

Enclosed you will find the results of the desk review of your Fiscal Years 2007 and 2008 OMB Circular A-133 audit reporting packages. The review was conducted by US Department of Agriculture's (USDA) Office of Inspector General's for Audit, which is your Cognizant Agency for Audit.

Information contained in the report will identify any deficiencies noted in the quality of the audit report. This information is provided for your use and information to help ensure that future audits are conducted in accordance with OMB Circular A-133.

If you have any questions, please call Marbie Baugh, National Single Audit Coordinator for USDA at 404-730-3763 or email marbie.baugh@oig.usda.gov.

Thanks,



Marbie Baugh

BOARD OF SUPERVISORS
2008 FEB 26 P 12:55



UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL - AUDIT
Southeast Region - Audit
401 West Peachtree Street NW., Suite 2328
Atlanta, Georgia 30308
TEL: 404-730-3210 FAX: 404-730-3221



FEB 19 2010

Brown Armstrong Accountancy Corporation
ATTN: Mr. Eric Xin, Principal
4200 Truxtun Avenue, Suite 300
Bakersfield, California 93309

Subject: Fiscal Years (FY) 2007 and 2008 - Desk Review of County of Stanislaus

Dear Mr. Xin:

We have completed our desk reviews of the single audit reports performed by Brown Armstrong Accountancy Corporation, which included Federal assistance programs administered by the County of Stanislaus, for the fiscal years ended June 30, 2007, and 2008. We obtained these reports from the Federal Audit Clearinghouse (FAC). The FY 2007 *Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with Office of Management and Budget (OMB) Circular A-133* included qualified opinions for the following Catalog of Federal Domestic Assistance programs: 93.659, 10.551, and 10.561. The FY 2008 *Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with Office of Management and Budget (OMB) Circular A-133* included unqualified opinions for all programs.

Our review was limited to an examination of the audit report. We did not examine the related audit documentation to evaluate the adequacy of the audit work performed. In our opinion, the audit report did not meet the Federal reporting requirements. We noted certain deficiencies identified below along with our recommendation to address each deficiency.

FY 2007

Issue 1: The "Independent Auditor's Report on the Financial Statements" excluded language to indicate that the audit was conducted in accordance with Government Auditing Standards (GAS).

In accordance with GAS Section 5.05, when an audit is performed in accordance with GAS, then the audit report should include language indicating such. The American Institute of Certified Public Accountants' (AICPA) *Audit Guide: Government Auditing Standards and OMB Circular A-133* suggest that auditors use the following language to meet this requirement, "We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement

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audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.”

In discussions with you regarding this exclusion, you stated that the audit was conducted in accordance with GAS, however, the statement was excluded because the PPC example somehow did not have GAS in the audit report sample. Because such language was excluded from the audit report, it does not meet GAS requirements.

Recommendation 1: Please work with the County of Stanislaus, as requested by the County, to revise, reissue, and resubmit the report to FAC.

Issue 2: There was a discrepancy between the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC). On the SF-SAC, CFDA 93.558 was reported twice, once for \$48,048,558 and once for \$1,009,832. Only one of these, the \$1,009,832, was marked as being audited as a major program. However, SEFA indicated that \$48,048,558 was reported as being audited as major.

In discussions with you, you indicated that \$48,048,558 was audited as major and that the \$1,009,832 was improperly reported as a separate line item for CFDA 93.558. As a result of these reporting errors, the SF-SAC does not accurately report the amounts audited as major programs. Further, it indicates an error in total expenditures for CFDA 93.558.

Recommendation 2: We recommend that you and the auditee submit a revised SF-SAC that accurately reflects the total expenditures for CFDA 93.558 that was audited as a major program.

Issue 3: There was a discrepancy between the dollar amount reported on the SEFA and the SF-SAC for CFDA 93.563. According to the SEFA, expenditures for CFDA 93.563 were \$11,940,237. However, the SF-SAC reported expenditures for the same CFDA totaling \$10,930,405.

In discussion with you regarding this issue, you acknowledged that the SEFA was correct, however, it appears that the SF-SAC for CFDA 93.563 was mistakenly reduced by \$1,009,832, to ensure that SEFA and the SF-SAC balanced (the difference resulting from the \$1,009,832 reported for CFDA 93.558, discussed in item 2 above). As a result of these reporting errors, the SF-SAC does not accurately report the expenditures for the affected programs.

Recommendation 3: We recommend that you and the auditee submit a revised SF-SAC that accurately reflects the expenditures for CFDA 93.563.

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Issue 4: There was a discrepancy between SEFA and the SF-SAC for the program classification, direct or pass-through, for CFDA 10.162, 10.557, and 10.559. On SEFA, these were all reported as pass-through awards. However they were reported as "direct" awards on the SF-SAC.

In our discussions with you, you acknowledged the discrepancy and the need to revise the SF-SAC. By improperly reporting direct awards on the SEFA, there may be a change in the Cognizant agency for audit.

Recommendation 4: We recommend that you and the auditee submit a revised SF-SAC to properly report the expenditures as pass-through funds for CFDA 10.162, 10.557, and 10.559.

Issue 5: Expenditures for CFDA 10.551, 10.561, and 10.555 were improperly reported as "direct" when they should have been reported as pass-through on both the SEFA and SF-SAC. These programs are administered by the State and are pass-through to the county.

In our discussions with you, you acknowledged that these funds were improperly reported as direct and recognized the need to revise the SF-SAC. By improperly reporting these expenditures as direct, the cognizant or oversight agency for audit may be improperly determined.

To assess the effects of improper reporting of direct expenditures, we re-evaluated expenditure classification on the FY 2004 SF-SAC for the County of Stanislaus. We found that errors had also been made in the classification that year for CFDA 10.555 and 10.550. As such the cognizant agency for audit was improperly determined for the County of Stanislaus for FYs 2006 through 2010.

Recommendation 5: We recommend that the auditor and auditee submit a revised SF-SAC and SEFA for FY 2007 to properly classify 10.551, 10.561, and 10.555 as pass-through awards. We also recommend that the auditor and auditee submit a revised SF-SAC for FY 2004 to properly classify 10.550 and 10.555 as pass-through awards.

Issue 6: The corrective action plan did not always identify a completion date and contact person(s) for each finding. *OMB Circular A-133*, Section .315(c) requires that the auditee prepare a corrective action plan at the completion of the audit. The corrective action plan should include the name of the contact person(s) responsible for the corrective action and the anticipated completion date of each corrective action.

We did not identify that the audit reporting package included a separate corrective action plan, instead, the corrective actions were incorporated into the Schedule of Findings and Questioned Costs, but these sometimes lacked the contact person(s) name and the anticipated completion date. Absence of a contact person and/or completion date makes it more difficult to ensure that corrective actions are implemented as planned and in a timely manner.

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Recommendation 6: We are not requiring corrective action at this time. However we do recommend that the auditee include in their future corrective action plans the contact person(s) name and the estimated completion date. We also suggest that the auditors include this document as a separate document in the audit reporting package, as required by *OMB Circular A-133*, Section .320(c)(4). The auditors may then make reference to this plan when providing management's response to the finding, as required by, Section .510(b)(8).

FY 2008

Issue 7: The "Independent Auditor's Report on the Financial Statements" excluded language to indicate that the audit was conducted in accordance with *Government Auditing Standards* (GAS).

In accordance with GAS 5.05, when an audit is performed in accordance with GAS, then the audit report should include language indicating such. The AICPA's *Audit Guide: Government Auditing Standards and OMB Circular A-133 Audits* suggest that auditors use the following language to meet this requirement, "We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States."

In discussions with you regarding this exclusion, you stated that the audit was conducted in accordance with GAS, however, the statement was excluded because the PPC example somehow did not have GAS in the audit report sample. Because such language was excluded from the audit report, it does not meet GAS requirements.

Recommendation 7: Please work with the County of Stanislaus, as requested by the County, to revise, reissue, and resubmit the report to FAC.

Issue 8: Expenditures for CFDA's 10.551, 10.561, 10.555, and 10.576 were improperly reported as "direct" when they should have been reported as pass-through on both SEFA and SF-SAC. These programs are administered by the State and are pass-through to the county.

In our discussions with you, you acknowledged that these funds were improperly reported as direct and recognized the need to revise the SF-SAC. By improperly reporting these expenditures as direct, the cognizant or oversight agency for audit may be improperly determined.

Recommendation 8: We recommend that the auditor and auditee submit a revised SF-SAC and SEFA for FY 2008 to properly classify CFDA's 10.551, 10.561, 10.555, and 10.576 as pass-through awards. (See footnote 1)


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Directions for filing a revised SF-SAC for FY 2007 are available on-line at http://harvester.census.gov/fac/collect/revisions_Main.html. This document provides a link to make revisions to the FY 2008 SF-SAC. If you need additional technical assistance in filing a revised SF-SAC, please email govs.fac@census.gov or call (800) 253-0696.

To ensure that these audits meet the requirements of *OMB Circular A-133*, please work with the County of Stanislaus, as requested by the County, to develop a corrective action plan to address the above recommendations. The County of Stanislaus should submit their corrective action plan within 60 days of the date of this letter to Marbie Baugh, National Single Audit Coordinator for the U.S. Department of Agriculture, 401 W. Peachtree Street NW, Suite 2328, Atlanta, GA 30308 and reference, "FY 2007 and 2008 – Desk Review of the County of Stanislaus."

A copy of this letter is being provided to the audited entity, County of Stanislaus, and to each Federal funding agency whose programs were audited as major to make them aware of our the results of our review. If you have any questions regarding this letter, please contact Marbie Baugh at (404) 730-3763 or via email at marbie.baugh@oig.usda.gov.

Sincerely,



RAYMOND G. POLAND
Regional Inspector General
for Audit

Enclosure

cc: (w/enclosure)

County of Stanislaus, ATTN: Board of Supervisors

Department of Health and Human Services, ATTN: National Single Audit Coordinator

Department of Labor, ATTN: National Single Audit Coordinator

USDA, Food and Nutrition Service, ATTN: Lael Lubing

USDA, Food and Nutrition Service, Western Region, ATTN: Gloria Lim

2007 Federal Funding Agencies	2007 Major Programs	2007 Compliance Opinion	2007 Financial Statement Opinion	2007 Financial Statement Reportable Conditions	2007 Financial Statement Material Weaknesses	2007 Compliance Reportable Conditions	2007 Compliance Material Weaknesses
93 Department of Health and Human Services	10.551	Qualified	Unqualified	N	N	Y	N
97 Department of Homeland Security	10.557	Qualified					
7 Office of National Drug Control Policy	10.561	Qualified					
17 Department of Labor	93.659	Qualified					
20 Department of Transportation	17.253	Unqualified					
66 Environmental Protection Agency	17.258	Unqualified					
90 Denali Commission	17.259	Unqualified					
16 Department of Justice	17.260	Unqualified					
14 Department of Housing and Urban Development	93.558	Unqualified					
10 Department of Agriculture	93.778	Unqualified					
2008 Federal Funding Agencies	2008 Major Programs	2008 Compliance Opinion	2008 Financial Statement Opinion	2008 Financial Statement Significant Deficiencies	2008 Financial Statement Material Weaknesses	2008 Compliance Significant Deficiencies	2008 Compliance Material Weaknesses
93 Department of Health and Human Services	07.xxx	Unqualified	Unqualified	N	N	N	N
97 Department of Homeland Security	10.551	Unqualified					
7 Office of National Drug Control Policy	10.561	Unqualified					
17 Department of Labor	10.557	Unqualified					
20 Department of Transportation	20.205	Unqualified					
66 Environmental Protection Agency	93.558	Unqualified					
16 Department of Justice	93.659	Unqualified					
14 Department of Housing and Urban Development	93.959	Unqualified					
10 Department of Agriculture							