

**COUNTY OF COLUSA,
CALIFORNIA**



**SINGLE AUDIT ACT
REPORTS AND SCHEDULES
FOR THE YEAR ENDED
JUNE 30, 2008**

COUNTY OF COLUSA, CALIFORNIA
SINGLE AUDIT ACT
FOR THE YEAR ENDED JUNE 30, 2008

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**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 and Grand Jury
County of Colusa
Colusa, California

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 Colusa, California (County), as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 17, 2009. 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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. Significant deficiencies are described in the accompanying Schedule of Findings and Questioned Costs as item numbers 08-FS-01, 08-FS-02 and 08-FS-03.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 08-FS-01 to be a material weakness.

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.

We noted certain other matters that we reported to management of the County in a separate report dated July 17, 2009.

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

To the Board of Supervisors and Grand Jury
County of Colusa
Colusa, California

This report is intended solely for the information and use of management, others within the organization, the Board of Supervisors and Grand Jury, and Federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in cursive script, appearing to read "Smith & Newell", with a small "v" symbol between the two names.

Smith & Newell, CPAs
Yuba City, California
July 17, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Supervisors and Grand Jury
County of Colusa
Colusa, California

Compliance

We have audited the compliance of County of Colusa, California (County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. 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 requirement 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

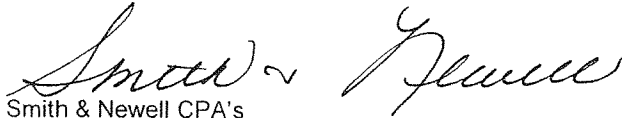
The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

To the Board of Supervisors and Grand Jury
County of Colusa
Colusa, California

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of County of Colusa, California, as of and for the year ended June 30, 2008, and have issued our report thereon dated July 17, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, others within the organization, the Board of Supervisors and Grand Jury, 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.

A handwritten signature in black ink, appearing to read "Smith & Newell", is written over the printed name.

Smith & Newell CPA's
Yuba City, California
July 17, 2009

COUNTY OF COLUSA, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>Federal Program/Pass Through Program Title</u>	<u>CFDA Number</u>	<u>Federal Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Social Services:			
Supplemental Nutrition Assistance Program	10.551	-	\$ 1,493,016
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	-	185,090
Passed through State Controller's Office			
Schools and Roads - Grants to States	10.665	-	110,553
Total U.S. Department of Agriculture			1,788,659
<u>U.S. Department of Defense</u>			
Direct Program:			
Payments to States in Lieu of Real Estate Taxes	12.112	-	79,994
Total U.S. Department of Defense			79,994
<u>Department of Housing and Urban Development</u>			
Direct Program:			
Community Development Block Grants/Technical Assistance Program	14.227	05 PTAA 1437	12,145
HOME Investment Partnerships Program	14.239	05 HOME 1686	153,062
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	04 STBG 1884	638,587
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	05 STBG 1575	210,000
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	-	208,132
Subtotal 14.228			1,056,719
Total Department of Housing and Urban Development			1,221,926
<u>U.S. Department of the Interior</u>			
Direct Program:			
Fish and Wildlife Management Assistance	15.608	-	53,522
Total U.S. Department of the Interior			53,522
<u>U.S. Department of Justice</u>			
Passed through State Office of Emergency Services:			
Crime Victim Assistance	16.575	VW 0712 0060	30,742
Passed through State Office of Criminal Justice Planning:			
Gang Resistance Education and Training	16.737	2006 JV FX 0092	26,673
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC 07 200060	114,617
Total U.S. Department of Justice			172,032

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF COLUSA, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>Federal Program/Pass Through Program Title</u>	<u>CFDA Number</u>	<u>Federal Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation</u>			
Passed through Federal Aviation Administration:			
Airport Improvement Program	20.106	AIP 3-06-0048-09	10,596
Airport Improvement Program	20.106	AIP 3-06-0048-10	575,000
Subtotal 20.106			585,596
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205	BRLS-5915 (037)	14,639
Highway Planning and Construction	20.205	BRLO-5915 (027)	300,918
Highway Planning and Construction	20.205	BRLO-5915 (028)	6,461
Highway Planning and Construction	20.205	BRLO-5915 (043)	250,789
Highway Planning and Construction	20.205	BRLO-5915 (044)	4,523
Highway Planning and Construction	20.205	BRLO-5915 (045)	10,659
Highway Planning and Construction	20.205	BRLO-5915 (048)	24,028
Subtotal 20.205			612,017
Total U.S. Department of Transportation			1,197,613
<u>U.S. Department of Health and Human Services</u>			
Direct Program:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	-	8,785
National Bioterrorism Hospital Preparedness Program	93.889	-	27,910
Passed through State Department of Aging and CSU, Chico			
Research Foundation/Area Agency on Aging:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	IIIB-0212-08	19,618
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	IIIC-1 Congregate Meals	12,445
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	IIIC-2 Home Delivered Meals	33,968
Subtotal 93.045			46,413
Nutrition Services Incentive Program	93.053	IIIC-1 Congregate Meals	1,325
Nutrition Services Incentive Program	93.053	IIIC-2 Home Delivered Meals	5,431
Subtotal 93.053			6,756
Passed through State Department of Social Services:			
Promoting Safe and Stable Families	93.556	-	18,967
Temporary Assistance for Needy Families	93.558	-	1,544,813
Child Support Enforcement	93.563	-	506,874
Child Welfare Services - State Grants	93.645	-	21,475
Foster Care - Title IV-E	93.658	-	988,049
Adoption Assistance	93.659	-	134,059
Social Services Block Grant	93.667	-	52,782
Chafee Foster Care Independence Program	93.674	-	22,359
Passed through State Department of Alcohol and Drug Programs:			
Block Grants for Community Mental Health Services	93.958	SAMSHA	53,280
Block Grants for Prevention and Treatment of Substance Abuse	93.959	SAPT	388,024

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF COLUSA, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>Federal Program/Pass Through Program Title</u>	<u>CFDA Number</u>	<u>Federal Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
<u>Department of Health and Human Services (Continued)</u>			
Passed through State Department of Health Services:			
Maternal and Child Health Services Block Grant to the States	93.994	MCH	80,354
Medical Assistance Program	93.778	Foster Care Health	5,736
Medical Assistance Program	93.778	CHDP	57,542
Medical Assistance Program	93.778	CCS Adm	72,272
Subtotal 93.778			<u>135,550</u>
Passed through State Department of Community Services and Development:			
Community Services Block Grant	93.569	06F-4712	1,932
Community Services Block Grant	93.569	08F-4912	1,253
Subtotal 93.569			<u>3,185</u>
Total Department of Health and Human Services			<u>4,059,253</u>
<u>Department of Homeland Security</u>			
Passed through State Office of Emergency Services:			
Emergency Management Performance Grants	97.042	2007-0006	52,441
Emergency Management Performance Grants	97.042	2008-9	33,192
Subtotal 97.042			<u>85,633</u>
State Homeland Security Program (SHSP)	97.073	2006-0071	63,570
State Homeland Security Program (SHSP)	97.073	FY07 HSGP	2,347
Subtotal 97.073			<u>65,917</u>
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	2006-0071	30,581
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	FY07 HSGP	1,864
Subtotal 97.073			<u>32,445</u>
Total Department of Homeland Security			<u>183,995</u>
Total			<u>\$ 8,756,994</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF COLUSA, CALIFORNIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

1. REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the County of Colusa. The County of Colusa reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County and is presented on accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of 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 financial statements.

3. RELATIONSHIP TO 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, federal award revenues are reported principally in the County's financial statements as inter governmental revenue in the General and Special Revenue Funds.

4. SUBRECIPIENTS

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the County of Colusa provided federal awards to subrecipients as follows:

Federal CFDA	Subrecipient	Amount
14.228	Colusa County Office of Education	\$ 635,592
14.228	Del Norte Clinics	260,038
14.228	Mercy Housing California	9,880
	Total	<u>\$ 905,510</u>

5. PROGRAM CLUSTERS

Federal programs, which must be audited together as a program cluster, include the following:

Federal CFDA	Program Title	Federal Expenditures
	<u>Supplemental Nutrition Assistance Program Cluster</u>	
10.551	Supplemental Nutrition Assistance Program	\$ 1,493,016
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	185,090
	Total	<u>\$ 1,678,106</u>

6. PASS -THROUGH ENTITIES' IDENTIFYING NUMBER

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

COUNTY OF COLUSA, CALIFORNIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

7. DEPARTMENT OF AGING FEDERAL/STATE SHARE

Beginning with the fiscal year ended June 30, 2008, the California Department of Aging (CDA) requires agencies who receive CDA funding to display state-funded expenditures discretely along with federal expenditures. The County expended the following state and federal amounts under these grants:

<u>CFDA</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
93.044	<u>\$ 19,618</u>	<u>\$ -</u>

8. LOANS OUTSTANDING

The programs listed below had the following aggregate, federally funded loans outstanding at June 30, 2008:

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Amount Outstanding</u>
14.228	Community Development Block Grant/State's Program and Non Entitlement Grants in Hawaii	\$ 1,513,185
14.239	HOME Investment Partnerships Program	<u>165,096</u>
	Total Loans Outstanding	<u>\$ 1,678,281</u>

COUNTY OF COLUSA, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Status

- | | |
|--|-------------|
| 1. Type of auditor's report issued | Unqualified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|--|-------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditor's report issued on compliance for major programs: | |
| All major programs | Unqualified |
| 3. Any audit findings disclosed including those that are required to be reported in accordance with OMB Circular A-133 Section 510(a)? | Yes |
| 4. Identification of major programs: | |
| 10.551 Supplemental Nutrition Assistance Program | |
| 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | |
| 14.228 Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii | |
| 20.106 Airport Improvement Program | |
| 93.558 Temporary Assistance for Needy Families | |
| 5. Dollar threshold used to distinguish between Type A and Type B programs? | \$300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No |

II. FINANCIAL STATEMENT FINDINGS

- | | |
|---|----------|
| Financial Reporting: Material Weakness | 08-FS-01 |
| Financial Reporting: Significant Deficiency | 08-FS-02 |
| Financial Reporting: Significant Deficiency | 08-FS-03 |

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

- | | |
|-------------|----------|
| CFDA 93.558 | 08-SA-01 |
|-------------|----------|

COUNTY OF COLUSA, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30 2008

08-FS-01 CLOSURE/POST CLOSURE (Financial Reporting: Material Weakness)

Condition

During our audit we noted the County had recorded adjustments to closure/post closure to correct prior year activity.

Cause

In the process of calculating the current year post closure liability for the Evans Road landfill, the County analyzed expenses from 2001 forward to determine expenses that were incurred for Evans Road post closure activities. This analysis resulted in a prior period adjustment decrease to the Evans Road landfill post closure liability of \$574,973. In addition, the County adjusted the Stonyford landfill closure/post closure liability to include the corrective action costs liability that had not been included in prior years. This resulted in a prior period adjustment increase in the Stonyford landfill closure/post closure liability of \$60,959.

Criteria

Each year the landfill operator is required to increase the closure and post closure liability by the inflation factor supplied by the State.

Effect of Condition

Closure/post closure liability in prior years were misstated and required adjustment.

Recommendation

We recommend that the County thoroughly review the calculation of the closure/post closure liability for both the closed and open landfills to ensure that the liability is correctly calculated and that the inflation factor has been applied to all landfills as required.

Corrective Action Plan

Effective in 2007-08, the annual inflation factor calculation worksheet has been completed for the Stonyford Landfill. In addition, the Stonyford closure/post-closure liability fund is adjusted for the corrective action costs.

The post-closure expenses were re-analyzed from 2001 forward and the proper required liability reductions were posted as of June 30, 2008. The Auditor's Office has requested that the County Public Works Department work with California Regional Water Quality Control Board to determine the correct application of the inflation factor for a closed landfill.

08-FS-02 STATEMENT ON AUDITING STANDARDS NO. 112 (Financial Reporting: Significant Deficiency)

Condition

Currently, the County relies on the external auditors to ensure its financial statements are in accordance with generally accepted accounting principles (GAAP).

Cause

Prior to issuance of SAS 112, the County was able to rely on the external auditors to assist with recording certain financial transactions and with preparation of the financial statements and related notes without being subject to control deficiencies.

COUNTY OF COLUSA, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30 2008

08-FS-02 STATEMENT ON AUDITING STANDARDS NO. 112 (Financial Reporting: Significant Deficiency)
(CONTINUED)

Criteria

In May 2006, a new auditing standard, Statement on Auditing Standards No. 112, Communicating Internal Control Related Matters Identified in an Audit (SAS 112), was issued. The standard provides guidance in that if an entity is unable to draft its own financial statements, there may be a material weakness or significant deficiency. External auditors cannot be part of the County's internal controls, including controls over the preparation of the financial statements, and are prohibited from auditing their own work as doing so impairs their independence.

The County should have the capacity to prepare full disclosure financial statements in accordance with generally accepted accounting principles. To carry out this responsibility, the County must have proper internal controls over financial reporting in place. Proper internal controls over financial reporting include, but are not limited to, internal controls that identify misstatements in the financial records, retaining staff competent in financial reporting and related oversight roles, and adequate design of internal control over the preparation of the financial statements.

Effect of Condition

The risk of misstatement in the financial statements increases when management is not able to apply GAAP in recording the entity's financial transactions or preparing its financial statements, including the related notes. Also, by relying on the external auditors to assist with recording certain financial transactions and to ensure its financial statements are in accordance with GAAP, the County is considering the external auditors a part of its internal controls over the preparation of the financial statements.

Recommendation

The County may consider the following possible actions:

1. Provide training opportunities for its accounting staff that would enable them to become more familiar with generally accepted accounting principles as well as general disclosure requirements. This training should include, but is not limited to, the use of a disclosure checklist, which provides guidance to the financial statement's content and whether a necessary disclosure has been overlooked.
2. Hire an external accountant to consult with for proper transaction recording for unusual transactions and to confirm that the financial statements and related disclosures are in accordance with GAAP.
3. Take no action. The County may find that the costs outweigh the benefits to adhere to this standard. No action will continue to result in a significant deficiency in the County's internal controls.

Corrective Action Plan

The requirements of Statement on Auditing Standards No. 112 are taken very seriously by the County Auditor staff. New legislation, requirements and standards have increased substantially in the past several years. The increased oversight, independence, and reporting requirements have dramatically impacted the functions and work load within the County Auditor's Office. Consequently there is a recognized need for an additional, experienced accountant to assist with all of the new requirements and provisions. With the limited available resources, the Auditor's Office will do their best to maintain services to the County departments and the public, while attempting to comply with all new requirements placed on the accounting industry. The Auditor's Office will concentrate on specialized training for key positions in order to comply with Auditing Standards No. 112 as the budget allows.

08-FS-03 TIMELINESS OF FINANCIAL REPORTING (Financial Reporting: Significant Deficiency)

Condition

We noted that the accounting records of the County were not ready for audit in a timely manner.

COUNTY OF COLUSA, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30 2008

08-FS-03 TIMELINESS OF FINANCIAL REPORTING (Financial Reporting: Significant Deficiency) (CONTINUED)

Cause

One cause may be that too many accounts require analysis and adjustment at year end. If accounts were analyzed and adjusted on a regular basis during the year the workload at year end may be less.

Criteria

Government Accounting Standards require that audited financial statements and the data collection form be submitted within nine months of the year end, or in the case of a June 30, year end, by March 31 of the subsequent year.

Effect of Condition

Unless the accounting records of the County are ready for audit in a timely manner, financial reporting deadlines cannot be met.

Recommendation

We recommend that procedures be reviewed to determine if delegation of account analysis and adjustment or other measures could improve the timeliness of the financial reporting process.

Corrective Action Plan

It is believed that work is delegated appropriately and that the existing Auditor staff is working effectively with the current resources provided. It is also believed the Auditor's Office would benefit with the addition of an experienced accountant, as the work load and governmental reporting requirements have increased substantially in the past several years. However, the audit will be given priority status and we will work diligently to complete the financial reporting and final review process on a timelier basis.

COUNTY OF COLUSA, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30 2008

08-SA-01

Name:	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)
CFDA #:	93.558
Federal Grantor:	U.S. Department of Health and Human Services
Pass Through Entity:	California Department of Social Services
Award No.:	N/A
Year:	2007/2008

Condition

Out of twenty-five cases tested, we noted in two files the IEVS statement was dated more than two years prior and in two files there was no signed IEVS statement.

Perspective

We noted that 4 out of 25 cases tested did not contain the appropriate IEVS statement.

Criteria

As required by Section 1137 of the Social Security Act, benefit information from the Income Eligibility and Verification System (IEVS) database must be requested and used when making eligibility determinations. The County must review and compare the information obtained from IEVS against information contained in the case record to determine whether it affects the individual's eligibility, level of assistance, benefits or services.

Effect of Condition

Clients may receive benefits to which they are not entitled.

Questioned Cost

No costs are questioned.

Recommendation

We recommend that the County determine the reason for the deficiencies noted above and implement proper procedures to strengthen internal controls.

Corrective Action Plan

The County Auditor has discussed the deficiencies with the appropriate Health and Human Services management staff. The three eligibility staff members who now process cash aid cases have received reminder instructions on running Income Eligibility and Verification System (IEVS) at all cash aid intakes. The developed procedures ensure benefit information from the IEVS is used when required for making eligibility determinations.

COUNTY OF COLUSA, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30 2008

<u>Audit Reference</u>	<u>Status of Prior Year Audit Findings</u>
	None