

**COUNTY OF RIVERSIDE,
CALIFORNIA**

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2014

**COUNTY OF RIVERSIDE, CALIFORNIA
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

	<u>Page</u>
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 <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; And Report on the Schedule of Expenditures of Federal Awards as Required By OMB Circular A-133, Supplemental Schedule of California Office of Emergency Services (CalOES) and Board Of State and Community Corrections, and the Supplemental Schedule of California State Department of Aging Grants	3
Schedule of Expenditures of Federal Awards	7
Note to Schedule of Expenditures of Federal Awards	14
Schedule of Findings and Questioned Costs	
I. Summary of Auditor's Results	16
II. Financial Statement Findings	17
III. Federal Award Findings and Questioned Costs.....	18
Schedule of Prior Year Audit Findings and Questioned Costs	23
Supplemental Schedule of California Office of Emergency Services (CalOES) and Board of State and Community Corrections Grants.....	27
Supplemental Programs Schedule for Office on Aging State Department of Aging Grants	31

BROWN ARMSTRONG

Certified Public Accountants

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

Board of Supervisors
County of Riverside, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Riverside, California (the County), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 5, 2014.

Other auditors audited the financial statements of the Riverside County Flood Control and Water Conservation District, the Housing Authority of the County of Riverside, Riverside County Regional Park and Open-Space District, Perris Valley Cemetery District, Riverside County Redevelopment Successor Agency, and the Children and Families Commission of Riverside County, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that 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. However, material weaknesses may exist that have not been identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2014-001, that we consider to be a significant deficiency.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-002 and 2014-003.

The County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned 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 it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 5, 2014

BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AS REQUIRED BY OMB CIRCULAR A-133, SUPPLEMENTAL SCHEDULE OF CALIFORNIA OFFICE OF EMERGENCY SERVICES (CALOES) AND BOARD OF STATE AND COMMUNITY CORRECTIONS, AND THE SUPPLEMENTAL SCHEDULE OF CALIFORNIA STATE DEPARTMENT OF AGING GRANTS

Board of Supervisors
County of Riverside, California

Report on Compliance for Each Major Federal Program

We have audited the County of Riverside's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2014. 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.

The County's basic financial statements include the operations of the Housing Authority of the County of Riverside (Housing Authority), a component unit of the County which received \$77,926,522 in federal awards which is not included in the schedule during the year ended June 30, 2014. Our audit, described below, did not include the operations of the Housing Authority because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on Major Federal Programs (Identified on the Schedule of Findings and Questioned Costs)

As described in item 2014-002 in the accompanying schedule of findings and questioned costs, the County did not comply, in all instances, with requirements regarding eligibility and special tests and provisions and that are applicable to its Temporary Assistance to Needy Families (CDFR No. 93.558). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Major Federal Programs (Identified on the Schedule of Findings and Questioned Costs)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major programs (identified on the schedule of findings and questioned costs) for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-003. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified one deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a significant deficiency.

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 and Supplemental Schedules

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 5, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We did not audit the financial statements of the Riverside County Flood Control and Water Conservation District (Flood Control District), the Housing Authority of the County of Riverside (Housing Authority), Riverside County Regional Park and Open-Space District (Park District), Perris Valley Cemetery District (the Cemetery District), Riverside County Redevelopment Successor Agency (Successor Agency), and the Children and Families Commission of Riverside County (the Commission) for the year ended June 30, 2014. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Flood Control District, Housing Authority, Park District, Cemetery District, Successor Agency, and the Commission are based on the reports of the other auditors.

The accompanying Schedule of Expenditures of Federal Awards, Supplemental Schedule of California Office of Emergency Services (CalOES) and Board of State and Community Corrections, and Supplemental Schedule of California Department of Aging Grants are presented for purposes of additional analysis as required by OMB Circular A-133 and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, Supplemental Schedule of California Office of Emergency Services (CalOES) and Board of State and Community Corrections, and Supplemental Schedule of California Department of Aging Grants are fairly stated in all material respects in relation to the basic financial statements as a whole.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
March 23, 2015

**COUNTY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTORS/PASS-THROUGH GRANTORS PROGRAM NAME:	CFDA NO.	PASS-THROUGH ENTITY IDENTIFYING NO. [1]	AMOUNT
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through U.S. Forest Service</i>			
Cannabis	10.000	11-LE-1105-1360-230	\$ 20,000
Cooperative Forestry Assistance	10.664	08-DG-11051200-030	701,362
<i>Passed Through California Department of Social Services</i>			
State Administrative Matching Grants for Food Stamp Program	10.561	N/A	29,844,588
<i>Passed Through County of San Bernardino Department of Public Health</i>			
State Administrative Matching Grants for Food Stamp Program	10.561	09-197 A-2	97,313
Subtotal			29,941,901
<i>Passed Through California Department of Education</i>			
National School Lunch Program	10.555	02148-SN-33-R	479,817
<i>Passed Through California Department of Public Health</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	99-85741; 00-90897	16,756,843
<i>Passed Through California Department of Food and Agriculture</i>			
Senior Farmers Market Nutrition Program	10.576	N/A	50,000
TOTAL U.S. DEPARTMENT OF AGRICULTURE			47,949,923
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Direct Programs</i>			
Community Development Block Grants/Entitlement Grants	14.218	301-1000087	5,389,424
Community Development Block Grants/Entitlement Grants	14.218	301-1000087	1,141,414
Subtotal			6,530,838
Emergency Solution Grant Program	14.231	301-1000087	801,104
Supportive Housing Program	14.235	CA0682B9D081104;CA1134B9D081100;CA0673B9D081104;CA1055B9D081101;CA0679B9D081104;CA0684B9D081104;CA1136B9D081100;CA0665B9D081101;CA0669B9D081104;CA0668B9D081104;CA0667B9D081104;CA06748B9D081104;CA0680B9D081104;CA0813B9D081103;CA0875B9D081100	2,130,145
Shelter Plus Care	14.238	CA0664C9D080800;CA0666C9D080800;CA0683C9D081104;CA1056C9D081101;CA16C508001;CA16C708001;HA0664C9D080800;CA0666C9D080800	563,354
Home Investment Partnerships Program	14.239	301-1000087	3,376,015

[1] N/A – Not Applicable

See accompanying note to schedule of expenditures of federal awards.

**COUNTY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTORS/PASS-THROUGH GRANTORS PROGRAM NAME:	CFDA NO.	PASS-THROUGH ENTITY IDENTIFYING NO. [1]	AMOUNT
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued)			
<i>Direct Programs (Continued)</i>			
Continuum of Care Program	14.267	CA0682L9D081205;CA1134L9D081201;CA0673L9D081205;CA0693L9D081203;CA1055L9D081202;CA0675L9D081205;CA0677L9D081205;CA0679L9D081205;CA0684L9D081205;CA0935L9D081203;CA1136L9D081201;CA0665L9D081202;CA0683L9D081205;CA1056L9D081202;CA0669L9D081205;CA0670L9D081205;CA0668L9D081205;CA0674L9D081205;CA0667L9D081205;CA0678L9D081205;CA0680L9D081205;CA0613L9D081204;CA0675L9D081201;CA684L9D081205;CA684L9D081308;675L9D061306;0835L9D081203;0835L9D081304;CA1139L9D081201;CA1136L9D081302	5,736,707
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			19,138,163
U.S. DEPARTMENT OF JUSTICE			
<i>Direct Programs</i>			
Intellectual Property Theft Enforcement	16.XXX	2012-DG-BX-0009	134,406
Regional Computer Forensic Laboratory (Overtime)	16.XXX	RCFL DM011-2012	11,537
Solving Cold Cases with DNA	16.560	2012-DN-BX-K028	72,914
Office of Victims Assistance Witness Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	2012-WE-AX-0019	315,533
Southwest Border Prosecution Initiative Program	16.755	N/A	110,861
Asset Forfeiture Equitable Sharing Program	16.922	N/A	123,247
<i>Passed Through Drug Enforcement Agency</i>			
Domestic Cannabis Eradication Program	16.XXX	2012-37	72,580
<i>Passed Through Federal Bureau of Investigation</i>			
Inland Regional Corruption Task Force	16.XXX	319X-HQ-A1467709-LA	11,832
Joint Terrorism Task Force	16.XXX	N/A	5,044
<i>Passed Through Federal Bureau of Investigation</i>			
Inland Regional Apprehension Team	16.XXX	N/A	12,543
<i>Passed Through United States Marshals Service</i>			
Regional Fugitive Task Force	16.111	JLEO 13-0092, JLEO 14-0092	50,266
<i>Passed Through California Office of Emergency Service & Board of State and Community Corrections</i>			
Juvenile Accountability Block Grants	16.523	CSA 155-12; BSCC 155-13; 15-0404-0-1-754	71,253
Crime Victim Assistance	16.575	065-00000/VW 13320330,UV 13040330	578,724
Violence Against Women Formula Grants- Law Enforcement Specialized Units	16.588	065-00000/ LE 11010330;LE 121020330;LE13030330	195,781
Residential Substance Abuse Treatment Program Grant	16.593	AF 11010330	184,842
Residential Substance Abuse Treatment Program Grant	16.593	065-00000/RT10020330	185,427
Subtotal			370,289
Anti-Human Trafficking (RCAHT)	16.738	065-00000/HF12010330	232,830
<i>Passed Through City of Riverside</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	JAG 2012-DJ-BX-0695;JAG 2013-DJ-BX-0324	69,747
<i>Passed Through Board of State and Community Corrections</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 810-12, BSCC 810-13	467,747
Subtotal			770,324
<i>Passed Through Office on Violence Against Women</i>			
Abuse of Women Later in Life Program	16.528	2011-EW-AX-K007	57,715

[1] N/A – Not Applicable

See accompanying note to schedule of expenditures of federal awards.

**COUNTY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTORS/PASS-THROUGH GRANTORS PROGRAM NAME:	CFDA NO.	PASS-THROUGH ENTITY IDENTIFYING NO. [1]	AMOUNT
U.S. DEPARTMENT OF JUSTICE (Continued)			
<i>Passed Through Bureau of Justice Assistance</i> Service for Trafficking Victims	16.320	N/A	<u>39,704</u>
PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities	16.735	2010-RP-DX-K001	<u>44,385</u>
PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities	16.735	N/A	<u>15,104</u>
Subtotal			<u>59,489</u>
Congressionally Recommended Awards	16.753	2009-D1-BX-0043	<u>131,572</u>
<i>Passed Through Riverside County Probation Department</i> Second Chance Act Prisoners Reentry Initiative	16.812	2011-RW-BX- 0005	<u>31,305</u>
<i>Passed Through US. Marshals Coachella Valley Narcotics Task Force</i> Asset Forfeiture	16.922	N/A	<u>10,000</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>3,236,899</u>
U.S. DEPARTMENT OF LABOR			
<i>Direct Program</i> Workforce Innovation Fund	17.283	IF-23400-12-60-A-6	<u>2,130,261</u>
<i>Passed Through California Employment Development Department</i> Workforce Investment Act (WIA) Adult Program	17.258	201,202,500	<u>6,098,638</u>
<i>Passed Through California Employment Development Department</i> Workforce Investment Act (WIA) Youth Activities	17.259	301	<u>5,954,097</u>
Workforce Investment Act (WIA) Dislocated Worker	17.278	501,502	<u>6,999,278</u>
Subtotal - Workforce Investment Act Cluster			<u>19,052,013</u>
<i>Passed Through California Department of Aging</i> Senior Community Service Employment Program (SCSEP)	17.235	TV-1314-21	<u>744,773</u>
TOTAL U.S. DEPARTMENT OF LABOR			<u>21,927,047</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Direct Programs</i> Federal Aviation Administration Airport Improvement Program (AIP)	20.106	AIP-3-06-0255-22,3-06-0104-13,3-06-0338-26	<u>184,061</u>
Highway Planning and Construction	20.205	Fund Sources 101,103, 108,115,120,128,134,190; 08-5956	<u>27,717,282</u>
<i>Passed Through Riverside County Transportation Commission</i> New Freedom Program	20.521	81813461/MC3030142	<u>490,106</u>

[1] N/A – Not Applicable

See accompanying note to schedule of expenditures of federal awards.

**COUNTY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTORS/PASS-THROUGH GRANTORS PROGRAM NAME:	CFDA NO.	PASS-THROUGH ENTITY IDENTIFYING NO. [1]	AMOUNT
<i>Passed Through California Office of Traffic Safety</i>			
State and Community Highway Safety	20.600	N/A	7,608
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	18X9204100CA12/AL 1357	83,854
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	18X9204100CA12/AL 1359	29,525
Child Safety and Child Booster Seats Incentive Grants	20.613	OP1301	207,937
<i>Pass Through California Office of Traffic Safety, City of Riverside</i>			
State and Community Highway Safety	20.600	N/A	41,774
Subtotal - Highway Safety Cluster			<u>370,698</u>
<i>Pass Through California Office of Traffic Safety, City of Riverside</i>			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	N/A	124,350
<i>Pass Through California Office of Traffic Safety, City of Ontario</i>			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	N/A	10,072
Subtotal			<u>134,422</u>
<i>Pass Through California Office of Traffic Safety, City of Riverside</i>			
National Priority Safety Programs	20.616	N/A	1,682
<i>Pass Through California Office of Traffic Safety, University of California, Berkeley</i>			
National Priority Safety Programs	20.616	N/A	66,185
<i>Passed Through California Office of Traffic Safety</i>			
National Priority Safety Programs	20.616	18X92045D0CA14/DI 1423	294,321
National Priority Safety Programs	20.616	18X92045D0CA14/DI 1427	293,735
Subtotal			<u>655,923</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>29,562,492</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed Through California Division of Water Quality</i>			
Headquarters and Regional Underground Storage Tanks Program	66.816	12-008-250	509,161
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>509,161</u>
U.S. DEPARTMENT OF ENERGY			
<i>Direct Program</i>			
Weatherization Assistance For Low-Income Persons	81.042	11C-1827	180,784
TOTAL U.S. DEPARTMENT OF ENERGY			<u>180,784</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through California Department of Rehabilitation</i>			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126A	28534 Regis # EP1230287	361,823
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>361,823</u>

[1] N/A – Not Applicable

See accompanying note to schedule of expenditures of federal awards.

**COUNTY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTORS/PASS-THROUGH GRANTORS PROGRAM NAME:	CFDA NO.	PASS-THROUGH ENTITY IDENTIFYING NO. [1]	AMOUNT
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through National Association of County and City Health Officials</i>			
Medical Reserve Corps Small Grant Program	93.008	N/A	<u>6,413</u>
<i>Passed Through California Department of Aging</i>			
Special Programs for the Aging - Title VII, Chapter 3	93.041	A3-1314-21/A9-1314-21	<u>26,607</u>
Special Programs for the Aging - Title VII, Chapter 2	93.042	A3-1314-21/A9-1314-21	<u>60,456</u>
Special Programs for the Aging - Title III, Part D	93.043	A3-1314-21/A9-1314-21	<u>97,034</u>
National Family Caregiver Support, Title III, Part E	93.052	A3-1314-21/A9-1314-21	<u>701,477</u>
Special Programs for the Aging - Title III, Part B	93.044	A3-1314-21/A9-1314-21	2,198,622
Special Programs for the Aging - Title III, Part C	93.045	A3-1314-21/A9-1314-21	2,679,468
Nutrition Services Incentive Program (NSIP)	93.053	A3-1314-21/A9-1314-21	<u>135,965</u>
Subtotal - Aging Cluster			<u>5,014,055</u>
Medical Enrollment Assistance Program	93.071	MI-1314-21	<u>22,929</u>
Health Insurance Counseling and Advocacy Program (HICAP) Financial Alignment	93.626	FA-1316-21	<u>34,812</u>
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	93.779	H9-1314-21/H3-1314-21	<u>114,869</u>
<i>Passed Through California Department of Public Health</i>			
Childhood Lead Poisoning and Case Management	93.197	11-10311	<u>118,127</u>
HIV Prevention Activities - Health Department Based	93.940	10-95281	<u>2,166,173</u>
Maternal and Child Health Services Block Grant	93.994	200833	<u>157,561</u>
<i>Passed Through California Department of Public Health - Emergency Preparedness Office</i>			
Public Health Emergency Preparedness	93.069	EPO 12-33	<u>396,503</u>
National Bioterrorism Hospital Preparedness Program	93.889	EPO 12-33	<u>400,899</u>
Center for Disease Control and Prevention - Investigations and Technical Assistance	93.283	EPO 12-33	1,097,811
<i>Passed Through State Emergency Medical Services Authority</i>			
Regional Disaster Medical Health Specialist	93.283	EMS - 1157	<u>129,400</u>
Subtotal			<u>1,227,211</u>
<i>Passed Through California Department of Health Services</i>			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	11-33-90840 and FEDS1112ISIT	<u>463,380</u>
Pediatric Immunization Grants	93.268	11-10591	<u>457,658</u>
California Home Visiting Program	93.505	201333	<u>827,839</u>
Children's Health Insurance Program	93.767	N/A	<u>904,203</u>
Medical Assistance Program	93.778	N/A	88,430,795
<i>Passed Through California State Department of Aging</i>			
Medical Assistance Program - MSSP	93.778	MS-1213-24	<u>510,871</u>
Subtotal			<u>88,941,666</u>
<i>Passed Through California Department of Mental Health</i>			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2X06SM016005-12	<u>295,855</u>
Block Grants for Community Mental Health Services	93.958	3B09SM010005-12	<u>2,503,364</u>

[1] N/A – Not Applicable

See accompanying note to schedule of expenditures of federal awards.

**COUNTY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTORS/PASS-THROUGH GRANTORS PROGRAM NAME:	CFDA NO.	PASS-THROUGH ENTITY IDENTIFYING NO. [1]	AMOUNT
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)			
<i>Passed Through California Family Health Council</i> Family Planning - Services	93.217	754-5320-7120-10 and 754-5320-71209-11	<u>510,687</u>
<i>Passed Through California Department of Social Services</i>			
State Planning and Establishment Grants for Affordable Care Act (ACA)'S Exchange	93.525	N/A	<u>192,411</u>
Promoting Safe and Stable Families	93.556	N/A	<u>1,771,487</u>
Refugee and Entrant Assistance - State Administered Programs	93.566	N/A	<u>126,717</u>
Low Income Home Energy Assistance Program	93.568	N/A	<u>6,312</u>
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A	<u>2,561,066</u>
Foster Care - Title IV-E	93.658	75-1546-0-1-609	<u>44,036,678</u>
Adoption Assistance	93.659	N/A	<u>24,147,526</u>
Social Services Block Grant	93.667	N/A	<u>7,472,268</u>
Chafee Foster Care Independence Program	93.674	N/A	<u>980,292</u>
Temporary Assistance for Needy Families (TANF)	93.558	N/A	<u>150,877,276</u>
Children's Health Insurance Program	93.767	N/A	<u>1,102</u>
<i>Passed Through California Department of Child Support Services</i> Child Support Enforcement	93.563	OCSE-ACF	<u>21,981,044</u>
<i>Passed Through California Department of Community Services and Development</i> Low-Income Home Energy Assistance Program	93.568	13B - 5030; 14B-5028	<u>2,693,885</u>
Community Services Block Grant (CSBG)	93.569	13F-3032.14F-3032	<u>2,516,443</u>
Community Services Block Grant Discretionary Awards	93.570	13F-3123.13F-3125	<u>40,000</u>
<i>Passed Through California Department of Education</i>			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	N/A	<u>1,338,766</u>
<i>Passed Through County of San Bernardino</i> HIV Emergency Relief Project Grants	93.914	01-584 A-1	<u>733,069</u>
<i>Passed Through California Department of Alcohol and Drug</i> Block Grant for Prevention and Treatment of Substance Abuse	93.959	#10-NNA33	<u>8,461,684</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>375,369,804</u>
NATIONAL SENIOR SERVICE CORPORATION			
<i>Passed Through Corporation for National and Community Service</i> Retired and Senior Volunteer Program	94.002	14SRPCA014	<u>60,654</u>
TOTAL NATIONAL SENIOR SERVICE CORPORATION			<u>60,654</u>
OFFICE OF NATIONAL DRUG CONTROL POLICY			
<i>Direct Program</i> High Intensity Drug Trafficking Areas Program	95.001	G12LA0007A and G13LA0007A	<u>928,278</u>
TOTAL OFFICE OF NATIONAL DRUG CONTROL POLICY			<u>928,278</u>

[1] N/A – Not Applicable

See accompanying note to schedule of expenditures of federal awards.

**COUNTY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTORS/PASS-THROUGH GRANTORS PROGRAM NAME:	CFDA NO.	PASS-THROUGH ENTITY IDENTIFYING NO. [1]	AMOUNT
SOCIAL SECURITY ADMINISTRATION			
<i>Direct Program</i>			
SSA - Social Security Administration	96.000	N/A	<u>226,600</u>
TOTAL SOCIAL SECURITY ADMINISTRATION			<u>228,600</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through County of Riverside, Department of Public Social Services</i>			
Emergency Food and Shelter National Program	97.024	Phase 29 LRO 082000-075/082000-109/082000-111/082000-113/082000-169	<u>80,150</u>
<i>Passed Through California Office of Emergency Services</i>			
Homeland Security Operations Stonegarden	97.067	065-00000/ 2011-1077 and 2012-1123	<u>201,349</u>
Homeland Security - State Homeland Security Grant Program (SHSGP)	97.067	065-0000/2011-SS-007 and 2012-SS-00123	<u>189,910</u>
<i>Passed Through Governor's Office of Homeland Security</i>			
Homeland Security Grant Program	97.067	2011-SS-0077;2012-SS-00123;2013-001100	<u>3,198,067</u>
Homeland Security California Volunteer Program	97.067	DUP03Y2-03	<u>756,412</u>
Subtotal			<u>4,345,738</u>
Non-Profit Security Program	97.008	065-6200	<u>10,118</u>
Hazard Mitigation Grant Program	97.039	1810-09-21R-PJ31	<u>166,124</u>
Emergency Management Performance Grants	97.042	2011-0048;2012-0123	<u>539,175</u>
Metropolitan Medical Response System	97.071	N/A	<u>257,392</u>
Silver Fire, Banning CA, May 2013	97.XXX	N/A	<u>2,203</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>5,400,900</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 504,842,528</u>

[1] N/A – Not Applicable

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF RIVERSIDE, CALIFORNIA
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal award programs of the County of Riverside, California (the County), except for the Federal awards granted to the Housing Authority of the County, which is separately audited and reported on in accordance with the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Federal awards received directly from Federal agencies, as well as Federal awards passed through nonfederal agencies, primarily the State of California, except as noted above, are included on the schedule. The County's reporting entity is defined in Note 1 to the County's basic financial statements.

B. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for program expenditures accounted for in the governmental funds and the accrual basis of accounting for program expenditures accounted for in the proprietary funds as described in Note 1 to the County's basic financial statements.

C. Relationship to Basic Financial Statements

Federal award expenditures agree, or can be reconciled with, the amounts reported in the County's basic financial statements.

D. Relationship to Federal Financial Reports

Amounts reported in the Schedule of Expenditures of Federal Awards are in material agreement with the amounts reported in the related Federal financial reports for the Federal award programs.

**COUNTY OF RIVERSIDE, CALIFORNIA
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Pass-Through Awards to Subrecipients

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

<u>County Program Title</u>	<u>CFDA No.</u>	<u>Amount</u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 2,911,864
Neighborhood Stabilization Program	14.218	3,564
Emergency Shelter Grants Program	14.231	357,376
Supportive Housing Program	14.235	1,705,877
Shelter Plus Care	14.238	563,354
Home Investment Partnership Program	14.239	29,737
Continuum of Care Program	14.267	4,307,000
Continuum of Care Program	16.588	2,116
Grant to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	31,901
Anti-Human Trafficking (RCAHT)	16.738	6,174
Federal Anti-Drug Abuse Program	16.738	101,423
Justice Assistance Formula Grant	16.738	29,832
Workforce Investment Act (WIA) Youth Activities	17.259	4,586,023
Workforce Innovation Fund	17.283	1,681,653
Hazard Mitigation Grant Program	97.039	63,799
Special Programs for the Aging - Title VII, Chapter 2	93.042	60,456
Special Programs for the Aging - Title III, Part B	93.044	618,935
Special Programs for the Aging - Title III, Part C	93.045	1,721,522
National Family Caregiver Support - Title III, Part E	93.052	201,112
Nutrition Services Incentive Program	93.053	129,789
HICAP Financial Alignment	93.071	18,046
American Lung Association	93.116	268,146
Refugee Health	93.116	78,738
Medicare Improvements for Patients and Providers Act	93.626	34,156
Medical Assistance Program	93.778	170,054
Health Care Financing Research, Demonstrations, and Evaluations (HCFA Research)	93.779	102,946
Emergency Management Performance Grant	97.042	227,969
Homeland Security Grant Program	97.067	1,551,420
Total		\$ 21,564,982

**COUNTY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

I. SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditor's report issued on compliance for major programs:	<u>Qualified</u>
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	<u>Yes</u>

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.561	State Administrative Matching Grants for Food Stamp Program
14.239	Home Investment Partnerships Program
14.267	Continuum of Care Program
20.205	Highway Planning and Construction
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.778	Medical Assistance Program
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 3,000,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**COUNTY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

II. FINANCIAL STATEMENT FINDINGS

Finding 2014-001 – Bond payable missed principal payment

Condition:

While performing test work over bonds payable, we noted the Pension Obligation Bond 2005 A Series outstanding bond balance was not properly reduced for a current principal payment of \$12.3 million.

Criteria:

The outstanding bond payable should be properly reduced for the current year bond principal payments.

Cause of Condition:

There was a formula error in the bond roll forward schedule and there was no proper review of the bond roll forward or financial statement footnotes.

Effect of Condition:

There is a risk of more material errors in the financial statements if there is no proper review of the bond roll forward and financial statement footnotes.

Recommendation:

We recommend that management review the bond roll forward and the bond financial statement footnotes to verify that all principal payments have been properly applied to the outstanding bond balances.

Management Response:

Management will work with the Executive Office to ensure that all amortization schedules are up to date and verify that the principal payments match the bond roll forward schedules.

**COUNTY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2014-002

**Program: Temporary Assistance for Needy Families (TANF)
CFDA No.: 93.558
Federal Agency: U.S. Department of Health and Human Services
Passed Through: State of California Department of Social Services
Award Year: Fiscal Year 2013-2014
Compliance Requirement: Eligibility & Special Provisions Tests
Questioned Costs: None**

Criteria:

The March 2014 Office of Budget and Management (OMB) OMB Circular A-133 *Compliance Supplement* requires that the County of Riverside (County) utilize the Income and Eligibility Verification System (IEVS) to verify eligibility using wage information available from such agencies as the agencies administering State unemployment compensation laws, Social Security Administration, and the Internal Revenue Service to verify income eligibility and the amount of eligible benefits. The State of California has used IEVS since 1987 to verify income information received from applicants and recipients. In addition, the OMB Circular A-133 *Compliance Supplement* outlines people receiving benefits must cooperate with Child Support Services. Additionally per the OMB Circular A-133 *Compliance Supplement*, if an individual in a family receiving assistance refuses to engage in required work, a State must reduce assistance to the family, at least pro rata, with respect to any period during the month in which the individual so refuses, or may terminate assistance.

Condition:

During our testing, we audited 40 CalWORKS cases to ensure that the County utilized IEVS to verify eligibility using wage information available to verify income eligibility and the amount of eligible benefits. Per the Department of Public Social Services (DPSS) policies, caseworkers are required to utilize the IEVS to verify the eligibility of individual to receive CalWORKS benefits. The IEVS reports are required to be signed by the caseworkers as evidence of their review of income eligibility within 45 calendar days of the run date printed on the IEVS abstract. Of the 40 CalWORKS case files selected for testing, we noted 4 cases where the IEVS reports were not signed by the caseworker, 7 cases where the IEVS report was signed by the caseworker but not reviewed within the 45 calendar days, and 2 cases where the IEVS report was missing. Additionally, for 4 out of the 40 cases that were selected for testing, the Welfare to Work Plan form (WTW 1) was missing even though the status to work was marked as "Mandatory". All cases with a Mandatory status to work must have a WTW 1 form on file.

Context:

The conditions noted above were identified during our examination of the County's compliance with special tests and provisions verification.

Effect:

The County risks noncompliance with special tests and provisions requirements as set forth in the OMB A-133 *Compliance Supplement*. The participants under each case are still determined to be eligible during the period under our testing based on other supporting documents. As a result, there are no questioned costs.

**COUNTY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

Cause:

The eligibility workers did not document their use of IEVS or properly sign and date the IEVS matching report and failed to produce evidence of the WTW 1 form.

Recommendation:

The County should consider implementing stronger internal controls to ascertain that the IEVS reports are properly signed and reviewed and that WTW 1 Plan forms are properly retained to ensure compliance with the Federal special tests and provision requirements.

Views of Responsible Officials and Planned Corrective Actions:

Eligibility - IEVS Reports

The Self-Sufficiency Division has initiated the following steps to help address the absence or lack of timely review and processing of IEVS reports in the eligibility case record:

- Effective January 2015, monthly Quality Assurance (QA) audits will be conducted for each Eligibility Technician in the CalFresh, CalWORKs, and Medi-Cal programs. These audits will include verification that the IEVS report is on file and that it was processed timely and accurately.
- For the period January 2014 – March 2014, 10 CalWORKs offices participated in an Accuracy Improvement Plan that targeted requesting and processing IEVS reports. The plan outlined the steps an Eligibility Technician is required to take to correctly request and process an IEVS report. It also required the Eligibility Supervisor to take the following actions:
 - Review the Accuracy Improvement (AIM) plan and associated policies related to timely and accurate processing of IEVS reports.
 - Review the C-IV User Handbook pages and IEVS reports with staff at a unit meeting.
 - Review 5 cases per Eligibility Technician per quarter for compliance with IEVS processing guidelines.
- DPSS issued a Department Memorandum on June 24, 2014 (DM 2014-125) reminding staff of the requirement to obtain the IEVS report at application and recertification. This DM also outlined the time frames and the steps necessary to process an IEVS report.
- IEVS training was integrated into the Eligibility Technician Induction Training Classes beginning in February 2014. IEVS exercises, which allow the trainee to have real world experience in reviewing and signing off IEVS reports, have been added to the supervised field experience portion of induction class.
- IEVS refresher training for existing eligibility staff is in the process of being developed. It is scheduled to be conducted during the first quarter of 2015.
- In August 2014, as part of a pilot project, DPSS provided all Eligibility Technicians with the security rights to request IEVS reports for their cases through the MEDS system. This allows for more direct control by the Eligibility Technician to ensure receipt and processing of the IEVS reports.
- Our Independent Review Group (IRG) completed an independent audit of our internal IEVS processes on June 26, 2014. IRG provided recommendations to the Executive Staff which are currently being reviewed. These recommendations include processes and tools which are intended to further increase timely processing of IEVS reports.

DPSS expects that these measures will increase the availability of IEVS reports in the case record and provide a significant reduction in untimely processing.

**COUNTY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

Views of Responsible Officials and Planned Corrective Actions (Continued):

Welfare to Work – WTW 1 Completion

An Accuracy Improvement Plan targeting the WTW 1 was implemented for the period of July 2014 through December 2014. This plan requires the Employment Services Counselor to perform the following actions:

- Complete an activity agreement with the participant to include the WTW 1.
- Review and complete all sections of the WTW 1, ensuring it is signed and dated by the customer.
- Verify that the WTW 1 contains the toll free number for Inland Counties Legal Services.
- Complete a journal entry documenting that the participant attended an orientation/appraisal and was explained his or her rights.

Contact Information of Responsible Official:

Monica Bentley, Fiscal Manager
Department of Public Social Services
Telephone: (951)958-7761
Email: mbentley@riversidedpss.org

Finding 2014-003

Program: Temporary Assistance for Needy Families (TANF), Adoption Assistance, and Social Services Block Grant

CFDA No.: 93.558, 93.659, and 93.667

Federal Agency: U.S. Department of Health and Human Services

Passed Through: State of California Department of Social Services

Award Year: Fiscal Year 2013-2014

Compliance Requirement: Equipment and Real Property Management

Questioned Costs: None

Criteria:

Local governments are required to follow A-102 Common Rule in regards for equipment acquired under Federal awards. In accordance with the A-102 Common Rule, the County is required to maintain proper equipment records, perform physical inventory of their equipment at least once every 2 years, and implement an appropriate control system to safeguard equipment, and equipment be adequately maintained.

Condition:

While performing audit procedures over the equipment for the DPSS, we noted that the annual physical inventory of equipment identified approximately 5,000 assets that were unaccounted as a result of the count procedures. Per discussion with DPSS staff and review of the results of the County, it appears that DPSS is not ensuring that the controls it has in place are being adhered to consistently. As a result of this, assets were not being properly tracked and could not be located. Because these assets could not be located, they are considered missing, but DPSS is unsure exactly what happened to the missing assets. Furthermore, there are instances that allow an Information Technology (IT) Technician to assign/deploy equipment to employees without having to receive a signature from that individual.

Context:

The conditions noted above were identified during our examination of the County's compliance with equipment and real property management.

**COUNTY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

Effect:

The County risks noncompliance with equipment and real property management requirements as set forth in the OMB A-133 *Compliance Supplement*. Due to the amount of assets that were unaccounted for, it is difficult to compute the total net effect of the assets. Further adding to the difficulty of computing the effect is that DPSS currently is uncertain of what assets are truly missing, stolen, scrapped, or otherwise unaccounted for.

Cause:

The cause of the condition is due to the inconsistent adherence and enforcement of the DPSS equipment monitoring/tracking controls.

Recommendation:

We recommend that management take some time to retrain and reemphasize the importance of the equipment controls.

Views of Responsible Officials and Planned Corrective Actions:

Departmental Asset Management

- The referenced physical inventory count was completed as part of the department's annual physical inventory process. During review of the inventory count results, DPSS identified data integrity issues with the external vendor counts. The identified issues include:
 - Upon subsequent review, numerous assets noted in the missing asset report were verified to have been tagged as having been physically inventoried.
 - The secondary vendor recount of missing assets was inconsistent with the initial counting methodology and there were vendor equipment issues during the recount.As a result, the department feels the number of assets reported as missing was inaccurate.
- The department has initiated the process to identify a new vendor to conduct the 2015 physical inventory count. Due to the concerns identified with the 2014 inventory, the time frame for the 2015 physical inventory is being expedited and planning is under way to initiate the process in the first quarter of calendar year 2015.
- During the last year, the department has been reviewing its asset management and internal control processes. Areas of improvement have been identified to better track, maintain and report the departmental assets. A corrective action plan has been developed with an estimated implementation time frame iteratively over the next 12 months.
- Currently, the department's asset units are spread among various managers. As a result, there are competing priorities, a lack of full scope knowledge, and inconsistency in processes. Through centralization of the asset management functions, a consistent and comprehensive approach to asset management is expected.
- Some of the departmental asset units have been impacted by insufficient staffing levels. As a result, staff resources have been strained and temporary staff was utilized to meet workload demands. Moving forward permanent staffing resources will be allocated to stabilize the workflow, reduce temporary staffing and create consistency in the processes.
- The department plans on reviewing each asset process to ensure it has sufficient internal controls. Additionally, it plans to develop reporting that would identify any inconsistencies in performing the necessary processes. Identified inconsistencies in processes will be remedied through regular training and staff development.

**COUNTY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

Views of Responsible Officials and Planned Corrective Actions (Continued):

Departmental Asset Management (Continued)

- The department's asset management concerns have been elevated to executive management and identified as a priority for corrective action. Increasing the priority of asset management for all stakeholders will ensure the success and timely implementation of the comprehensive Asset Management and Internal Control Plan.

Contact Information of Responsible Official:

Monica Bentley, Fiscal Manager
Department of Public Social Services
Telephone: (951)958-7761
Email: mbentley@riversidedpss.org

**COUNTY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Prior Year Financial Statement Findings

Finding 2013-01

**Program: Temporary Assistance for Needy Families (TANF)
CFDA No.: 93.558
Federal Agency: U.S. Department of Health and Human Services
Passed Through: State of California Department of Social Services
Award Year: Fiscal Year 2012-2013
Compliance Requirement: Eligibility and Special Provisions Test
Questioned Costs: None**

Criteria:

The March 2013 Office of Budget and Management (OMB) Circular A-133 *Compliance Supplement* requires that the County of Riverside (County) utilize the Income and Eligibility Verification System (IEVS) to verify eligibility using wage information available from such agencies as the agencies administering State unemployment compensation laws, Social Security Administration, and the Internal Revenue Service to verify income eligibility and the amount of eligible benefits. The State of California has used IEVS since 1987 to verify income information received from applicants and recipients. In addition, the OMB Circular A-133 *Compliance Supplement* outlines people receiving benefits must cooperate with Child Support Services.

Condition:

During our testing, we audited 40 CalWORKS cases to ensure that the County utilized IEVS to verify eligibility using wage information available to verify income eligibility and the amount of eligible benefits. Per the Department of Public Social Services (DPSS) policies, caseworkers are required to utilize the IEVS to verify the eligibility of individual to receive CalWORKS benefits. The IEVS reports are required to be signed by the caseworkers as evidence of their review of income eligibility within 45 calendar days of the run date printed on the IEVS abstract. Of the 40 CalWORKS case files selected for testing, we noted 3 cases where the IEVS reports were not signed by the caseworker and 3 cases where the IEVS report was signed by the caseworker but not reviewed within the 45 calendar days.

Context:

The conditions noted above were identified during our examination of the County's compliance with special tests and provisions verification.

Effect:

The County risks noncompliance with special tests and provisions requirements as set forth in the OMB A-133 *Compliance Supplement*. The participants under each case are still determined to be eligible during the period under our testing based on other supporting documents. As a result, there are no questioned costs.

Cause:

The eligibility workers did not document their use of IEVS or properly sign and date the IEVS matching report.

Recommendation:

The County should consider implementing stronger internal controls to ascertain that the IEVS reports are properly signed and reviewed to ensure compliance with the Federal special tests and provision requirements.

**COUNTY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

View of Responsible Official and Planned Corrected Actions:

During the 2012 calendar year, the County DPSS instituted tighter internal controls and monitoring for the review and sign off of IEVS, Payment Verification System (PVS), and New Hire Registry (NHR) reports. This was accomplished through the issuance of various Department Memorandums (DMs) as reminders and instruction to staff of the proper handling of IEVS, PVS, and NHR reports, as well as Accuracy Improvement (AIM) plans requiring supervisory audits, and Quality Assurance (QA) reviews. Also, 2 new tools have been made available to assist staff in identifying tasks and accessing reports related to IEVS, PVS, and NHR.

Instruction to Staff

DPSS issued 5 DMs in the past year mandating that eligibility staff review, process, and sign off IEVS, PVS, and NHR reports within 45 calendar days from the run date on the IEVS abstract. Eligibility staff has been directed to add a finding, take any required action on the case, and journal all actions.

AIM Plan and QA Reviews

AIM plans were established with a focus on IEVS reports. The AIM plans require that eligibility supervisors review a minimum of five cases per worker for compliance with IEVS report processing requirements. Eligibility supervisors are required to report the results of their AIM plan audits and ensure that any case error findings are corrected.

QA staff began citing the lack of IEVS, PVS, or NHR reports, as well as the lack of sign off, as procedural errors in active cases from July 2012 through December 2012. Effective January 2013, these errors are being cited dollar for dollar as significant errors. Eligibility staff have been directed to not delay benefit approval for non-receipt of the IEVS/PVS report if the customer supplied the required information to establish eligibility; however, once the IEVS/PVS report is received, staff must process the information immediately.

New Tools

DPSS has recently implemented the use of setting unique tasks that will enable staff to easily identify the tasks for IEVS, PVS, and NHR. These unique task names will allow staff to quickly and easily identify and process the reports. In addition, eligibility staff was recently granted access to the Enterprise Reports application which provides a link via the DPSS Intranet for accessing IEVS reports when they are unavailable in C-IV.

To assist in making sure all cases obtain IEVS reports at the yearly review, the County is also in the process of providing staff with the ability to request IEVS for their cases.

DPSS will continue to closely monitor the progress in this area and implement stronger controls as needed to ascertain that IEVS reports are properly signed and reviewed to ensure compliance with the Federal provision requirements.

Early Results of Corrective Action Plan

Since implementing the corrective action plan of reviewing Department Memorandums with staff; focusing Quality Assurance audits on IEVS/PVS reports; and allowing staff to use unique tasks to identify IEVS, PVS, and NHR reports, the County has seen an average 22.83% decrease in IEVS errors cited by our Quality Assurance unit during case audits.

To decrease IEVS errors further, DPSS continues to focus all supervisory and QA case review efforts on the IEVS reports.

**COUNTY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

View of Responsible Official and Planned Corrected Actions (Continued):

With continued task monitoring, QA audits and reminders through Department Memorandums, we expect a significant reduction in the IEVS backlog and timely processing of our IEVS abstracts.

The Internal Review Group of DPSS has been tasked with conducting an IEVS review operations audit to determine causes in relation to IEVS Reports (IEVS Applicant, New Hire, and PVS) not being processed in a timely manner and to provide recommendations for correcting these findings.

Additional training will be provided at induction and for existing eligibility staff.

Monica Bentley, Fiscal Manager
Department of Public Social Services
Telephone: (951) 958-7761
Email: mbentley@riversidedpss.org

Current Year Status:

Not Fully Implemented. See Current Year Finding 2014-001.

Finding 2013-02

Program: State Administrative Matching Grant for Food Stamp Program, Temporary Assistance for Needy Families, and Medical Assistance Program

CFDA No.: 10.561, 93.558, and 93.778

Federal Agency: U.S. Department of Agriculture and U.S. Department of Health and Human Services

Passed Through: California Department of Social Services, County of San Bernardino Department of Public Health, State of California Department of Social Services, California Department of Health Services, and California State Department of Aging

Award Year: Fiscal Year 2012-2013

Compliance Requirement: Payroll Control

Questioned Costs: None

Criteria:

Per inquiry with the County and review of the General Time Study Instructions for all DPSS staff, allocated hours and non-allocated hours need to match with time sheet and time study. If the employee catches the mistake, they are able to revise their time sheet to make the correction. Management is supposed to review both documents before signing off on the time sheet and time study.

Condition:

During our payroll testing, we noted 16 cases out of 40 in which the non-allocable hours on the time sheet did not agree to the non-allocable hours reported on the time study; however, the daily total hours worked did agree. Per review of the General Time Study Instructions for all DPSS staff, non-allocable time is time spent away from work and includes, but is not limited to, vacation, sick leave, furlough hours, etc. For each of the 16 cases, we noted vacation, sick leave, or furlough hours were not correctly reported on the time study as non-allocable hours.

**COUNTY OF RIVERSIDE, CALIFORNIA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

Context:

The conditions noted above were identified during our examination of the County's compliance with payroll controls. This appears to be an ongoing problem within the DPSS.

Effect:

This could potentially lead to over claiming of payroll expenditures.

Cause:

For the 16 cases, we noted vacation, sick leave, or furlough hours were not correctly reported on the time study as non-allocable hours.

Recommendation:

We recommend that the DPSS Human Resources (HR) Department collaborate with the County HR Department to ensure that the processing of time sheets does not occur before adequate review by supervisors. We also recommend that supervisors carefully review each employee's time study and time sheet to ensure the hours and dates reported on the time study and the time sheet match, which includes ensuring the non-allocable time on the time study is reported correctly, before the supervisors sign off on the time study and time sheet. We also recommend any time a supervisor receives a revised employee's time sheet, a revised time study also be received and reviewed.

Views of Responsible Officials and Planned Corrective Actions:

We have completed the on-line time study training module that includes detailed instruction on how to reconcile time sheets to time studies. The estimated roll out date is June 2014. The County is upgrading the Human Resource Management System (HRMS) to enhance time recording capabilities. DPSS plans to assess the functionality of this upgrade with anticipation that it will provide a web-based, time and activity solution to mitigate the identified issues. This project is currently in the Request for Proposal (RFP) stage and an estimated implementation date is yet to be determined. In the meantime, DPSS continues to work with HR to identify discrepancies between time sheets and time studies.

Contact Information of Responsible Official:

Monica Bentley, Fiscal Manager
Department of Public Social Services
Telephone: (951) 958-7761
Email: mbentley@riversidedpss.org

Current Year Status:

Implemented.

**COUNTY OF RIVERSIDE, CALIFORNIA
 SUPPLEMENTAL SCHEDULE OF CALIFORNIA OFFICE OF EMERGENCY SERVICES (CalOES)
 AND BOARD OF STATE AND COMMUNITY CORRECTIONS GRANTS
 FOR THE YEAR ENDED JUNE 30, 2014**

Grant #/Pass-Through Grantor	Description		
BSCC 610-12	Federal Anti-Drug Abuse Program		
Personnel Services	\$ 88,718	Federal Portion	\$ 164,111
Operating Expenses	75,393	Match	-
Equipment	-		-
Total Expenses	\$ 164,111		\$ 164,111

Grant #/Pass-Through Grantor	Description		
BSCC 610-13	Federal Anti-Drug Abuse Program		
Personnel Services	\$ 265,989	Federal Portion	\$ 303,636
Operating Expenses	34,849	Match	-
Equipment	-		-
Other	2,798		-
Total Expenses	\$ 303,636		\$ 303,636

Grant #/Pass-Through Grantor	Description		
CSA 155-12/ BSCC 155-13	Juvenile Accountability Block Grants		
Personnel Services	\$ 63,653	Federal Portion	\$ 64,468
Operating Expenses	7,978	Match	7,163
Equipment	-		-
Total Expenses	\$ 71,631		\$ 71,631

Grant #/Pass-Through Grantor	Description		
15-0404-0-1-754	Juvenile Accountability Block Grants		
Personnel Services	\$ -	Federal Portion	\$ 6,785
Operating Expenses	12,500	Match	5,715
Equipment	-		-
Total Expenses	\$ 12,500		\$ 12,500

**COUNTY OF RIVERSIDE, CALIFORNIA
 SUPPLEMENTAL SCHEDULE OF CALIFORNIA OFFICE OF EMERGENCY SERVICES (CaIOES)
 AND BOARD OF STATE AND COMMUNITY CORRECTIONS GRANTS (Continued)
 FOR THE YEAR ENDED JUNE 30, 2014**

Grant #/Pass-Through Grantor	Description		
VW 13320330/065-00000	Victim Witness Assistance Program		
Personnel Services	\$ 913,661	Federal Portion	\$ 452,143
Operating Expenses	18,821	Match	480,289
Equipment	-		
Total Expenses	\$ 932,482		\$ 932,432

Grant #/Pass-Through Grantor	Description		
UV 13040330/065-00000	Unserviced/Undeserved Victim Advocacy and Outreach Awards		
Personnel Services	\$ 120,199	Federal Portion	\$ 126,581
Operating Expenses	6,382	Match	-
Equipment	-		
Total Expenses	\$ 126,581		\$ 126,581

Grant #/Pass-Through Grantor	Description		
LE 11010330/065-00000	Law Enforcement Special Units Program		
Personnel Services	\$ -	Federal Portion	\$ 33,828
Operating Expenses	45,103	Match	11,275
Equipment	-		
Total Expenses	\$ 45,103		\$ 45,103

Grant #/Pass-Through Grantor	Description		
LE 121020330/065-00000	Law Enforcement Special Units Program		
Personnel Services	\$ 90,945	Federal Portion	\$ 134,462
Operating Expenses	60,777	Match	17,260
Equipment	-		
Total Expenses	\$ 151,722		\$ 151,722

**COUNTY OF RIVERSIDE, CALIFORNIA
 SUPPLEMENTAL SCHEDULE OF CALIFORNIA OFFICE OF EMERGENCY SERVICES (CalOES)
 AND BOARD OF STATE AND COMMUNITY CORRECTIONS GRANTS (Continued)
 FOR THE YEAR ENDED JUNE 30, 2014**

Grant #/Pass-Through Grantor	Description		
LE 13030330/065-00000	Law Enforcement Special Units Program		
Personnel Services	\$ 43,597	Federal Portion	\$ 27,491
Operating Expenses	-	Match	16,106
Equipment	-		
Total Expenses	\$ 43,597		\$ 43,597

Grant #/Pass-Through Grantor	Description		
AF 11010330	Residential Substance Abuse Treatment Program Grant		
Personnel Services	\$ 153,800	Federal Portion	\$ 184,842
Operating Expenses	31,042	Match	-
Equipment	-		
Total Expenses	\$ 184,842		\$ 184,842

Grant #/Pass-Through Grantor	Description		
RT 10020330/065-00000	Residential Substance Abuse Treatment Program Grant		
Personnel Services	\$ 241,402	Federal Portion	\$ 185,427
Operating Expenses	5,834	Match	61,809
Equipment	-		
Total Expenses	\$ 247,236		\$ 247,236

Grant #/Pass-Through Grantor	Description		
HF12010330/065-00000	Anti-Human Trafficking (RCAHT)		
Personnel Services	\$ 112,651	Federal Portion	\$ 232,830
Operating Expenses	102,004	Match	-
Equipment	18,175		
Total Expenses	\$ 232,830		\$ 232,830

**COUNTY OF RIVERSIDE, CALIFORNIA
 SUPPLEMENTAL SCHEDULE OF CALIFORNIA OFFICE OF EMERGENCY SERVICES (CaIOES)
 AND BOARD OF STATE AND COMMUNITY CORRECTIONS GRANTS (Continued)
 FOR THE YEAR ENDED JUNE 30, 2014**

Grant #/Pass-Through Grantor	Description	
2011 - 1077/065-00000	Homeland Security Operations Stonegarden	
Personnel Services	\$ 56,391	Federal Portion \$ 74,975
Operating Expenses	10,107	Match -
Equipment	<u>8,477</u>	
Total Expenses	<u>\$ 74,975</u>	<u>\$ 74,975</u>

Grant #/Pass-Through Grantor	Description	
2012 - 1123/065-00000	Homeland Security Operations Stonegarden	
Personnel Services	\$ 25,421	Federal Portion \$ 126,374
Operating Expenses	-	Match -
Equipment	<u>100,953</u>	
Total Expenses	<u>\$ 126,374</u>	<u>\$ 126,374</u>

Grant #/Pass-Through Grantor	Description	
2011-SS-0077/065-00000	Homeland Security - State Homeland Security Grant Program (SHSGP)	
Personnel Services	\$ -	Federal Portion \$ 88,427
Operating Expenses	-	Match -
Equipment	<u>88,427</u>	
Total Expenses	<u>\$ 88,427</u>	<u>\$ 88,427</u>

Grant #/Pass-Through Grantor	Description	
2012-SS-00123/065-00000	Homeland Security - State Homeland Security Grant Program (SHSGP)	
Personnel Services	\$ 4,672	Federal Portion \$ 101,483
Operating Expenses	96,811	Match -
Equipment	<u>-</u>	
Total Expenses	<u>\$ 101,483</u>	<u>\$ 101,483</u>

**COUNTY OF RIVERSIDE, CALIFORNIA
SUPPLEMENTAL PROGRAMS SCHEDULE FOR OFFICE ON AGING
STATE DEPARTMENT OF AGING GRANTS
FOR THE YEAR ENDED JUNE 30, 2014**

County Program Title	CFDA No.	PASS-THROUGH ENTITY IDENTIFYING NO.	Federal		State	
			Expenditures	Pass-Through to Subrecipients	Expenditures	Pass-Through to Subrecipients
DEPARTMENT OF LABOR						
<i>Pass-Through California State Department of Aging</i>						
Senior Community Service Employment Program (SCSEP)	17.235	TV-1314-21	\$ 744,773	-	\$ -	\$ -
TOTAL DEPARTMENT OF LABOR			744,773	-	-	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Pass-Through California State Department of Aging</i>						
Special Programs for the Aging - Title VII, Chapter 3	93.041	A3-1314-21/A9-1314-21	26,607	-	-	-
Special Programs for the Aging - Title VII, Chapter 2	93.042	A3-1314-21/A9-1314-21	60,456	60,456	-	-
Special Programs for the Aging - Title III Part D	93.043	A3-1314-21/A9-1314-21	97,034	-	-	-
Special Programs for the Aging - Title III Part B	93.044	A3-1314-21/A9-1314-21	2,198,622	618,935	-	-
Special Programs for the Aging - Title III Part C	93.045	A3-1314-21/A9-1314-21	2,679,468	1,721,522	399,070	397,718
National Family Caregivers Support - Title III-E	93.052	A3-1314-21/A9-1314-21	701,477	201,112	-	-
Nutrition Services Incentive Program (NSIP)	93.053	A3-1314-21/A9-1314-21	135,965	129,789	-	-
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			5,899,629	2,731,814	399,070	397,718
Medicare Improvements for Patients and Providers Act (MIPPA)	93.071	MI-1314-21	22,929	18,046	-	-
HICAP Financial Alignment	93.626	FA-1316-21	34,812	34,156	-	-
Medical Assistance Program (Medicaid Title XIX)	93.778	MS-1314-24	510,871	-	510,871	-
Health Care Financing Research, Demonstrations, and Evaluations (HCFA Research)	93.779	H9-1314-21/H3-1314-21	114,869	102,946	306,445	285,465
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			6,583,110	2,886,962	1,216,386	683,183
<i>Pass-Through California Department of Aging</i>						
Ombudsman Volunteer Recruitment Initiative (SDF)	N/A	A3-1314-21/A9-1314-21	-	-	43,543	43,543
Ombudsman Volunteer Recruitment Initiative for Skilled Nursing Facility and Quality Accountability Fund (SNFOAF)	N/A	A3-1314-21/A9-1314-21	-	-	100,991	100,991
Special Nutrition Funds		A3-1314-21/A9-1314-21	-	-	121,556	121,556
TOTAL CALIFORNIA STATE DEPARTMENT OF AGING (PASS-THROUGH AND DIRECT GRANTS)			7,327,883	2,886,962	1,482,476	949,273

**COUNTY OF RIVERSIDE, CALIFORNIA
 SUPPLEMENTAL PROGRAMS SCHEDULE FOR OFFICE ON AGING
 STATE DEPARTMENT OF AGING GRANTS (Continued)
 FOR THE YEAR ENDED JUNE 30, 2014**

County Program Title	CFDA No.	PASS-THROUGH ENTITY IDENTIFYING NO.	Federal		State	
			Expenditures	Pass-Through to Subrecipients	Expenditures	Pass-Through to Subrecipients
						County Funded
DEPARTMENT OF AGRICULTURE						
<i>Pass-Through California Department of Food and Agriculture</i>						
Senior Farmers Market Nutrition Program	10.576	N/A	50,000	-	-	-
NATIONAL SENIOR SERVICE CORPORATION						
<i>Pass-Through Corporation for National and Community Service</i>						
Retired and Senior Volunteer Program	94.002	14SRPCA014	60,654	-	-	-
<i>Pass-Through Riverside County Children and Families Commission</i>						
First Five-Grandparent Raising Grandchildren		13202 OP	-	-	-	339,727
<i>Pass-Through Department of Mental Health</i>						
Prevention and Early Intervention (PEI) Care Pathway PEI Care Link		440-8923	-	-	-	653,566
Total			\$ 7,438,537	\$ 2,886,962	\$ 1,482,476	\$ 949,273
						\$ 993,293

**COUNTY OF RIVERSIDE,
CALIFORNIA**

**MANAGEMENT LETTER
JUNE 30, 2014**

BROWN ARMSTRONG

Certified Public Accountants

To the Honorable Board of Supervisors
County of Riverside, California

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Riverside, California (the County) as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in internal control to be significant deficiencies:

Current Year Management Letter Findings

Finding 2014-001 - Bond payable missed principal payment

Condition:

While performing testwork over bonds payable, we noted the Pension Obligation Bond 2005 A Series outstanding bond balance was not properly reduced for a current year principal payment of \$12.3 million.

Criteria:

The outstanding bond payable should be properly reduced for current year bond principal payments.

Cause of Condition:

There was a formula error in the bond rollforward schedule and there was no proper review of the bond rollforward or financial statements footnotes.

Effect of Condition:

There is a risk of more material errors in the financial statements if there is no proper review of the bond rollforward and financial statements footnotes.

Recommendation:

We recommend that management review the bond rollforward and the bond financial statement footnote to verify that all principal payments have been properly applied to the outstanding bond balances.

Management Response:

Management will work with the Executive Office to ensure that all amortization schedules are up to date and verify that the principal payments match with the bond roll forward schedules.

Status of Prior Year Management Letter Findings

None.

This communication is intended solely for the information and use of management, the Board of Supervisors, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
December 5, 2014