

**COUNTY OF NAPA**  
**SINGLE AUDIT REPORT**  
**YEAR ENDED JUNE 30, 2007**

**PAMELA A. KINDIG**  
**AUDITOR-CONTROLLER**

**COUNTY OF NAPA**

Single Audit Report  
For the Year Ended June 30, 2007

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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***

Board of Supervisors and Grand Jury  
County of Napa  
Napa, 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 Napa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 21, 2007. 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 of Napa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 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 entity'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 entity's financial statements 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 a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Board of Supervisors and Grand Jury  
County of Napa

Internal Control Over Financial Reporting (continued)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Napa'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 have reported to management of the County of Napa in a separate letter dated December 21, 2007.

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

BARTIG, BASLER & RAY, LLP  
A Gallina LLP Company

*Bartig, Basler & Ray, LLP*

Roseville, California  
December 21, 2007

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

Board of Supervisors and Grand Jury  
County of Napa  
Napa, California

Compliance

We have audited the compliance of the County of Napa, 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 are applicable to each of its major federal programs for the year ended June 30, 2007. The County of Napa'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 of Napa's management. Our responsibility is to express an opinion on the County of Napa'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 of Napa'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 on the County of Napa's compliance with those requirements.

In our opinion, the County of Napa 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, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 07-SA-1, 07-SA-2 and 07-SA-3.

Internal Control Over Compliance

The management of the County of Napa is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants

Board of Supervisors and Grand Jury  
County of Napa

Internal Control Over Compliance (continued)

applicable to federal programs. In planning and performing our audit, we considered the County of Napa'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 of Napa's internal control over compliance.

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07 SA-1, 07-SA-2 and 07-SA-3 to be significant deficiencies.

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. We do not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The County's response to the findings identified in our audit is 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.

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 the County as of and for the year ended June 30, 2007, and have issued our report thereon dated December 21, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards

Board of Supervisors and Grand Jury  
County of Napa

Schedule of Expenditures of Federal Awards (continued)

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. The attached Supplementary Schedules of Office of Emergency Services, Department of Corrections and Rehabilitation, and Spousal Abuser Prosecution Program Grant Expenditures have not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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

BARTIG, BASLER & RAY, LLP  
A Gallina LLP Company

*Bartig, Basler & Ray, LLP*

Roseville, California  
December 21, 2007

**COUNTY OF NAPA**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Agriculture</u>			
Direct Programs:			
Wildland Urban Interface Plan	10.664	--	\$ 71,923
Passed through State Department of Social Services:			
State Administrative Matching Grants for Food Stamp Program	10.561 *	--	710,902
Food Stamps	10.551 *	--	3,260,077
Subtotal Pass-Through			<u>3,970,979</u>
Passed through State Department of Education:			
School Breakfast Program	10.553	--	21,813
National School Lunch Program	10.555	--	35,986
Subtotal Pass-Through			<u>57,799</u>
Passed through State Department of Health Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	--	634,721
Total U.S. Department of Agriculture			\$ <u>4,735,422</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through State Department of Health Services:			
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	--	\$ 26,689
Passed through State Department of Housing and Community Development:			
Community Development Block Grant/State's Program:			
Train Grant	14.228	CA01B517004	120,706
Train Grant	14.228	CA01B517002	19,950
Total U.S. Department of Housing and Urban Development			\$ <u>167,345</u>

\* Major Program

**COUNTY OF NAPA**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Justice</u>			
Direct Programs:			
Drug Enforcement Administration	16.000	--	\$ 34,000
State Criminal Alien Assistance Program	16.606	--	432,937
COPS Grant	16.710	--	44,602
Subtotal Direct			<u>511,539</u>
Passed through State Department of Corrections and Rehabilitation:			
Juvenile Accountability Block Grant - Set Aside	16.523	CSA#194-05	167,700
Subtotal Pass-Through			<u>167,700</u>
Total U.S. Department of Justice			<u>\$ 679,239</u>
<u>U.S. Department of Labor</u>			
Direct Programs:			
Project INCLUSION (Year 4)	17.000	--	116,191
Subtotal Direct			<u>116,191</u>
Passed through State Employment Development Department:			
WIA Adult Program:			
WIA - Adult	17.258	--	164,805
WIA - Health Care Initiative Wagner Peyser	17.258	--	62,171
WIA - Adult	17.258	--	13,372
WIA Youth Activities:			
WIA - Youth	17.259	--	191,291
WIA - Youth	17.259	--	5,669
WIA Dislocated Workers:			
WIA - Dislocated Worker	17.260	--	197,953
WIA - Dislocated Worker	17.260	--	10,457
WIA - Rapid Response	17.260	--	8,750
WIA - Rapid Response	17.260	--	120,535
WIA - Other Programs:			
Inclusion	17.000	--	27,779

\* Major Program

**COUNTY OF NAPA**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Labor</u>			
Passed through State Employment Development Department: (continued)			
Regional Incentive Funding	17.000	--	\$ 6,000
Subtotal Pass-Through			<u>808,782</u>
Total U.S. Department of Labor			<u>\$ 924,973</u>
<u>U.S. Department of Transportation</u>			
Direct Program:			
Airport Improvement Program	20.106 *	--	\$ 3,297,005
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205	BRLO 5921 (010)	98,859
Highway Planning and Construction	20.205	STPL 5921 (037)	768,221
Highway Planning and Construction (Wooden Valley Rehab)	20.205	STPL 5921 (036)	20,000
Federal Exchange & State Match Program	20.205	X07-5921(041)	337,648
Subtotal Pass-Through			<u>1,224,728</u>
Total U.S. Department of Transportation			<u>\$ 4,521,733</u>
<u>U.S. National Foundation on the Arts and the Humanities</u>			
Passed through California State Library:			
Public Library Staff Education Program	45.310	40-6631	\$ 8,458
Total U.S. National Foundation on the Arts and the Humanities			<u>\$ 8,458</u>
<u>U.S. Environmental Protection Agency</u>			
Passed through State Water Resources Control Board:			
Local Oversight Program for Leaking USTs	66.804	--	\$ 63,454
Underground Injection Control Program	66.804	EP059000230	35,437
Total U.S. Environmental Protection Agency			<u>\$ 98,891</u>

\* Major Program

**COUNTY OF NAPA**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Education</u>			
Passed through State Department of Alcohol and Drug Programs:			
Safe Schools - Healthy Start	84.184	--	\$ 86,079
Safe and Drug Free Schools Grant	84.186	SDF 03-37	<u>198,394</u>
Total U.S. Department of Education			<u>\$ 284,473</u>
<u>U.S. Election Assistance Commission</u>			
Passed through Secretary of State:			
Help America Vote Act Requirements Payments	90.401	05GR301028	<u>\$ 352,942</u>
Total U.S. Election Assistance Commission			<u>\$ 352,942</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through State Department of Social Services:			
Temporary Assistance for Needy Families:			
Temporary Assistance for Needy Families - Social Services	93.558 *	--	<u>\$ 4,185,014</u>
Foster Care – Title IV-E:			
Foster Care – Title IV-E - Social Services	93.658	--	1,532,523
Foster Care – Title IV-E - Probation	93.658	--	582,954
Subtotal CFDA 93.658			<u>2,115,477</u>
Social Services Block Grant:			
Licensing Title XX	93.667	--	30,693
In-Home Supportive Services (Public Authority)	93.667	--	320,934
Subtotal CFDA 93.667			<u>351,627</u>
Promoting Safe & Stable Families	93.556	--	216,397
Refugee and Entrant Assistance - State Programs	93.566	--	6,586
Community Based Family Resource and Support Grants	93.590	--	13,813
Child Welfare Services – State Grants	93.645	--	30,193

\* Major Program

**COUNTY OF NAPA**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Health and Human Services (continued)</u>			
Passed through State Department of Social Services (continued):			
Adoption Assistance Program	93.659	--	\$ 516,157
Independent Living Program	93.674	--	269,532
Subtotal			<u>1,052,678</u>
Subtotal Pass-Through			<u>7,704,796</u>
Passed through California Department of Child Support Services:			
Child Support Enforcement	93.563 *	--	<u>2,825,071</u>
Passed through State Department of Health Services:			
Medical Assistance Programs:			
Medical Assistance Program - Social Services	93.778	--	2,205,848
Medi-Cal Administrative Activities	93.778	--	335,479
Subtotal CFDA 93.778			<u>2,541,327</u>
Maternal and Child Health Federal Consolidated Programs	93.110	--	73,277
Health Resource Service Administration	93.889	--	77,374
Ryan White CARE	93.917	--	37,844
Preventive Health And Health Services Block Grant	93.991	--	5,564
HIV: Education and Prevention	93.145	--	143,500
Centers For Disease Control: Bioterrorism	93.283	--	144,915
Subtotal Pass-Through			<u>3,023,801</u>
Passed through State Department of Mental Health:			
Substance Abuse and Mental Health Services Administration			
Administration Programs:			
SAMHSA: Block Grant	93.958	--	175,331
SAMHSA: Dual Diagnosis	93.958	--	69,089
Subtotal CFDA 93.958			<u>244,420</u>
Medi-Cal Administrative Activities	93.778	--	167,285
Projects for Assistance in Transition from Homelessness (PATH)	93.150	--	40,041
Subtotal Pass-Through			<u>451,746</u>

\* Major Program

**COUNTY OF NAPA**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Health and Human Services (continued)</u>			
Passed through State Department of Alcohol and Drug Programs:			
Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	93.959	NNA 28	\$ 937,080
Total U.S. Department of Health and Human Services			\$ 14,942,494
<u>U.S. Department of Homeland Security</u>			
Passed through Office of Emergency Services:			
Homeland Security Grant Program	97.067	2004-45	6,034
Homeland Security Grant Program	97.067	2005-15	33,936
Subtotal CFDA 97.067			39,970
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	055-00000	1,678,575
FY06 Emergency Management Preparedness Grant	97.042	EMF-2006-GR-0402	32,508
Subtotal Pass-Through			1,751,053
Total U.S. Department of Homeland Security			\$ 1,751,053
Total Expenditures of Federal Awards			\$ 28,467,023

# COUNTY OF NAPA

## Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2007

Note 1: **Reporting Entity**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the County of Napa. The County of Napa's 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 in the schedule.

Note 2: **Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County and is presented on GAAP. 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.

Note 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 intergovernmental revenues in the General and Special Revenue funds.

Note 4: **Subrecipients**

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

<u>Federal CFDA</u>	<u>Program</u>	<u>Amount</u>
17.000	Workforce Investment Act - Inclusion	\$ 116,191

Note 5: **Loans Outstanding**

No program had any federally-funded loans outstanding at June 30, 2007.

**COUNTY OF NAPA**

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

Note 6: **Program Clusters**

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

<u>Federal</u> <u>CFDA</u>	<u>Program Title</u>	<u>Federal</u> <u>Expenditures</u>
<u>Food Stamp Cluster:</u>		
10.551	Food Stamps	\$ 710,902
10.561	State Administrative Matching Grants for Food Stamp Program	<u>3,260,077</u>
	Total	<u>\$ 3,970,979</u>
<u>Child Nutrition Network:</u>		
10.553	School Breakfast Program	\$ 21,813
10.555	National School Lunch Program	<u>35,986</u>
	Total	<u>\$ 57,799</u>
<u>WIA Cluster</u>		
17.258	WIA – Adult	\$ 164,805
17.258	WIA - Health Care Initiative Non-Wagner Peyser	62,171
17.258	WIA - Adult	13,372
17.259	WIA - Youth	191,291
17.259	WIA - Youth	5,669
17.260	WIA - Dislocated Worker	197,953
17.260	WIA - Dislocated Worker	10,457
17.260	WIA - Rapid Response	8,750
17.000	WIA - Rapid Response	120,535
17.000	Project INCLUSION (Year 4)	116,191
17.000	Inclusion	27,779
17.000	Regional Incentive Funding	<u>6,000</u>
	Total	<u>\$ 924,973</u>

**COUNTY OF NAPA**

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

Note 7: **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.

Note 8: **Total Federal Awards Expended by CFDA Number**

When there is more than one program under a single CFDA number, the Schedule of Expenditures of Federal Awards presents totals of all programs under the one CFDA number. Occasionally, however, this total could not be conveniently displayed because all programs under one CFDA number were not contiguous. When this occurred, this total is not shown in the Schedule, but instead is provided below:

<u>CFDA No.</u>	<u>Total Federal Expenditures</u>
93.778	\$ 2,708,612

**COUNTY OF NAPA**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007

**Section 1**

Financial Statements

Summary of Auditor's Results

- |   |               |
|---|---------------|
| 1. Type of auditor's report issued:   | Unqualified   |
| 2. Internal controls over financial reporting:                                |               |
| a. Material weaknesses identified?  | No            |
| b. Reportable conditions identified not considered to be material weaknesses? | None Reported |
| 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?  | Yes         |
| 2. Type of auditor's report issued on compliance for major programs:  | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | Yes         |
| 4. Identification of major programs:  |             |

CFDA Number

Name of Federal Program

*Food Stamp Cluster:*

- |        |   |
|--------|---|
| 10.551 | Food Stamps   |
| 10.561 | State Administrative Matching Grants for Food Stamp Program |
| 20.106 | Airport Improvement Program                                 |
| 93.558 | Temporary Assistance to Needy Families                      |
| 93.563 | Child Support Enforcement                                   |

**COUNTY OF NAPA**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007

**Section 1** (continued)

Federal Awards (continued)

- |   |            |
|---|------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs?       | \$ 854,011 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | Yes        |

**Section 2**

Financial Statement Findings

None Reported

**Section 3**

Federal Award Findings and Questioned Costs

CFDA 20.106	Finding 07-SA-1
CFDA 93.558	Finding 07-SA-2
CFDA 93.563	Finding 07-SA-3

**COUNTY OF NAPA**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007

Finding/Program	Findings/Noncompliance
<b>Finding 07-SA-1</b>  Airport Improvement Program CFDA 20.106  Award No. n/a Year: 2006-2007	<i>Federal Grantor:</i> U.S. Department of Transportation <i>Pass-Through Entity:</i> None <i>Compliance Requirement:</i> Allowable Activities/Cost Principles <i>Reporting Requirement:</i> Significant Deficiency; Material Non-Compliance in Relation to a Compliance Supplement Audit Objective  <u>Criteria</u>  OMB Circular A-87 defines indirect costs as costs “(a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved” (A-87 Attachment A § (E)(1) and (F)(1)). The term “cost objective” is defined by the Circular as a “function, organizational subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred.” The Circular requires that “All departments or agencies of [a] governmental unit desiring to claim indirect costs under Federal awards must prepare an indirect cost rate proposal and related documentation to support those costs. The proposal and related documentation must be retained for audit in accordance with the records retention requirements contained in the Common Rule” (A-87 Attachment E § (D)(1)(a)). Further, the Circular provides that each indirect cost proposal shall consist of the rates proposed together with supporting worksheets, financial data used in computing the rates, the approximate amount of the total costs used as a base for the indirect cost rate allocation incurred under Federal awards, an organizational chart for the agency, and a signed certification (A-87 Attachment E § (D)(2)).  Federal Aviation Administration’s FAA ORDER 5100.38C regulates the Airport Improvement Program (AIP) provides further guidance on indirect costs for this program:  “b. Indirect Costs. Indirect costs are allowable only if the sponsor has an approved cost allocation plan and, when required, an executed indirect cost rate agreement in accordance with OMB Circular A-87. Advisory Circular 150/5100-10, Accounting Records Guide for Airport Aid Program Sponsors, contains the basic instructions needed by the sponsor to prepare and submit the cost allocation plans and indirect cost rate proposals.”

## COUNTY OF NAPA

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2007

#### Finding/Program

#### Findings/Noncompliance

**Finding 07-SA-1**  
CFDA 20.106  
(continued)

#### Condition

Substantial accounting work for the Airport Improvement Program is performed by the Public Works Department. This accounting work is direct charged to the Airport Improvement Program. However, indirect overhead is also charged to the AIP program for high-level, Public Works' management. Public Works charges an indirect cost rate of 3% of each dollar in expenditures for which the Public Works performs accounting.

We inquired about the documentation to support the allocation of these overhead expenses. We received information which arguably supports the use of the 3% indirect cost rate, A-87 and FAA ORDER 5100.38C, however, such documentation was not certified.

#### Questioned Costs

The range of questioned costs is between zero and \$89,728. We suggest that the federal department work with the County to determine what costs, if any, could be disallowed.

#### Perspective

It appears that the current cost allocation method has been in use and applied consistently by the County for several years.

#### Effect of Condition

Without a formal cost rate proposal on file, indirect costs charged could be disallowed.

#### Recommendation

We recommend that the department develop a formal indirect cost rate proposal in strict compliance with OMB Circular A-87 and maintain it on file for audit.

#### Corrective Action Plan

The Department of Public Works concurs with this finding. We are in the process of formalizing and implementing the indirect overhead

**COUNTY OF NAPA**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007

Finding/Program	Findings/Noncompliance
<b>Finding 07-SA-1</b> CFDA 20.106 (continued)	<p><u>Corrective Action Plan</u> (continued) rate calculation which will be reviewed on an annual basis. The Director of Public Works will certify the indirect cost rate for fiscal year 06/07 and thereafter will annually certify the indirect cost rates in subsequent years.</p> <p>The contact person for this corrective action plan is Kim Henderson. Her telephone number is (707) 259-8382.</p>
<b>Finding 07-SA-2</b>  Temporary Assistance to Needy Families CFDA 93.558  Award No. Year: 2006-2007	<p><i>Federal Grantor:</i> U.S. Department of Health and Human Services</p> <p><i>Pass-Through Entity:</i> State Department of Social Services</p> <p><i>Compliance Requirement:</i> Eligibility</p> <p><i>Reporting Requirement:</i> Significant Deficiency; Material Non-Compliance in Relation to a Compliance Supplement Audit Objective</p> <p>We tested eligibility in twenty-four TANF cases and noted the following exceptions.</p> <p><u>Criteria and Condition</u></p> <p><i>Welfare-to-Work:</i> Each adult receiving Federal assistance (unless the person is exempt by reason of their status or the person is granted an exemption) must participate in the Welfare to Work Program.</p> <p>In one case, Welfare-to-Work activities should have been assigned for the month of July 2006, but they were not.</p> <p><i>Birth Certificate or Alternate proof of age and citizenship:</i></p> <p>The California Department of Social Services Manual of Policies and Procedures requires that an individual applying for TANF provide a birth certificate or other enumerated, alternate documents to show birth, age, and citizenship.</p> <p>In one case, the file did not contain a birth certificate or other enumerated, alternate documents to show birth, age, and citizenship for one member of the family receiving TANF benefits.</p>

## COUNTY OF NAPA

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2007

Finding/Program	Findings/Noncompliance
<b>Finding 07-SA-2</b> CFDA 93.558 (continued)	<p data-bbox="560 409 998 441"><u>Criteria and Condition</u> (continued)</p> <p data-bbox="560 472 1453 798"><i>IEVS:</i> As required by § 1137 of the Social Security Act, income and 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 or level of assistance, benefits or services. In two cases, the file did not contain an IEVS for one member of the family who received TANF benefits.</p> <p data-bbox="560 829 1453 1050"><i>Quarterly Client Reporting - QR7:</i> Each individual applying for federal assistance is required to complete and return to the County a quarterly report commonly known as the QR 7. This document is used to report the client's income and other relevant changes which might affect eligibility. The information reported in the QR7 is used to determine continuing eligibility and benefit amounts.</p> <p data-bbox="560 1081 1453 1186">In one case, the QR7 which controlled the reporting period tested was not in the file nor did the file contain any notation that the QR 7 was ever received.</p> <p data-bbox="560 1218 779 1249"><u>Questioned Costs</u></p> <p data-bbox="560 1291 1453 1365"><i>Welfare-to-Work:</i> No costs are questioned because the case terminated shortly after the WTW exception occurred.</p> <p data-bbox="560 1396 1453 1659"><i>IEVS, Birth Certificate or Alternate proof of age and citizenship:</i> Except in one case, no costs are questioned because the later receipt of the applicable IEVS or proof of age and citizenship showed the client was eligible for TANF. In one case, however, the IEVS for a child was missing and could not then be obtained because of case closure before receipt of the child's social security number. In this case, we question costs in the amount of \$619.</p> <p data-bbox="560 1690 1453 1837"><i>Quarterly Client Reporting - QR7:</i> A dollar error occurred in the amount of \$723, however, no costs are questioned because the County was already in the process of recouping this amount from the client's current benefits.</p>

## COUNTY OF NAPA

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2007

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#### Finding/Program

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#### Findings/Noncompliance

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**Finding 07-SA-2**  
CFDA 93.558  
(continued)

Perspective (continued)

For IEVS and birth certificates or allowable alternates, we compute the error rate by multiplying the total cases tested by the average number of assisted members of a family of 3.5. Therefore we compute the error rate for IEVS at 2.4% and the error rate for birth certificates or allowable alternates at 1.2%.

We questioned costs in the amount of \$619 for a missing IEVS, as described under questioned costs, because the likely questioned costs could be over \$10,000.

Though standing alone the exceptions in a particular criteria for eligibility would not warrant a Single Audit finding, we believe that together the exceptions noted above do require that we report this finding.

Effect of Condition

The effect of the exceptions enumerated above is that clients might receive benefits to which they are not entitled.

Recommendation

We recommend that the Department review the facts regarding these exceptions and determine whether (1) each is an isolated instance of noncompliance; or (2) procedures might be implemented to prevent recurrence of these errors. If further internal controls can be implemented, we recommend that they be implemented.

Corrective Action Plan

Department staff believes the types of errors found through the single audit are isolated errors and program supervisors (CalWORKs) are having dialogue with staff regarding case documentation requirements. Also, staff implemented an automated CalWORKs Quality Assurance review tool and we expect system refinements that allow for us to pull reports to happen soon. It is our hope to capture significant error trends through this process.

The contact person for corrective action plan is Teresa Zimny. Her telephone number is (707) 253-4697.

## COUNTY OF NAPA

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2007

#### Finding/Program

#### Findings/Noncompliance

**Finding 07-SA-3**

Child Support  
Enforcement  
CFDA 93.563

Award No. n/a  
Year: 2006-2007

*Federal Grantor: U.S. Department of Health and Human Services*  
*Pass-Through Entity: State Department of Child Support Services*  
*Compliance Requirement: Reporting*  
*Reporting Requirement: Significant Deficiency; Material Non-Compliance in Relation to a Compliance Supplement Audit Objective*

#### Criteria

45 CFR § 304.25 provides that expenditures are considered made for federal purposes “on the date on which the cash disbursements occur. . . . In the case of local administration, the date of disbursements by the local agency governs.” In order to comply with this section of the Code of Federal Regulation, the State of California requires that expenditures be reported on the quarterly CS 356 claim only if those expenditures have been paid in cash during the quarter covered by the claim (California Department of Child Support Services CSS Letter 04-20).

#### Condition

During our review of the administrative claim (CS 356) for the quarter ended June 30, 2007 and related documents from the County’s accounting system, we noted that accrued salaries were included in the claim which were actually paid shortly June 30, 2007. We determined the difference between accrued payroll at June 30, 2006 and the accrued payroll at June 30, 2007 and found that the difference was insignificant.

#### Questioned Costs

No costs are questioned because total salaries on the accrual method versus total salaries on the cash basis of accounting did not meet the threshold for reporting in OMB A133 §510(a)(4). Prior year timing differences, as well, rendered no questioned costs.

**COUNTY OF NAPA**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007

Finding/Program

Findings/Noncompliance

**Finding 07-SA-3**  
CFDA 93.563  
(continued)

Perspective

We do not believe that any further information assists perspective.

Effect of Condition

Including expenditures in a claim that were not paid by the County in the period covered by the claim could result in adjustments to future reimbursements and detrimental audit findings.

Recommendation

In the future, we recommend that the County back out the accrued payroll for the 4<sup>th</sup> quarter claim and add that accrued payroll to the subsequent 1<sup>st</sup> quarter claim.

Corrective Action Plan

Beginning with 2nd quarter fiscal year 07-08 salaries have been calculated to reflect on the cash basis. The amended CS 356 claims for both the 4th quarter for fiscal year 06-07 and 1st quarter fiscal year 07-08 to correct and back out accrued payroll will be complete and submitted no later than January 31, 2008.

Dianna Sargent, Staff Services Manager for Napa County Child Support Services is the contact for the corrective action plan. Her telephone number is (707) 253-4214.

**COUNTY OF NAPA**

Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2006

Audit Reference Number	Status of Prior Year Audit Findings
<b>Finding 06-1</b>  Food Stamps CFDA 10.551 & 10.561	<i>Federal Grantor: U.S. Department of Health and Human Services</i>  <i>Pass-Through Entity: State Department of Social Services</i> <i>Compliance Requirement: Special Tests</i> <i>Reporting Requirement: Reportable Condition.</i>
Award No. n/a Original Finding Year: 2005-2006	<u>Recommendation</u>  We recommend that the county document its daily EBT Food Stamp reconciliations. The county might consider using a spreadsheet which cumulatively shows the reconciliations, along with maintaining the backup on reconciling items for at least one year.
	<u>Status</u>  Implemented.

**SUPPLEMENTARY SCHEDULES  
OF OFFICE OF EMERGENCY SERVICES,  
DEPARTMENT OF CORRECTIONS AND REHABILITATION,  
AND SPOUSAL ABUSER PROSECUTION PROGRAM  
GRANT EXPENDITURES**

**COUNTY OF NAPA**

Supplementary Schedules of Office of Emergency Services  
and Department of Corrections and Rehabilitation Grant Expenditures  
For the Year Ended June 30, 2007

**California Office of Emergency Services**

The following represents expenditures for Office of Emergency Services, Law Enforcement/Victim Services Division (OES) programs for the year ended June 30, 2007. The amount reported in the Schedule of Expenditures of Federal Awards is determined by calculating the federal portion of the current year expenditures.

Program	Expenditures Claimed			Share of Expenditures Current Year		
	For the Period Through June 30, 2006	For the Year Ended June 30, 2007	Cumulative As of June 30, 2007	Federal Share	State Share	County Share
<u>DC06170280 - Anti-Drug Abuse</u>						
Personal services	\$ --	\$ 77,477	\$ 77,477	\$ --	\$ 77,477	\$ --
Operating expenses	--	47,485	47,485	--	47,485	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ --</u>	<u>\$ 124,962</u>	<u>\$ 124,962</u>	<u>\$ --</u>	<u>\$ 124,962</u>	<u>\$ --</u>
<u>VB06040280 - Vertical Prosecution</u>						
Personal services	\$ --	\$ 125,041	\$ 125,041	\$ --	\$ 125,041	\$ --
Operating expenses	--	--	--	--	--	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ --</u>	<u>\$ 125,041</u>	<u>\$ 125,041</u>	<u>\$ --</u>	<u>\$ 125,041</u>	<u>\$ --</u>
<u>HT06060210 - High Tech Theft Apprehension (HITAP) &amp; HD06060210 - ID Theft</u>						
Personal services	\$ --	\$ 142,723	\$ 142,723	\$ --	\$ 106,684	\$ 36,102
Operating expenses	--	10,429	10,429	--	7,141	3,224
Equipment	--	--	--	--	--	--
Totals	<u>\$ --</u>	<u>\$ 153,152</u>	<u>\$ 153,152</u>	<u>\$ --</u>	<u>\$ 113,825</u>	<u>\$ 39,326</u>
<u>GV06020280 - Gang Violence Suppression</u>						
Personal services	\$ --	\$ 265,390	\$ 265,390	\$ --	\$ 243,295	\$ 22,095
Operating expenses	--	205,610	205,610	--	188,455	17,155
Equipment	--	--	--	--	--	--
Totals	<u>\$ --</u>	<u>\$ 471,000</u>	<u>\$ 471,000</u>	<u>\$ --</u>	<u>\$ 431,750</u>	<u>\$ 39,250</u>
<u>Cal-Met - MH-06010280</u>						
Personal services	\$ --	\$ 12,884	\$ 12,884	\$ --	\$ 12,884	\$ --
Operating expenses	--	10,001	10,001	--	10,001	--
Equipment	--	7,806	7,806	--	7,806	--
Totals	<u>\$ --</u>	<u>\$ 30,691</u>	<u>\$ 30,691</u>	<u>\$ --</u>	<u>\$ 30,691</u>	<u>\$ --</u>

**COUNTY OF NAPA**

Supplementary Schedules of Office of Emergency Services  
and Department of Corrections and Rehabilitation Grant Expenditures  
For the Year Ended June 30, 2007

**California Department of Corrections and Rehabilitation**

The following represents expenditures for the California Department of Corrections and Rehabilitation, Corrections Standards Authority programs for the year ended June 30, 2007. The amount reported in the Schedule of Expenditures of Federal Awards is determined by calculating the federal portion of the current year expenditures.

Program	Expenditures Claimed			Share of Expenditures Current Year		
	For the Period Through June 30, 2006	For the Year Ended June 30, 2007	Cumulative As of June 30, 2007	Federal Share	State Share	County Share
<u>Juvenile Accountability Block Grant - CSA#194-05</u>						
Personal services	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Operating expenses	3,329	167,700	171,029	167,700	--	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ 3,329</u>	<u>\$ 167,700</u>	<u>\$ 171,029</u>	<u>\$ 167,700</u>	<u>\$ --</u>	<u>\$ --</u>

**COUNTY OF NAPA**

Supplementary Schedules of Spousal Abuser Prosecution  
 Program Grant Expenditures  
 For the Year Ended June 30, 2007

**California Department of Justice Grants**

The following represents expenditures for California Department of Justice grant for the year ended June 30, 2007.

Program	Budget	Expenditures Claimed			Share of Expenditures Current Year		
		For the Period Through June 30, 2006	For the Year Ended June 30, 2007	Cumulative As of June 30, 2007	Federal Share	State Share	County Share
<u>06SA13D016 - Spousal Abuser Prosecution</u>							
Personal services	\$ --	\$ --	\$ 39,913	\$ 39,913	\$ --	\$ 33,261	\$ 6,652
Operating expenses	--	--	--	--	--	--	--
Equipment	--	--	--	--	--	--	--
Totals	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 39,913</u>	<u>\$ 39,913</u>	<u>\$ --</u>	<u>\$ 33,261</u>	<u>\$ 6,652</u>