

**COUNTY OF LASSEN
SUSANVILLE, CALIFORNIA**

SINGLE AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2017**

COUNTY OF LASSEN
SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2017

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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

To the Board of Supervisors
of the County of Lassen
Susanville, 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 Lassen (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 February 14, 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 County'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 were not 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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency, which is identified as 2017-001.

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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 Responses to Findings

The County of Lassen's response to the finding identified in our audit is described in the Corrective Action Plan following the 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 them.

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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Price Page & Company

Clovis, California
February 14, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Supervisors
of the County of Lassen
Susanville, California

Report on Compliance for Each Major Federal Program

We have audited the County of Lassen, 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, 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 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 of Lassen, California, 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.

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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 of Lassen, California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise County's basic financial statements. We issued our report thereon dated February 14, 2018, which contained unmodified opinions on those financial statements. The accompanying Schedule of Expenditures of Federal Awards and supplemental Schedule of the California Emergency Management Agency Grant Expenditures are presented for purposes of additional analysis as required by the Uniform Guidance and the California Emergency Management Agency, and are 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 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 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 and supplemental Schedule of the California Emergency Management Agency Grant Expenditures are fairly stated in all material respects in relation to the basic financial statements as a whole.

Price Pange & Company

Clovis, California
February 14, 2018

COUNTY OF LASSEN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract/ Pass-Through Entity Identifying Number	Federal Expenditures 2017
U.S. Department of Agriculture			
Passed through the State Controller's Office:			
Schools and Roads Cluster:			
Schools and Roads - Grants to Counties (Title I)	10.666	N/A	\$ 135,467
Schools and Roads - Grants to Counties (Title III)	10.666	N/A	<u>127,494</u>
Total U.S. Department of Agriculture			<u>262,961</u>
U.S. Department of Housing and Urban Development			
Passed through the State Department of Housing and Community Development:			
Community Development Block Grant/State's Program and Non-Entitlement Grants Program Income	14.228	N/A	<u>65,947</u>
Total U.S. Department of Housing and Urban Development			<u>65,947</u>
U.S. Department of the Interior			
Direct Programs:			
Recreation Resource Management	15.225	N/A	20,000
Payment in Lieu of Taxes	15.226	N/A	1,883,126
Distribution of Receipts to State and Local Government	15.227	N/A	10,879
Geothermal Resources	15.434	N/A	<u>480</u>
Total U.S. Department of Interior			<u>1,914,485</u>
U.S. Department of Justice			
Passed through the California Emergency Management Agency:			
Lassen County Victim Witness	16.807	VW16240180	<u>109,403</u>
Direct Programs:			
JAG Program:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC634-15	<u>143,215</u>
Total U.S. Department of Justice			<u>252,618</u>
U.S. Department of Transportation			
Direct Programs:			
Federal Exchange Agreement	20.205	N/A	
Passed through the California Department of Transportation:			
Highway Planning and Construction	20.205	N/A	<u>2,811,496</u>
Total U.S. Department of Transportation			<u>2,811,496</u>

See Notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF LASSEN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract/ Pass-Through Entity Identifying Number	Federal Expenditures 2017
U.S. Department of Health and Human Services			
Passed through the State Department of Social Services:			
Promoting Safe and Stable Families	93.556	N/A	13,974
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	N/A	1,271,011
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A	27,436
Foster Care - Title IV-E	93.658	N/A	527,827
Guardianship Assistance	93.090	N/A	753
Adoption Assistance	93.659	N/A	7,227
Social Services Block Grant	93.667	N/A	35,007
Chafee Foster Care Independence Program	93.674	N/A	41,901
Passed through the Department of Child Support Enforcement:			
Child Support Enforcement	93.563	N/A	576,243
Passed through State Department of Health Care Services:			
Center for Disease Control and Prevention Investigations and Technical Assistance	93.283	N/A	53,897
Medicaid Cluster:			
Medical Assistance Program	93.778	N/A	889,359
Passed through the State Department of Public Health:			
Public Health Emergency Preparedness	93.069	N/A	169,676
Childhood Lead Poisoning Prevention	93.197	N/A	17,550
Immunization Grant	93.268	N/A	41,071
Children's Health Insurance Program	93.767	N/A	126,729
National Bioterrorism Hospital Preparedness Program	93.889	N/A	103,971
HIV Prevention Activities-Health Department Based	93.940	N/A	920
Maternal and Child Health Services Block Grant to the States	93.994	N/A	50,474
Passed through the State Department of Mental Health:			
Block Grants for Community Mental Health Services	93.958	07-771180-0100	187,154
Passed through the State Department of Alcohol and Drug Abuse Programs:			
Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	93.959	N/A	<u>475,004</u>
Total U.S. Department of Health and Human Services			<u>4,617,184</u>
U.S. Department of Homeland Security			
Passed through the California Emergency Management Agency:			
Homeland Security - CalEMA	97.067	CalEMA 035-00000	107,737
Emergency Management Performance Grant (OES)	97.042	CalEMA 035-00000	<u>131,657</u>
Total U.S. Department of Homeland Security			<u>239,394</u>
Total Expenditures of Federal Awards			<u>\$ 10,164,085</u>

See Notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF LASSEN

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

A. Reporting Entity

The financial reporting entity, as defined by the Government Accounting Standards Board ("GASB"), consists of the primary government, which is the County of Lassen, California (the County), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

B. Basis of Accounting

Funds received under the various grant programs have been recorded within various funds of the County. The County utilizes the modified accrual basis of accounting for these funds. The accompanying schedule of expenditures of federal awards (the 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 amounts presented in the Schedule may differ from amounts presented in, or used in, the presentation of County's basic financial statements.

C. Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the County. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other agencies is included in the Schedule. The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the County.

When the County receives federal awards as a sub-recipient, the pass-through agency generally provides the County with a pass-through number that will be referenced on the SEFA. If the pass-through agency does not generate or provide such a number, the County will denote "N/A" on the SEFA in the absence of a pass-through number.

D. Indirect Cost Rate

The County has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

COUNTY OF LASSEN

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

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
Material weaknesses identified? _____ Yes X No
Significant deficiencies 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 programs:
Material weaknesses identified? _____ Yes X No
Significant deficiencies identified that
are not considered to be material weaknesses? _____ Yes X None reported

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

Any audit findings disclosed that are required
to be reported in accordance with 2CFR
section 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A
and Type B programs: \$750,000

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

COUNTY OF LASSEN

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

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2017-001

Incomplete Revenue Recognition and Schedule of Expenditures of Federal Awards (Significant Deficiency)

- Condition: The County did not recognize revenue and a related intergovernmental receivable for grant eligible expenditures accrued at year-end. Additionally, the Schedule of Expenditures of Federal Awards (SEFA) was understated as the expenditures described above were not originally included on this schedule.
- Criteria: A strong system of internal controls and management review should ensure that accurate and complete all financial information is provided to the Finance Department in a timely manner and the correct basis of accounting.
- Cause: The County's Road Department - the recipient of a Federal grant - generates data provided to the Finance Department on the cash basis of accounting. This information is used by the Finance Department to prepare the year end revenue and receivable accrual and the County's SEFA. Accordingly, since the information was provided on the wrong basis of accounting, expenditures that were incurred by the County but not paid until after year-end were omitted from information provided to the Finance Department.
- Effect: Revenue and receivables, as well as the County's SEFA, were understated by \$678,865.
- Recommendation: We recommend that Road Department personnel prepare all year-end grant expenditure reports on a modified accrual basis of accounting and that the Finance Department review the information provided to ensure that it reconciles to the County's general ledger.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reportable.

COUNTY OF LASSEN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENT FINDINGS

None reportable.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reportable.



Memorandum

Diana Wemple
Auditor

Lori Pearce

Assistant Auditor

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To: Price Paige & Company

From: Diana Wemple, Auditor

A handwritten signature in cursive script that reads "Diana Wemple".

Date: 2/12/2018

Re: 2016-17 Financial Statement Finding

Finding 2017-001

The Auditor's office will work with the Road Department financial staff to assure all Federal and State grant expenditures and revenues are reported on a Modified Accrual Basis instead of Cash Basis for the Single Audit Report and are reconciled to the General Ledger.

Process correction will be completed for the 2017-2018 Fiscal Year Audit.

Road Department Contact: Larry Millar, Department Head
Nan Henderson, Auditor Accountant

Auditor Office Contact: Diana Wemple, Auditor

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**SUPPLEMENTARY SCHEDULE OF
GRANT EXPENDITURES**

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COUNTY OF LASSEN

SUMMARY SCHEDULE OF GRANT EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017

Program	Expenditures Claimed		Current Year		
	For the Year Ended	For the Year Ended	Federal Share	State Share	County Share
	June 30, 2016	June 30, 2017			
VW10180180 - Victim Witness Assistance Program					
Personnel services	\$ 88,713	\$ 117,912	\$ 105,738	\$ 12,174	\$ -
Operating expenses	<u>29,181</u>	<u>27,862</u>	<u>3,665</u>	<u>22,118</u>	<u>2,079</u>
Total	<u>\$ 117,894</u>	<u>\$ 145,774</u>	<u>\$ 109,403</u>	<u>\$ 34,292</u>	<u>\$ 2,079</u>

See Notes to the Schedule of Expenditures of Federal Awards.