

COUNTY OF KINGS

SINGLE AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2018**

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

To the Board of Supervisors
County of Kings, 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, financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Kings, California (the County), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 21, 2018.

Internal Control over Financial Reporting

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

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

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

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which described in the accompanying schedule of findings and questioned costs as item: 2018-003.

County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned responses. 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 results of that testing, and not to provide an opinion on the effectiveness of the County'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.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California
December 21, 2018



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

To the Board of Supervisors
County of Kings, California

Report on Compliance for Each Major Federal Program

We have audited the County of Kings, California's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2018. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item, 2018-004, that we consider to be a material weakness.

The County's response to the internal control over compliance finding identified in our audit is 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 compliance and, accordingly, we express no opinion on the response.

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 21, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of Report

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.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
March 25, 2019

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

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Supplemental Identifying Number	Pass- Through to Sub- recipients	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed through California Department of Public Health: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	08-85433	\$ -	\$ 1,721,488
Passed through California Department of Social Services: State Administrative Matching Grants for Food Stamp Program-Cal Fresh	10.561	County 16	-	2,345,274
<i>TOTAL U.S. DEPARTMENT OF AGRICULTURE</i>			-	4,066,762
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Direct Programs				
Community Development Block Grants (CDBG)/Entitlement Program	14.218	N/A	-	633,030
HOME Investment Partnerships Program	14.239	N/A	-	446
Housing Opportunities for People with AIDS (HOPWA)	14.241	N/A	-	85,018
<i>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</i>			-	718,494
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct Programs				
DEA - Domestic Cannabis Eradication and Suppression Program	16.111	2018-20	-	21,000
Passed through California Office of Emergency Services (CalOES) Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 606-17	51,571	169,916
Victim Witness Assistance Program	16.575	VW15 32 0160	-	197,406
Total JAG Program Cluster			51,571	367,322
<i>TOTAL U.S. DEPARTMENT OF JUSTICE</i>			51,571	388,322

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

COUNTY OF KINGS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Supplemental Identifying Number	Pass- Through to Sub- recipients	Federal Expenditures
U.S. DEPARTMENT OF LABOR				
Passed through State Department of Employment Development				
Workforce Investment Act - Rapid Response Layoff Aversion	17.258	K7102034	\$ -	\$ 40,065
Workforce Investment Act - Rapid Response	17.258	K7102034	-	141,334
Workforce Investment Act - Rapid Response	17.258	K8106180	-	136,048
Workforce Investment Act - Rapid Response	17.258	K7102034	-	893,479
Workforce Investment Act - Rapid Response	17.258	K7102034	-	54,839
Workforce Investment Act - Adult Program	17.258	K7102034	-	3,000
Workforce Investment Act - Rapid Response Layoff Aversion	17.258	K698364	-	23,456
Subtotal			-	1,292,221
Workforce Investment Act - Youth Program	17.259	K7102034	-	473,269
Workforce Investment Act - Youth Program	17.259	K8106180	-	616,680
Workforce Investment Act - Youth Program	17.259	K698364	-	25,109
Workforce Investment Act - Adult Program	17.259	K7102034	-	791,251
Subtotal			-	1,906,309
Workforce Investment Act - Dislocated Workers Program	17.260	K7102034	-	453,671
Workforce Investment Act - Dislocated Workers Program	17.260	K8106180	-	427,112
Subtotal			-	880,783
Total Workforce Investment Act Program Cluster			-	4,079,313
TOTAL U.S. DEPARTMENT OF LABOR			-	4,079,313

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

COUNTY OF KINGS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Supplemental Identifying Number	Pass- Through to Sub- recipients	Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Direct Program				
Prevention of Elder Abuse, Neglect, and Exploitation - Title VII, Chapter 3	93.041	N/A	\$ 1,642	\$ 1,642
Long Term Care Ombudsman Services for Older Individuals - Title VII, Chapter 2	93.042	N/A	30,897	30,897
Disease Prevention and Health Promotion Services - Title III, Part D	93.043	N/A	7,277	7,277
National Family Caregiver Support - Title III, Part E	93.052	N/A	47,629	47,629
Supportive Services and Senior Centers - Title III, Part B	93.044	N/A	152,782	152,782
Nutrition Services - Title III, Part C	93.045	N/A	90,950	90,950
Total Aging Cluster			243,732	243,732
Center of Disease Control (CDC) - Public Health Emergency Preparedness (PHEP)	93.074	N/A	-	215,953
Center of Disease Control (CDC) - Hospital Preparedness Program (HHP)	93.074	N/A	-	187,875
Guardianship Assistance	93.090	County 16	-	644,304
Immunization Sub-Prevention Grants	93.268	10-95375	-	70,581
Passed through State Department of Social Services				
Tuberculosis Control	93.116	County 16	-	24,786
Promoting Safe and Stable Families	93.556	County 16	-	168,001
Temporary Assistance for Needy Families (TANF) Cluster:				
Temporary Assistance for Needy Families	93.558	County 16	-	16,281,991
Subtotal			-	16,281,991
Child Welfare Services - Title IV-B	93.645	County 16	-	110,682
Foster Care - Title IV-E	93.658	County 16	-	6,991,648
Child Support Enforcement	93.563	County 16	-	2,766,982

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

COUNTY OF KINGS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Supplemental Identifying Number	Pass- Through to Sub- recipients	Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)</u>				
Passed through State Department of Social Services (continued)				
Adoption Assistance	93.659	County 16	\$ -	\$ 2,928,444
Social Services Block Grant - CWS Title XX	93.667	County 16	-	486,170
Independent Living	93.674	County 16	-	41,129
Medical Assistance Program - IHSS Public Authority	93.778	County 16	-	798,196
Medical Assistance Program - Medicaid Funding - Title XIX	93.778	County 16	-	7,185,428
Subtotal			-	7,983,624
Health Resources & Services Admin. - Ryan White Part B	93.917	County 16	-	98,188
Maternal & Child Health - Title XIX	93.778	County 16	-	119,962
Maternal & Child Health - Title V	93.994	County 16	-	106,732
Whole Person Care Grant	93.969	County 16	-	206,411
Preventative Health Services Block Grant (CHDP)	93.991	County 16	-	161,404
Preventative Health Services Block Grant (HCPCFC)	93.991	County 16	-	185,899
Subtotal			-	347,303
Passed through State Department of Health Care Services				
Medical Assistance Program - California Childrens Services	93.778	County 16	-	477,574
Passed through State Department of Mental Health Services				
Projects for Assistance in Transition from Homelessness (PATH)	93.150	N/A	41,047	41,047
Block Grants for Community Mental Health Services (SAMHSA)	93.958	N/A	312,452	312,452
Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	93.959	N/A	867,366	867,366
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,552,042	41,810,382

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

**COUNTY OF KINGS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Supplemental Identifying Number	Pass- Through to Sub- recipients	Federal Expenditures
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Passed through California Office of Emergency Services (CalOES)				
Emergency Management Performance Grants (EMPG)	97.042	EMW-2015-EP-00049	\$ -	\$ 155,398
State Homeland Security Program (SHSP)	97.067	EMW-2015-SS-00078	-	133,586
<i>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</i>			-	288,984
<i>TOTAL EXPENDITURES OF FEDERAL AWARDS</i>			\$ 1,603,613	\$ 51,352,257

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

COUNTY OF KINGS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents all the activity of all the federal award programs of the County of Kings (the County) for the year ended June 30, 2018. The County reporting entity is defined in Note 1 to the County's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING & PRESENTATION

Consistent with the County's method of filing federal financial reports, the accompanying Schedule of Expenditures of Federal Awards is prepared using the accrual basis method of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S., *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic 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.

NOTE 3 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related periodic federal financial reports.

NOTE 4 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)

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

NOTE 5 – PASS-THROUGH ENTITY IDENTIFYING NUMBERS

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

NOTE 6 – INDIRECT COST RATE LIMITATION

The County does not use the 10 percent de minimis indirect cost rate.

**COUNTY OF KINGS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes _____ None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness identified? X Yes _____ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to federal awards? _____ Yes X No

Type of auditors’ report issued on compliance for major Federal programs: Unmodified

Identification of major programs:

<u>CFDA Number:</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants (CDBG)/Entitlement Program
93.558	Temporary Assistance for Needy Families (TANF) Cluster
93.667	Social Services Block Grant – CWS Title XX
93.778	Medical Assistance Program – Medicaid Funding – Title XIX

Dollar threshold used to distinguish Between Type A and Type B programs: \$1,540,568

Auditee qualified as a low-risk auditee? X Yes _____ No

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

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2018-001 – Significant Deficiency
Procurement Card

Condition:

Per testing performed over the County's procurement card employee activity, we noted that of the 10 selected for testing, 5 included charges for capital assets, office supplies, and small equipment.

Criteria:

Per the County purchasing policy, procurement cards shall not be used for any personal property items such as; office supplies or equipment, repair parts, capital assets, cash advances, personal or professional services, foreign country purchases, or items under a contract.

Cause:

It appears as if both employees utilizing the procurement cards and those supervisors approving the charges are not adequately trained in what is permissible by the County's procurement policy.

Effect:

There is potential that the County could incur charges that they would be responsible for that would not be for County use if adequate review and approvals aren't performed thoroughly.

Recommendation:

We recommend that the County retrain the employees with a procurement card and their supervisors and/or approving official to ensure that everyone is aware of the County's policy. Furthermore, the County should consider amending their policy to allow the purchase of these small items if they feel it necessary to meet the County's needs.

Management Response:

County management agrees with the recommendation that departments and their employees must follow Board approved policies. The Department of Finance and the Administrative Office will work with the Purchasing Department to review and revise the current policy if indicated and ensure employees are aware of purchasing card procedures.

Finding 2018-002 – Significant Deficiency
Contract Management

Condition:

Per testing performed over the County's contract compliance, we noted that of the 10 contracts selected for testing, 5 of the contracts exceeded the contract and Board of Supervisors approved annual limits.

Criteria:

Per the County's policy, amounts are allowed to exceed the approved amounts given they receive authorization from the Board of Supervisors via a change order for any additional charges.

Cause:

The County lacks adequate internal controls over contract management to ensure that contract limits are not exceeded.

Effect:

The County could be overcharged for products and services that were previously agreed to between the County and vendors.

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

Recommendation:

We recommend that the County implement controls to ensure that annual amounts do not exceed contract limits. This could include a monthly review of all contracts and vendor totals to identify any contracts that may be reaching the limit so that contract change orders may be performed and the Board of Supervisors can give authorization for any contract overages.

Management Response:

County Management agrees that Board approved contracts should not exceed the amounts approved by the Board of Supervisors. The County is in the process of implementing a new accounting system which we believe will provide more automated system controls over contracts and other County expenditures. In the meantime, we will discuss the finding with County department heads and investigate procedures for additional monitoring to ensure better controls over contract payments.

Finding 2018-003 – Significant Deficiency

Time Study Processing

Condition:

While performing testing on the quarterly County's Expense Claim (CEC) for the Human Services Agency, we noted that one (4th Quarter) of the two quarters selected for testing was not properly supported by underlying documentation. This resulted in the hours submitted and reflected on the County's DFA 453 form not matching the actual hours generated by the County's time studies.

Criteria:

The California Department of Social Services is responsible for the administration and monitoring of California's welfare programs. CDSS requires that the County of Kings complete and submit a County Expense Claim (CEC) quarterly that correctly reflects the County's activity during that quarter. Included as part of the CEC is the completion of quarterly time studies, which serve as the most common method for allocating most of the costs within the CEC to meet the federal and state requirements of equitable distribution of costs among programs.

Cause:

Per discussion with management, after the time study was completed for the 4th quarter, program and fiscal staff determined that a significant improvement could be made to increase the accuracy of the time study and to change the drawdown of state and federal funds. After a review of program code descriptions and activities, an estimated hour shift between the codes was projected and staff began working on time study revisions. However, prior to the completion of the revised time studies, the CEC was submitted with the estimated hours.

Effect:

The County is out of compliance with reporting guidelines which require the County to accurately report hours worked on each program based on the actual hours tracked during the time study period. This could result in repayments of federal and state funds and possible reductions in future allocations.

Recommendation:

We recommend that the County not submit the CEC report until all amounts reported are adequately supported to avoid the submission based on estimated figures and ensure the submitted CEC claim is adequately supported in accordance with the California Department of Social Services.

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

Management Response:

The County understands the importance of complying with all requirements of the California Department of Social Services and any applicable Federal requirements. Human Services Agency found that the agency's process of time study reporting and collection of data during FY 17-18 was too paper intensive, time consuming and error prone. To improve this process, the Agency implemented Time Study Buddy software (utilized by 26 other Social Services Agencies in California). Staff time study is now electronic and software included a suite of management and fiscal reporting tools. This included all reports required for submission of the County Expense Claim, which will address the issue of adequate support documentation for the submission of the claim. We will establish an internal review process that will compare any variations in time studies between the FoxPro system (CEC filing) and the time study buddy reports; the results will be discussed with Human Services Management.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Reference: 2018-004

Type of Finding: Material Weakness

Category of Finding: Reporting

Federal Program Title(s) & CFDA Number(s): 93.558 – Temporary Assistance for Needy Families (TANF) Cluster; 93.667 – Social Services Block Grant – CWS Title XX; 93.778 – Medical Assistance Program – Medicaid Funding – Title XIX

Federal Agency: United States Department of Health and Human Services

Passed-Through: State of California - Department of Social Services

Award Number: County 16

Award Year: Fiscal Year 2017/18

Criteria:

As required by 2 CFR section 200.303, non-federal entities must: establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Furthermore, 2 CFR section 200.430(i), requires that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

Condition:

During our review of the quarterly time studies of the County's Human Services Agency, we noted that the amounts used on the 4th Quarter County Expense Claim, was not properly supported by underlying documentation. This resulted in the hours submitted and reflected on the County's DFA 453 form not matching the actual hours generated by the County's time studies.

Cause:

Per discussion with management, after the time study was completed for the 4th quarter, program and fiscal staff determined that improvements could be made to increase the accuracy of the time study and to properly report the drawdown of state and federal funds. After a review of program code descriptions and activities, an estimated hour shift between the codes was projected and staff began working on time study revisions. However, prior to the proper completion of the revised time studies, the CEC was submitted with estimated hours.

Effect:

The County is out of compliance with reporting guidelines which require the County to accurately report hours worked on each program based on the actual hours tracked during the time study period. This could result in repayments of federal and state funds and possible reductions in future allocations.

Questioned Costs:

Unknown

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

Recommendations:

We recommend that the County not submit the CEC report until all amounts reported are adequately supported, reviewed, and approved to avoid the submission based on estimated figures and ensure the submitted CEC claim is adequately supported in accordance with the California Department of Social Services

Views of Responsible Officials and Planned Corrective Actions:

The County understands the importance of complying with all requirements of the California Department of Social Services and any applicable Federal requirements. Human Services Agency found that the agency's process of time study reporting and collection of data during FY 17-18 was too paper intensive, time consuming and error prone. To improve this process, the Agency implemented Time Study Buddy software (utilized by 26 other Social Services Agencies in California). Staff time study is now electronic and software included a suite of management and fiscal reporting tools. This included all reports required for submission of the County Expense Claim, which will address the issue of adequate support documentation for the submission of the claim. We will establish an internal review process that will compare any variations in time studies between the FoxPro system (CEC filing) and the time study buddy reports; the results will be discussed with Human Services Management.

**COUNTY OF KINGS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no prior year financial statement findings reported in accordance with *Government Auditing Standards*.

SECTION III – FEDERAL AWARD FINDINGS

There are no prior year financial statement findings to be reported in accordance with the Uniform Guidance.