

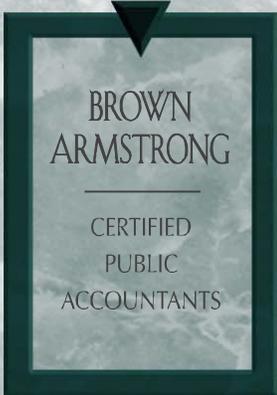
**COUNTY OF KINGS**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**COUNTY OF KINGS  
JUNE 30, 2012**

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## REPORTS



# BROWN ARMSTRONG

*Certified Public Accountants*

## **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**

The Board of Supervisors  
County of Kings  
Hanford, California

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We have audited the financial statements of the governmental activities, 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, 2012, which collectively comprise the County’s basic financial statements and have issued our report thereon dated March 25, 2013. 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

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County’s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, 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.



REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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*.

This report is intended solely for the information and use of management, the Board of Supervisors, management of the County, 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.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
March 25, 2013

BROWN  
ARMSTRONG

CERTIFIED  
PUBLIC  
ACCOUNTANTS

# BROWN ARMSTRONG

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Supervisors  
County of Kings  
Hanford, California

### **MAIN OFFICE**

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### Compliance

We have audited the compliance of the County of Kings, California (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 could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County'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'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 of the County's compliance with those requirements.

In our opinion, the County, complied, in all material respects, with the 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, 2012.

### Internal Control over Compliance

Management of the County 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 the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.



REGISTERED with the Public Company  
Accounting Oversight Board and  
MEMBER of the American Institute of  
Certified Public Accountants

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.

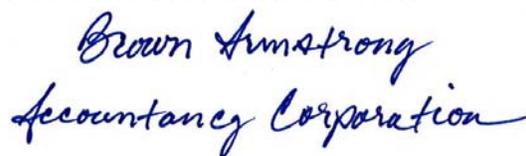
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did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

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2012, and have issued our report thereon dated March 25, 2013, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Board of Supervisors, management of the County, 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. However, this report is a matter of public record and its distribution is not limited

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style.

Bakersfield, California  
March 25, 2013

## **FINANCIAL STATEMENTS**

**COUNTY OF KINGS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Supplemental Identifying Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed through California Department of Social Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	08-85433	\$ 1,864,180
State Administrative Matching Grants for Food Stamp Program-Cal Fresh	10.561	County 16	1,389,656
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>3,253,836</b>
<b><u>U.S. DEPARTMENT OF ENERGY</u></b>			
Passed through California Energy Commission:			
Energy Efficiency Conservation Block Grant (EECBG)	81.128	150-2009-002	175,983
<b>TOTAL U.S. DEPARTMENT OF ENERGY</b>			<b>175,983</b>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
Direct Programs:			
Community Development Block Grants (CDBG)/Entitlement Program	14.218	N/A	58,441
CDBG/State's Program - Neighborhood Stabilization Program	14.228	N/A	77,165
HOME Investment Partnerships Program	14.239	N/A	32,174
Housing Opportunities for People with AIDS (HOPWA)	14.241	N/A	73,923
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b>241,703</b>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
JAG Program Cluster:			
Direct Programs:			
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.804	* 2011-DJ-BX-0924	15,087
Passed through Office of California Emergency Management Agency (CalEMA):			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	* DC11220160	48,527
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.804	* ZP09010160	133,878
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.804	* ZP09010160	208,252
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.804	* 031-00000	66,936
Subtotal			409,066
Total JAG Program Cluster			472,680
Direct Programs:			
State Criminal Alien Assistance Program	16.606	2011-AP-BX-0629	59,619
COPS Technology Grant 2010	16.710	2010CKWX0109	144,769
COPS Technology Grant 2009	16.710	2009CKWX0123	7,054
Subtotal			151,823
Passed through Office of California Emergency Management Agency (CalEMA):			
ARRA - State Victim Witness Assistance Program	16.801	VS09010160	184,383
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<b>868,505</b>

(Continued)

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF KINGS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Supplemental Identifying Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF LABOR</u></b>			
Passed through State Department of Employment Development:			
Workforce Investment Act - Adult Program	17.258	K282477	753,000
Workforce Investment Act - Rapid Response	17.258	K282477	112,234
Workforce Investment Act - Adult Program	17.258	K178662	307,329
Workforce Investment Act - Rapid Response	17.258	K178662	<u>189,297</u>
Subtotal			<u>1,361,860</u>
Workforce Investment Act - Youth Program	17.259	K178662	21,635
Workforce Investment Act - Youth Program	17.259	K178662	20,124
Workforce Investment Act - Youth Program	17.259	K282477	413,704
Workforce Investment Act - Youth Program	17.259	K282477	<u>264,192</u>
Subtotal			<u>719,655</u>
Workforce Investment Act - Dislocated Workers Program	17.278	K282477	330,636
Workforce Investment Act - Dislocated Workers Program	17.278	K178662	<u>204,549</u>
Subtotal			<u>535,185</u>
Subtotal Workforce Investment Act Program Cluster			<u>2,616,700</u>
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>			<u><b>2,616,700</b></u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Direct Program:			
Center of Disease Control (CDC) - Public Health Emergency Preparedness (PHEP)	93.069	N/A	<u>162,736</u>
Family Planning Services	93.217	3480039	<u>122,691</u>
Immunization Sub-Prevention Grants	93.268	10-95375	<u>58,013</u>
Passed through State Department of Social Services:			
Promoting Safe and Stable Families	93.556	County 16	<u>133,867</u>
Temporary Assistance for Needy Families (TANF)	93.558 *	County 16	16,271,960
Temporary Assistance for Needy Families (TANF)	93.558 *	County 16	<u>292,012</u>
Subtotal			<u>16,563,972</u>
Child Welfare Services - Title IV-B	93.645	County 16	<u>121,587</u>
Foster Care - Title IV-E	93.658	County 16	<u>3,506,160</u>
Child Support Enforcement	93.563	County 16	<u>3,889,522</u>
Adoption Assistance	93.659	County 16	<u>1,353,939</u>
Social Services Block Grant - CWS Title XX	93.667	County 16	<u>1,184,817</u>
Independent Living	93.674	County 16	<u>48,143</u>

(Continued)

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF KINGS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Supplemental Identifying Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u></b>			
Passed through State Department of Social Services: (Continued)			
Medical Assistance Program	93.778	* County 16	158,250
Medical Assistance Program	93.778	* County 16	111,914
Medical Assistance Program	93.778	* County 16	1,569
Medical Assistance Program	93.778	* County 16	<u>3,664,773</u>
Subtotal			<u>3,936,506</u>
Center of Disease Control (CDC) - Hospital Preparedness Program (HHP)	93.889	County 16	<u>56,111</u>
Health Resources and Services Admin. - Ryan White Part B	93.917	County 16	<u>70,141</u>
Preventative Health Services - EPIC	93.977	County 16	<u>26,371</u>
Maternal and Child Health	93.994	County 16	<u>175,097</u>
Preventative Health Services Block Grant (CHDP)	93.991	County 16	217,606
Preventative Health Services Block Grant (HCPCFC)	93.991	County 16	<u>58,842</u>
Subtotal			<u>276,448</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b><u>31,686,121</u></b>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
Direct Program:			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2010-FH-00061	<u>220,859</u>
Passed through State of California Emergency Management Agency (CalEMA):			
State Homeland Security Program (SHSP)	97.067	County 16	<u>499,204</u>
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<b><u>720,063</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 39,562,911</u></b>

\* Major Programs

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF KINGS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1 – GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all of the Federal awards programs of the County of Kings, California (the County), for the year ended June 30, 2012. 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 this schedule.

**NOTE 2 – BASIS OF ACCOUNTING**

Consistent with the County's method of filing Federal financial reports, the accompanying Schedule of Expenditures of Federal Awards is presented using the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget (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 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 – PASS-THROUGH ENTITY IDENTIFYING NUMBERS**

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 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.

## **FINDINGS AND QUESTIONED COSTS**

**COUNTY OF KINGS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2012**

**1. Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? \_\_\_ Yes X No
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_ Yes X No
- Noncompliance material to financial statements noted? \_\_\_ Yes X No

*Federal Awards*

Internal control over major federal programs:

- Material weakness identified? \_\_\_ Yes X No
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_ Yes X No
- Noncompliance material to federal awards? \_\_\_ Yes X No

Type of auditor's report issued on compliance for major Federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)? \_\_\_ Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
16.738, 16.804 93.778 93.558	JAG Program Cluster, Including ARRA Grants Medical Assistance Program Temporary Assistance for Needy Families

The threshold for distinguishing type A and B programs was \$1,186,887.

Auditee was determined to be a low risk auditee? \_\_\_ Yes X No

**COUNTY OF KINGS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2012**

**2. Findings Relating to Financial Statements Required Under Government Auditing Standards**

Our audit disclosed no current year findings required to be reported in accordance with *Government Auditing Standards*.

**3. Findings and Questioned Costs for Federal Awards**

Our audit disclosed no current year findings or questioned costs required to be reported in accordance with Section .510(a) of OMB Circular A-133.

**4. Status of Prior Year Findings and Recommendations**

**2011-1 – General Ledger, Fund Balances, and Financial Statement Schedules**

Criteria:

In accordance with *Government Auditing Standards*, a governmental accounting system must make it possible to present fairly and with full disclosure the financial position and results of financial operations of the fund and account groups of the governmental unit in conformity with accounting principles generally accepted in the United States of America. Management is responsible for establishing and maintaining internal controls that allow for the fair presentation of financial position and results of financial operations.

Condition:

During our audit, we encountered significant difficulties tracing financial statement balances to the original book of entry and substantiating the year-end balances.

Cause:

The County of Kings (the County) performs the day-to-day operations and records transactions in the general ledger; however, when preparing financial statements, the unadjusted balances are exported from the County's general ledger to a software used to re-code accounts for financial statement presentation purposes and several templates and excel spreadsheets are prepared to generate financial statement schedules.

Effect:

Numerous journal entries were posted to the financial statement software and each material entry had to be analyzed individually. We found the resulting schedules and reports, which are the basis for financial statement presentation, to be complex and difficult to audit. In addition, prior year adjusting journal entries are not posted to the original book of entry. Therefore, the County general ledger is perpetually different from the financial statements. We are aware that the County is in the process of utilizing a new accounting software that should improve and facilitate the tracing to the general ledger, posting of journal entries, and the preparation of the financial statements.

Recommendation:

We recommend the recording of journal entries in the accounting software to facilitate the preparation of the financial statements. The County should continue to improve and implement monthly and year-end procedures to further close the gap between the general ledger and the financial statements, and to have all adjustments, both closing and audit adjustments, reflected in the accounting system.

**COUNTY OF KINGS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2012**

Management Response/Corrective Action Plan:

Management agrees with this finding. We will review our journal entries in order to determine how we can improve our monthly and year-end procedures.

Current Year Status:

Implemented.

**2011-2 – Fiduciary Funds**

Criteria:

In accordance with *Government Auditing Standards*, a governmental accounting system must make it possible to present fairly and with full disclosure the financial position and results of financial operations of the fund and account groups of the governmental unit in conformity with accounting principles generally accepted in the United States of America. Management is responsible for establishing and maintaining internal controls that allow for the fair presentation of financial position and results of financial operations.

Condition:

- The County initially records deferred revenue in the respective governmental fund and during the year transfers the amounts via adjusting journal entries to internal agency funds to keep track of deferred revenue on a cash basis. However, the amounts transferred are not coded to “due to others” or another similar account to keep track of these amounts. Instead, these amounts are coded to fund balance and, at the end of the year, the amounts remaining are moved to the correct governmental fund and recorded as deferred revenue.
- Various non-fiduciary activities are recorded in fiduciary funds and at year-end are adjusted out of the fiduciary funds and recorded in the proper funds.

Cause:

The County does not have adequate procedures for recording, reporting, and reconciling the fiduciary funds throughout the year.

Effect:

As fiduciary funds are only adjusted at year-end, it is difficult to identify which activity in certain funds need adjustment. This has led to significant material misstatements in the fiduciary funds, governmental funds, and proprietary funds, which required adjustment in subsequent years via prior period adjustments.

Recommendation:

- The County should revisit its method of tracking deferred revenue in the fiduciary funds. If the County’s method to track deferred revenue is via internal agency funds, the initial recording of these amounts should occur in these internal agency funds rather than in the governmental funds. In addition, tracking deferred revenue in agency funds should include coding the balances to accounts such as “due to other agency” rather than fund balance. The County’s current method increases the likelihood of recording/reporting deferred revenue in the incorrect fund and results in difficulties in identifying to which fund the deferred revenue should be reported.
- We recommend the County review its policies and procedures and fund definitions and purposes. All non-fiduciary activity that is now being recorded in fiduciary funds should be recorded in the correct fund when the activity takes place rather than making year-end adjustments. It is difficult to identify all non-fiduciary activity for an entire year and to determine in which fund it should be reported. In addition, transferring the non-fiduciary activities at year-end involves extensive analysis and increases the risk that not all activity is identified and reported in the correct fund. This results in misstating net income in the governmental and proprietary funds in addition to misstating the balances in the fiduciary funds.

**COUNTY OF KINGS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2012**

Management Response/Corrective Action Plan:

Management agrees with this finding. As this procedure is related to the budget process, we will work with our administrative office to improve this area.

Current Year Status:

Implemented.

**2011-3 – Closing Process/Adjusting Journal Entries**

Criteria:

In accordance with *Government Auditing Standards*, a governmental accounting system must make it possible to present fairly and with full disclosure the financial position and results of financial operations of the fund and account groups of the governmental unit in conformity with accounting principles generally accepted in the United States of America. Management is responsible for establishing and maintaining internal controls that allow for the fair presentation of financial position and results of financial operations.

Condition:

We have noted through our audit process that the County encounters difficulties in closing the books and in preparation of the financial statements and annual reports.

Cause:

The County primarily relies on one to two individuals to complete the extensive process, which includes numerous adjusting entries, which included in a prior year over 200 adjusting entries for the financial statements, conversion, and fiduciary balances to be correct. Entries not only include conversion of the cash basis general ledger to accrual and financial statement presentation, but also includes several entries including but not limited to reversing advances, reclass of asset balances, removal and reconciliation of transfers and corresponding expenses and revenues, correction of expenses, and recording of debt service expenses and interest expense.

Effect:

As noted in current and prior year findings, the County goes through an extensive process to convert the general ledger into financial statement presentation. The process takes the County an extensive amount of time, which greatly delays the audit process and completion of the County's Annual Financial Report.

Recommendation:

- We recommend that the County increase training and delegate closing responsibilities and account balances to more than one individual to assist in speeding up the closing process.
- We recommend that the County also increase training for accounting staff and/or implement new review procedures over account balances to decrease the amount of reconciliation and correction of errors needed at year-end to prepare County accounts for financial statement presentation.

Management Response/Corrective Action Plan:

Management agrees with this finding. Our ability to add additional staff is limited due to budget restraints. The auditor's function has a staff of six employees to process and reconcile accounting transactions. The finance department requested two additional staff for the auditor's function, administration has recommended one. In addition, training in financial statement preparation has been provided to staff this fiscal year and more is scheduled for September. Additional training on our new financial statement preparation software will also take place this fiscal year. We have prepared a financial statement preparation schedule for our June 30, 2012, financial statements and will meet weekly to discuss items of concern, progress and provide education.

Current Year Status:

Implemented.

**COUNTY OF KINGS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2012**

**2011-4 – Report Submission**

Criteria:

OMB Circular A-133 requires that the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's reports, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Condition:

The County did not submit the Single Audit report and data collection form within nine months of its fiscal year-end.

Cause:

There was a significant delay in financial reporting. The annual required audit was not completed until July 2012.

Effect:

The County's Single Audit report was not issued within nine months of its fiscal year-end and did not meet the established filing requirements under OMB Circular A-133.

Questioned Cost:

None.

Recommendation:

We recommend that the County work to ensure prompt release of the County financial statements along with the Single Audit report and data collection form in order to be in compliance with OMB Circular A-133.

Management Response/Corrective Action Plan:

Management agrees with this finding. We will be adding an additional staff member to assist in this area, we have prepared a schedule for our June 30, 2012, financial statements and will meet weekly to stay on track for the December issuance of financial statements and the March issuance of the Single Audit.

Current Year Status:

Implemented.

**2011-5 – Schedule of Expenditures of Federal Awards**

Criteria:

OMB Circular A-133 requires that recipients of federal awards must prepare a Schedule of Expenditures of Federal Awards for the period covered by the recipient's financial statements and provide total Federal awards expended for each individual federal program.

Condition:

During our audit procedures, it was noted that the County does not actively seek out all Federal grants of the County and ensure that the Schedule of Expenditures of Federal Awards is complete and accurate.

Cause:

The County lacks an appropriate internal control reconciling process to ensure the Schedule of Expenditures of Federal Awards is complete and accurate for each reporting period.

**COUNTY OF KINGS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2012**

Effect:

Prior to the completion of our audit procedures, the County's Schedule of Expenditures of Federal Awards was incomplete and not accurate for the current reporting period.

Questioned Cost:

None.

Recommendation:

We recommend that the County create and implement a process that includes the participation of all County departments to ensure that the Schedule of Expenditures of Federal Awards is complete and accurately reports all Federal awards awarded, administered, and expended by the County for the current reporting period.

Management Response/Corrective Action Plan:

Management agrees with this finding. We have already identified areas requiring improvement and will implement changes for our June 30, 2012, reports. These include: monitoring board agendas for grant requests, periodic meetings with each department to discuss grant funds, and reconciling the Schedule of Expenditures of Federal Awards to our general ledger system.

Current Year Status:

Implemented.