with fiscal agent account in the Worker's Compensation Fund was not reconciled at June 30, prior to the year-end close.

Criteria

Cash reconciliations that reconcile from the bank balance to the general ledger balance should be performed for all accounts to check that the recording of transactions is accurate and proper.

Effect

As a result of this condition, an audit adjustment of \$1.7 million, decreasing cash with fiscal agent and increasing claims expense, was made in the Workers' Compensation Internal Service Fund.

Cause

The County did not reconcile the Worker's Compensation bank balance to the general ledger at June 30, 2017.

Recommendation

We recommend that the County perform bank reconciliations for all outside bank accounts on a monthly basis, especially at year-end.

Views of Responsible Officials and Corrective Action

The County agrees with the finding. The County has improved the process to efficiently recognize the expenditures on a monthly basis. The County will reconcile the Workers' Compensation bank balance on a monthly basis.

Contact Information

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COUNTY OF BUTTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Section II – Financial Statement Findings (continued)

Finding 2017-002

Accounts Payable Completeness

Type of Finding: Significant Deficiency

Condition

While performing our audit procedures, we noted two invoices for services performed prior to June 30, 2017, totaling \$310,502 that were not accrued by the County.

Criteria

Under generally accepted accounting principles, expenditures for goods and services should be recorded to the correct period regardless of when the payment is made.

Effect

As a result of this condition, an audit adjustment of \$310,502, increasing accounts payable and expenditures was made in the Behavioral Health Fund.

Cause

The County has a policy not to accrue any invoices received past August 30. The review process is currently a timely, manual process resulting in the oversight of two material expenditures.

Recommendation

We recommend that the County extend its review of significant cash disbursements beyond August 30 to ensure the year-end accounts payable balance is complete.

Views of Responsible Officials and Corrective Action:

The County agrees with the finding. The County will implement the encumbrance reporting system to capture all material invoices for the correct reporting period.

Contact Information

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**COUNTY OF BUTTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).