



**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 Marin
San Rafael, 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 Marin, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 17, 2010. 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. We did not audit the financial statements of the Marin County Redevelopment Agency, the Housing Authority of the County of Marin, and the Marin County Transit District. Those financial statements were audited by other auditors whose report thereon has been furnished to us. 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, we considered the County of Marin'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 *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 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.

Board of Supervisors
County of Marin
San Rafael, California

Internal Control Over Financial Reporting (continued)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Marin'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 matters that we reported to management of the County of Marin in a separate letter dated August 17, 2010

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

Gallina LLP |

Roseville, California
August 17, 2010



**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
County of Marin
San Rafael, California

Compliance

We have audited the compliance of the County of Marin, 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, 2009. The County of Marin'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 Marin's management. Our responsibility is to express an opinion on the County of Marin'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 Marin'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 Marin's compliance with those requirements.

In our opinion, the County of Marin 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, 2009. 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 09-SA-1, 09-SA-2, and 09-SA-3.

Board of Supervisors
County of Marin
San Rafael, California

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-SA-3 to be a material weakness.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 09-SA-1 and 09-SA-2 to be significant deficiencies.

Board of Supervisors
County of Marin
San Rafael, California

Schedule of Expenditures of Federal Awards

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Marin, California, as of and for the year ended June 30, 2009, and have issued our report thereon dated August 17, 2010. 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 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 Supplementary Schedules of the California Emergency Management Agency and the Department of Corrections and Rehabilitation Programs Grant Expenditures beginning on page 32 have not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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

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

Gallina LLP

Roseville, California
August 17, 2010

COUNTY OF MARIN

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Social Services:			
Supplemental Nutrition Assistance Program	10.551*	--	\$ 8,954,760
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561*	--	1,317,738
Subtotal			<u>10,272,498</u>
Passed through State Department of Health Services:			
California Nutrition Network	10.550	06-55101	665,116
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	05-45769	796,419
Subtotal			<u>1,461,535</u>
Passed through California Department of Aging:			
Senior Farmers Market	10.576	--	10,000
Total U.S. Department of Agriculture			<u>\$ 11,744,033</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grants/Entitlement Grants	14.218*	B-99-UC-06-0004	155
Community Development Block Grants/Entitlement Grants	14.218*	B-00-UC-06-0005	(728)
Community Development Block Grants/Entitlement Grants	14.218*	B-01-UC-06-0004	18,497
Community Development Block Grants/Entitlement Grants	14.218*	B-02-UC-06-0004	31,392
Community Development Block Grants/Entitlement Grants	14.218*	B-03-UC-06-0004	54,910
Community Development Block Grants/Entitlement Grants	14.218*	B-04-UC-06-0004	41,701
Community Development Block Grants/Entitlement Grants	14.218*	B-05-UC-06-0004	86,403
Community Development Block Grants/Entitlement Grants	14.218*	B-06-UC-06-0004	84,866
Community Development Block Grants/Entitlement Grants	14.218*	B-07-UC-06-0004	193,676
Community Development Block Grants/Entitlement Grants	14.218*	B-08-UC-06-0005	1,109,947
Subtotal CFDA 14.218 Direct			<u>1,620,819</u>
HOME Investment Partnerships Program	14.239	M-97-UC-06-0206	196
HOME Investment Partnerships Program	14.239	M-01-UC-06-0206	96
HOME Investment Partnerships Program	14.239	M-04-UC-06-0207	136,905
HOME Investment Partnerships Program	14.239	M-05-UC-06-0208	256,682
HOME Investment Partnerships Program	14.239	M-06-UC-06-0209	565,095
HOME Investment Partnerships Program	14.239	M-07-UC-06-0210	939,213
HOME Investment Partnerships Program	14.239	M-08-UC-06-0211	323,812
Subtotal CFDA 14.239 Direct			<u>2,221,999</u>
Economic Development Initiative - Special Projects	14.246	--	56,915
Subtotal Direct			<u>3,899,733</u>

* Major Program

COUNTY OF MARIN

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Housing and Urban Development</u> (continued)			
Passed through San Francisco Redevelopment Agency: AIDS Program	14.241	CA-H01-003	\$ 11
Housing Opportunities For Persons With AIDS (HOPWA)	14.241	CA-H05-003	110,767
Housing Opportunities For Persons With AIDS (HOPWA)	14.241	CA-H06-003	286,809
Housing Opportunities For Persons With AIDS (HOPWA)			<u>397,587</u>
Subtotal CFDA 14.241			\$ 4,297,320
Total U.S. Department of Housing and Urban Development			
<u>U.S. Department of Interior</u>			
Passed through National Park Service:	15.000	CX8140 9-007	90,915
West Marin Emergency Services	15.000	--	<u>243,352</u>
NPS Firefighting Assistance			\$ 334,267
Total U.S. Department of Interior			
<u>U.S. Department of Justice</u>			
Direct Programs:	16.588	--	176,409
Violence Against Women Act	16.528	2006-EW-AX-K003	142,609
Stop Abuse & Sexual Assault Against Older Individuals			<u>319,018</u>
Subtotal			
Passed through California Emergency Management Agency:	16.575	AT 07040210	46,191
Child Abuse Treatment Program	16.575	AT 08050210	95,896
Child Abuse Treatment Program	16.575	VW 08270210	67,002
Victim Witness Assistance Program	16.738	DC 09110210	159,591
Coordination of Probation Enforcement			<u>368,680</u>
Subtotal			
Passed through California Department of Corrections and Rehabilitation:	16.523	CSA 129-08	15,606
Juvenile Accountability Incentive Block Grant	16.540	CSA 351-07	502,726
Title II Formula Grants			<u>518,332</u>
Subtotal			\$ 1,206,030
Total U.S. Department of Justice			

COUNTY OF MARIN

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

<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 and Training Administration:			
WIA - Title I Adult Formula	17.258*	--	\$ 291,594
ARRA - WIA - Title I Adult Formula	17.258*	--	59,407
WIA - Title I Youth Formula	17.259*	--	188,381
ARRA - WIA - Title I Youth Formula	17.259*	--	153,948
WIA - Title I Dislocated Workers	17.260*	--	437,004
ARRA - WIA - Title I Dislocated Workers	17.260*	--	49,118
WIA - Rapid Response	17.261	--	51,070
ARRA - WIA - Rapid Response	17.261	--	7,703
Subtotal			<u>1,238,225</u>
Passed through California Department of Aging:			
Title V - Senior Community Service Employment Program	17.235	TV0708-05	<u>107,527</u>
Total U.S. Department of Labor			<u>\$ 1,345,752</u>
<u>U.S. Department of Transportation</u>			
Direct Program:			
Airport Improvement Program	20.106	03-06-0167-13	<u>464,175</u>
Subtotal			<u>464,175</u>
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205*	NMTPL-5927(051)	751,811
Highway Planning and Construction	20.205*	NMTPL-5927(056)	40,433
Highway Planning and Construction	20.205*	NMTPL-5927(058)	314,410
Highway Planning and Construction	20.205*	PLHL-5927(024)	240,074
Highway Planning and Construction	20.205*	NMPTL-5927(055)	45,177
Highway Planning and Construction	20.205*	SRTSL-5927(061)	54,458
Highway Planning and Construction	20.205*	NMPTL-5927(067)	117,895
Highway Planning and Construction	20.205*	PLHL-5927(064)	159,316
Highway Planning and Construction	20.205*	NMTPL-5927(057)	152,414
Highway Planning and Construction	20.205*	STPLEE-5927(038)	7,754,907
Highway Planning and Construction	20.205*	NMTPL-5927(065)	13,536
Subtotal			<u>9,644,431</u>
Total U.S. Department of Transportation			<u>\$ 10,108,606</u>

COUNTY OF MARIN

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. National Endowment for the Humanities</u>			
Passed through State of California Library	45.310	LSTA #40-7182	\$ 8,415
Out of School Time Online Homework Help	45.310	LSTA #40-7070	9,993
Early Learning With Families (ELF)	45.310	LSTA #40-7045	1,307
Public Library Staff Education Grant	45.310	LSTA #40-7148	771
Interesting Volunteers: A Volunteer Centered Model			<u>20,486</u>
Total U.S. National Endowment for the Humanities			<u>\$ 20,486</u>
<u>U.S. Environmental Protection Agency</u>			
Passed through California Department of Public Health:			
Beach Monitoring and Notification Program Grants	66.472	08-85532	21,867
Total U.S. Environmental Protection Agency			<u>\$ 21,867</u>
<u>U.S. Department of Education</u>			
Passed through State Department of Rehabilitation:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	--	63,199
Passed through State Department of Education:			
Safe and Drug Free Schools	84.186	--	286,854
IDEA	84.325	--	1,385,783
Subtotal			<u>1,672,637</u>
Total U.S. Department of Education			<u>\$ 1,735,836</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through California Department of Aging:			
Title VII - Elder Abuse	93.041	AP0708-05	4,061
Title VII - Ombudsman	93.042	AP0708-05	26,449
Title IIID - Disease Prevention	93.043	AP0708-05	15,111
Title IIIB - Supportive Services	93.044	AP0708-05	279,019
Title IIIC - Congregate and Home Delivered Nutrition	93.045	AP0708-05	466,325
Title IIIE - Family Caregiver	93.052	AP0708-05	135,795
Nutrition Services Incentive Program	93.053	AP0708-05	53,444
Subtotal			<u>980,204</u>

COUNTY OF MARIN

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

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:			
Promoting Safe and Stable Families	93.556	--	\$ 117,547
Temporary Assistance for Needy Families	93.558*	--	13,079,906
Child Support Enforcement	93.563	--	2,564,593
Refugee Cash Assistance	93.566	--	2,511
Child Welfare Services – State Grants	93.645	--	71,255
Foster Care – Title IV-E	93.658*	--	2,089,772
ARRA - Foster Care - Title IV-E	93.658*	--	26,447
Adoption Assistance Program	93.659*	--	939,609
ARRA - Adoption Assistance Program	93.659*	--	68,156
CWS - Title XX	93.667	--	103,027
Medical Assistance Program - In-Home Supportive Services	93.667	--	1,116,897
Independent Living Program	93.674	--	92,401
Office of Refugee Resettlement	93.676	HHSP23320072903yb	78,529
Subtotal			<u>20,350,650</u>
Passed through State Department of Health Care Services:			
Emergency Preparedness - Lab	93.065	--	99,212
Public Health Emergency Preparedness Program	93.069	--	395,785
Child Lead Poisoning Prevention	93.197	05-45146	46,207
Family Planning Services	93.217	210-1614-05-08	114,921
Immunization Assistance Program	93.268	07-65231	75,116
Child Welfare Services – State Grants	93.645	--	307,983
Medical Assistance Program/MAA/TCM	93.778*	--	3,380,755
Bioterrorism Hospital Preparedness Program	93.889	--	238,757
Maternal and Child Health Services	93.994	200721	571,841
Community Challenge Grant	93.217	05-45287	174,072
Subtotal			<u>5,404,649</u>
Passed through City and County of San Francisco Department of Public Health:			
HIV Emergency Relief Formula Grant	93.914	--	<u>882,791</u>
Passed through the State Department of Mental Health:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	--	63,149
Substance Abuse and Mental Health Services Administration (SAMHSA)	93.958	--	539,963
Subtotal			<u>603,112</u>

COUNTY OF MARIN

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

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 Abuse Programs:			
Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	93.959	--	\$ 1,688,482
Federal Drug Medi-Cal	93.778*	--	244,805
ARRA - Federal Drug Medi-Cal	93.778*	--	51,785
Subtotal			<u>1,985,072</u>
Total U.S. Department of Health and Human Services			<u>\$ 30,206,478</u>
<u>U.S. Department of Homeland Security</u>			
Passed through State Office of Homeland Security:			
Urban Areas Security Initiative	97.008	--	18,355
Homeland Security Grant FY 2008	97.073	2007-0008	182,968
Homeland Security Grant FY 2009	97.073	--	50,575
Subtotal			<u>251,898</u>
Passed through California Emergency Management Agency:			
Disaster Grants - Public Assistance	97.036*	--	2,100,121
Emergency Management Performance Grant	97.042	--	110,313
Subtotal			<u>2,210,434</u>
Total U.S. Department of Homeland Security			<u>\$ 2,462,332</u>
Total Expenditures of Federal Awards Excluding Loans			<u><u>\$ 63,483,007</u></u>
Beginning Federal Loan Balances With a Continuing Compliance Requirement			
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grants/Entitlement Grants	14.218*	--	\$ 2,950,056
HOME Investment Partnerships Program	14.239	--	7,466,160
Passed through San Francisco Redevelopment Agency: AIDS Program			
Housing Opportunities For Persons With AIDS (HOPWA)	14.241	--	470,000
Federal Loan Balances With a Continuing Compliance Requirement			<u>10,886,216</u>
Total Expenditures of Federal Awards Including Loans			<u><u>\$ 74,369,223</u></u>

COUNTY OF MARIN

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

Note 1: **Reporting Entity**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the County of Marin, except for those activities of the *Housing Authority of the County of Marin* and the *Marin County Transit District*. The County of Marin's reporting entity is defined in Note 1 to the County's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule. The *Housing Authority of the County of Marin* and the *Marin County Transit District* are component units of the County. Separate reports have been issued for the *Housing Authority of the County of Marin* and the *Marin County Transit District* by other auditors.

Note 2: **Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is prepared on a modified accrual basis. 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*.

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 Fund and Other Governmental funds.

Note 4: **Program Clusters**

Federal programs, which are considered together as a program cluster, include the following:

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Federal Expenditures</u>
<u>Supplemental Nutrition Assistance Program (SNAP) Cluster:</u>		
10.551	Supplemental Nutrition Assistance Program	\$ 8,954,760
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	<u>1,317,738</u>
	TOTAL	<u>\$ 10,272,498</u>

COUNTY OF MARIN

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

Note 4: Program Clusters (continued)

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Federal Expenditures</u>
<u>WIA Cluster:</u>		
17.258	WIA – Title I Adult Formula	\$ 291,594
17.258	ARRA – WIA Title I Adult Formula	59,407
17.259	WIA – Title I Youth Formula	188,381
17.259	ARRA – WIA Title I Youth Formula	153,948
17.260	WIA – Title I Dislocated Workers	437,004
17.260	ARRA – WIA Title I Dislocated Workers	49,118
		<u>\$ 1,179,452</u>
	TOTAL	
<u>Aging Cluster:</u>		
93.044	Title IIIB – Supportive Services	279,019
93.045	Title IIIC – Congregate & Home Delivered Nutrition	466,325
93.053	Nutrition Services Incentive Program	53,444
		<u>\$ 798,788</u>
	TOTAL	

COUNTY OF MARIN

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

Note 5: Subrecipients

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

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Amount</u>
14.218	Community Development Block Grant Program	\$ 1,620,819
14.239	HOME Investment Partnership Program	2,221,999
14.241	Housing Opportunities for Persons with AIDS Program	397,587
15.000	West Marin Emergency Services/NPS Firefighting Assistance	334,267
16.528	Stop Abuse and Sexual Assault Against Older Individuals	28,063
16.575	Child Abuse Treatment Program	136,970
16.588	Violence Against Women Act	176,409
17.258	ARRA – WIA Title I Adult Formula	59,407
17.259	WIA Title I Youth Formula	188,381
17.259	ARRA – WIA Title I Youth Formula	153,948
17.260	ARRA – WIA Title I Dislocated Workers	49,118
17.261	ARRA – WIA Rapid Response	7,703
84.325	IDEA	1,385,783
84.126	Vocational Rehabilitation	63,199
84.186	Safe and Drug Free Schools	286,854
93.044	Title IIIB – Supportive Services	279,019
93.045	Title IIIC – Congregate and Home Delivered Nutrition	466,325
93.052	Title IIIE – Family Caregiver	135,795
93.150	PATH	63,149
93.958	SAMHSA	539,963
93.959	Substance Abuse Prevention and Treatment Block Grant	1,688,482
97.073	Homeland Security Grant	94,176
Total		<u>\$ 10,377,416</u>

Note 6: Pass-Through Entities' Identifying Number

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

COUNTY OF MARIN

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

Note 7: Department of Aging Federal/State Share

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

<u>CFDA</u>	<u>Grant No.</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
10.576	--	\$ 10,000	\$ --
17.235	--	107,527	41,324
93.041	--	4,061	--
93.042	--	26,449	--
93.043	--	15,111	--
93.044	--	279,019	22,361
93.045	--	466,325	--
93.052	--	135,795	--
93.053	--	53,444	--
		<u>\$ 1,097,731</u>	<u>\$ 63,685</u>
Total			

COUNTY OF MARIN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

Section 1

Summary of Auditor's Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies 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? | Yes |
| 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

SNAP Cluster

10.551
10.561

Supplemental Nutrition Assistance Program
State Administrative Matching Grants for the
Supplemental Nutrition Assistance Program

14.218

Community Development Block Grants/
Entitlement Grants

WIA Cluster

17.258
17.259
17.260

Work Investment Act Adult Program
Work Investment Act Youth Activities
Work Investment Act Dislocated Workers

COUNTY OF MARIN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

Section 1 (continued)

Federal Awards (continued)

4. Identification of major programs: (continued)

CFDA Number

20.205
93.558
93.658
93.659
93.778
97.036

Name of Federal Program

Highway Planning and Construction
Temporary Assistance for Needy Families
Foster Care – Title IV-E
Adoption Assistance
Medical Assistance Program
Disaster Grants – Public Assistance

5. Dollar Threshold used to distinguish between Type A and Type B programs:

\$1,904,490.

6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?

No

Section 2

Financial Statement Findings

None Reported

Section 3

Federal Award Findings and Questioned Costs

CFDA 10.551 and 10.561
CFDA 93.558
CFDA 93.778

Finding 09-SA-1
Finding 09-SA-2
Finding 09-SA-3

COUNTY OF MARIN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
Finding 09-SA-1	<i>Federal Grantor: U.S. Department of Agriculture</i>
	<i>Pass-Through Entity: State Department of Social Services</i>
	<i>Compliance Requirement: Special Tests</i>
Supplemental Nutrition Assistance Program and the State Administrative Matching Grants for the Supplemental Nutrition Assistance Program CFDA 10.551 & 10.561	<i>Reporting Requirement: Significant Deficiency and Material Noncompliance in Relation to a Compliance Supplement Audit Objective</i>
Award No. n/a Year: 2008/2009	<u>Criteria</u> <p>7 CFR 274.12(j) requires that States that use EBT must have systems in place to reconcile all of the funds entering into, exiting from, and remaining in the system each day. This includes a reconciliation of the State's issuance files of postings to recipient accounts with the EBT contractor. In complying with the federal requirements, the California Department of Social Services Manual (California-DSS-Manual-EBT), §16-410.1 "Food Stamp and Cash Reconciliation Process" requires that "the county shall on a daily basis reconcile benefits entering into the EBT system with the county's eligibility system." As well, §16-410.1.14 provides that: "within an EBT system the county shall reconcile between the three interrelated but independent accounting systems: .141 the County's eligibility system that is issuing benefits electronically and creating obligations; .142 The EBT Contractor's EBT system that is managing the recipient benefits accounts and outstanding obligations; .142 The funding system that is managing the funds required for settling the outstanding obligations.</p> <p>Further, 7 CFR § 274.12 (j)(1) requires that reconciliations be conducted and records kept documenting the various reconciliation procedures including, but not limited to, the following: "(v) reconciliation of total funds entered into . . . the system each day." The County eligibility system controls funds entering into the Food Stamp EBT system.</p> <u>Condition</u> <p>We inquired about the daily reconciliations between the EBT system and the county's eligibility system (ISAWS) and were informed that the daily reconciliations were not being done and that the County was not aware of this requirement.</p> <u>Questioned Costs</u> <p>No costs are questioned.</p>

COUNTY OF MARIN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
Finding 09-SA-1 (continued)	<u>Perspective</u>
Supplemental Nutrition Assistance Program and the State Administrative Matching Grants for the Supplemental Nutrition Assistance Program CFDA 10.551 & 10.561	Our review of monthly DFA 885 reports and supporting documentation did confirm that reconciliations were being performed on a monthly basis in the process of completing the required reports.
	<u>Effect of Condition</u>
	Not performing the reconciliations as required increases the chance of an error or irregularity going undetected.
	<u>Recommendation</u>
	We recommend that the county perform and 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>Corrective Action Plan</u>
Award No. n/a Year: 2008/2009	Previous years' corrective action plan was not implemented because the State changed to C-IV system in March 2010. Using the C-IV system, we worked with Monterey County to obtain training on daily EBT reconciliation, and had been performing the required daily reconciliation since March 2010.
	Social Service Program Manager will ensure daily EBT Food Stamp reconciliations by using a spreadsheet which cumulatively shows the reconciliations and in addition will maintain the backup on reconciling items.
	Social Service Program Manager will randomly review 10 cases quarterly to ensure compliance and documentation of daily reconciliations. This review began in 01/09 and commence for a 2 year period.
	Social Service Program Manager will document review findings and actions taken. Social Service Program Manager will inform Social Service Division Director and HHS Chief Fiscal Officer quarterly of review results and actions taken.
	The contact person for this corrective action plan is the Assistant Director of Health and Human Services. The telephone number is 415.499.7159.

COUNTY OF MARIN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
Finding 09-SA-2	<i>Federal Grantor: U.S. Department of Health and Human Services</i>
Temporary Assistance for Needy Families CFDA 93.558	<i>Pass-Through Entity: State Department of Social Services</i>
	<i>Compliance Requirement: Eligibility/Special Tests (IEVS)</i>
	<i>Reporting Requirement: Significant Deficiency and Material Noncompliance in Relation to a Compliance Supplement Audit Objective</i>
Award No. n/a Year: 2008-2009	<u>Criteria</u>

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.

Condition

We tested forty cases and noted that four cases did not have current IEVS documents for all active individuals on the cases and one case had current IEVS but they had not been signed and dated by the Eligibility Worker.

Questioned Costs

No costs are questioned. All of these cases were eligible for federal assistance under this program. The problem was that their eligibility was not properly documented, as required that IEVS be used when determining eligibility.

Perspective

We noted that the current IEVS were missing or not signed and dated for 9 individuals. We tested for a total of 105 IEVS. That means we tested for 105 IEVS with 9 current IEVS missing or not signed and dated by the Eligibility Worker. The error rate for the sample was $9 / 105 = 8.57\%$.

COUNTY OF MARIN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
Finding 09-SA-2 (continued)	<u>Effect of Condition</u>
Temporary Assistance for Needy Families CFDA 93.558	<p>The IEVS system is an elaborate, federally-mandated system which compiles government information for the purpose of tracking federal program eligibility data. Not requesting and using IEVS in eligibility determination can result in individuals receiving benefits to which they are not entitled.</p>
Award No. n/a Year: 2008-2009	<u>Recommendation</u>
	<p>We recommend that the Department review this omission to request, review, and compare the IEVS to information in the case record. We recommend that the Department attempt to determine why the current system of controls failed to prevent these exceptions and that the Department establish and communicate a policy designed to ensure that IEVS information is requested, received, and reviewed and that this review is documented in each case.</p>
	<u>Corrective Action Plan</u>
	<p>On a monthly basis, on or about the 15th of each calendar month, an Eligibility Worker III (lead worker) will randomly select 10 cases for review to check compliance with IEVS requirements. The results of this review will be reported to the Eligibility Program Manager for Continuing Eligibility no later than the last day of each calendar month.</p>
	<p>The case review described in item #1 will be performed by Eligibility Worker IIIs on a rotating basis to guard against reviewer complacency. Case reviewers will be oriented and trained by the Eligibility Program Manager for Continuing Eligibility.</p>
	<p>On a quarterly basis, the Eligibility Program Manager will report review findings to the following persons or entities: the Social Services Program Manager II for Public Assistance; the Public Assistance Leadership Team; the Social Services Director; the H&HS Chief Fiscal Officer; and the Internal Audit Division of the County of Marin's Department of Finance. These quarterly reports will be provided no later than the 15th day of January, April, July, and October for quarters ending the month prior to these reporting deadlines.</p>

COUNTY OF MARIN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
Finding 09-SA-2 (continued)	<u>Corrective Action Plan</u> (continued)
Temporary Assistance for Needy Families CFDA 93.558	As indicated, the Eligibility Program Manager for Continuing Eligibility will work with the Public Assistance Leadership Team to modify business practices to ensure compliance with IEVS requirements.
Award No. n/a Year: 2008-2009	The contact person for this corrective action plan is the Assistant Director of Health and Human Services. The telephone number is 415.499.7159.

COUNTY OF MARIN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
Finding 09-SA-3	<i>Federal Grantor:</i> U.S. Department of Health and Human Services
Medical Assistance Program CFDA 93.778	<i>Pass-Through Entity:</i> State Departments of Health Care Services and Alcohol and Drug Abuse Programs
ARRA – Medical Assistance Program CFDA 93.778	<i>Compliance Requirement:</i> Eligibility/Special Tests (IEVS)
Award No. n/a Year: 2008-2009	<i>Reporting Requirement:</i> Material Weakness and Material Noncompliance in Relation to a Compliance Supplement Audit Objective
	<u>Criteria</u>
	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.
	<u>Condition</u>
	We tested forty cases and noted that three cases did not have current IEVS documents for all active individuals on the cases and two cases had current IEVS but they had not been signed and dated by the Eligibility Worker.
	<u>Questioned Costs</u>
	No costs are questioned. All of these cases were eligible for federal assistance under this program. The problem was that their eligibility was not properly documented, as required that IEVS be used when determining eligibility.
	<u>Perspective</u>
	We noted that the current IEVS were missing or not signed and dated by the Eligibility Worker for 12 individuals. We tested for a total of 71 IEVS. That means we tested for 71 IEVS with 12 current IEVS missing or not signed and dated by the Eligibility Worker. The error rate for the sample was $12 / 71 = 16.90\%$.

COUNTY OF MARIN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
Finding 09-SA-3 (continued)	<u>Effect of Condition</u>
Medical Assistance Program CFDA 93.778	The IEVS system is an elaborate, federally-mandated system which compiles government information for the purpose of tracking federal program eligibility data. Not requesting and using IEVS in eligibility determination can result in individuals receiving benefits to which they are not entitled.
ARRA – Medical Assistance Program CFDA 93.778	<u>Recommendation</u>
Award No. n/a Year: 2008-2009	We recommend that the Department review this omission to request, review, and compare the IEVS to information in the case record. We recommend that the Department attempt to determine why the current system of controls failed to prevent these exceptions and that the Department establish and communicate a policy designed to ensure that IEVS information is requested, received, and reviewed and that this review is documented in each case.
	<u>Corrective Action Plan</u>
	On a monthly basis, on or about the 15 th of each calendar month, an Eligibility Worker III (lead worker) will randomly select 10 cases for review to check compliance with IEVS requirements. The results of this review will be reported to the Eligibility Program Manager for Continuing Eligibility no later than the last day of each calendar month.
	The case review described in item #1 will be performed by Eligibility Worker IIIs on a rotating basis to guard against reviewer complacency. Case reviewers will be oriented and trained by the Eligibility Program Manager for Continuing Eligibility.
	On a quarterly basis, the Eligibility Program Manager will report review findings to the following persons or entities: the Social Services Program Manager II for Public Assistance; the Public Assistance Leadership Team; the Social Services Director; the H&HS Chief Fiscal Officer; and the Internal Audit Division of the County of Marin's Department of Finance. These quarterly reports will be provided no later than the 15 th day of January, April, July, and October for quarters ending the month prior to these reporting deadlines.

COUNTY OF MARIN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
Finding 09-SA-3 (continued)	<u>Corrective Action Plan</u> (continued)
Medical Assistance Program CFDA 93.778	As indicated, the Eligibility Program Manager for Continuing Eligibility will work with the Public Assistance Leadership Team to modify business practices to ensure compliance with IEVS requirements.
ARRA – Medical Assistance Program CFDA 93.778	The contact person for this corrective action plan is the Assistant Director of Health and Human Services. The telephone number is 415.499.7159.
Award No. n/a Year: 2008-2009	

COUNTY OF MARIN

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2009

<u>Audit Reference Number</u>	<u>Status of Prior Year Audit Findings</u>
Finding 07-SA-1	<i>Federal Grantor: U.S. Department of Agriculture</i> <i>Pass-Through Entity: State Department of Social Services</i> <i>Compliance Requirement: Special Tests</i> <i>Reporting Requirement: Significant Deficiency and Material Noncompliance in Relation to a Compliance Supplement Audit Objective</i>
Food Stamps and State Administrative Matching Grants for Food Stamp Program CFDA 10.551 & 10.561	<u>Condition</u> <p>We inquired about the daily reconciliations between the EBT system and the county's eligibility system (ISAWS) and were informed that the daily reconciliations were not being done and that the County was not aware of this requirement.</p>
Award No. n/a Year: 2006/2007	<u>Recommendation</u> <p>We recommend that the county perform and 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.</p>
	<u>Status</u> <p>Not Implemented. This finding is renumbered to 08-SA-1 and 09-SA-1 because we had the same finding for the current year audit as well.</p>

COUNTY OF MARIN

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
Finding 07-SA-4	<i>Federal Grantor:</i> U.S. Department of Health and Human Services
Temporary Assistance for Needy Families CFDA 93.558	<i>Pass-Through Entity:</i> State Department of Social Services
	<i>Compliance Requirement:</i> Eligibility/Special Tests (IEVS)
	<i>Reporting Requirement:</i> Material Weakness and Material Noncompliance in Relation to Major Program
Award No. n/a Year: 2006-2007	<u>Condition</u> We tested twenty-four cases and noted that eight cases did not have current IEVS documents for all active individuals on the cases.
	<u>Recommendation</u> We recommend that the Department review this omission to request, review, and compare the IEVS to information in the case record. We recommend that the Department attempt to determine why the current system of controls failed to prevent these exceptions and that the Department establish and communicate a policy designed to ensure that IEVS information is requested, received, and reviewed and that this review is documented in each case.
	<u>Status</u> Not Implemented. This finding is renumbered to 08-SA-2 and 09-SA-2 because we had the same finding for the current year audit as well.

COUNTY OF MARIN

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
Finding 07-SA-5	<i>Federal Grantor: U.S. Department of Health and Human Services</i>
Medical Assistance Program CFDA 93.778	<i>Pass-Through Entity: State Departments of Health Services and Alcohol and Drug Abuse Programs</i>
Award No. n/a Year: 2006-2007	<i>Compliance Requirement: Eligibility/Special Tests (IEVS)</i> <i>Reporting Requirement: Material Weakness and Material Noncompliance in Relation to Major Program</i>

Condition

We tested twenty-four cases and noted that six cases did not have current IEVS documents for all active individuals on the cases and three cases had current IEVS but they had not been signed and dated by the Eligibility Worker.

Recommendation

We recommend that the Department review this omission to request, review, and compare the IEVS to information in the case record. We recommend that the Department attempt to determine why the current system of controls failed to prevent these exceptions and that the Department establish and communicate a policy designed to ensure that IEVS information is requested, received, and reviewed and that this review is documented in each case.

Status

Not Implemented. This finding is renumbered to 08-SA-3 and 09-SA-3 because we had the same finding for the current year audit as well.

COUNTY OF MARIN

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
Finding 08-SA-1	<i>Federal Grantor: U.S. Department of Agriculture</i>
	<i>Pass-Through Entity: State Department of Social Services</i>
	<i>Compliance Requirement: Special Tests</i>
	<i>Reporting Requirement: Significant Deficiency and</i>
	<i>Material Noncompliance in Relation to a</i>
	<i>Compliance Supplement Audit Objective</i>
Supplemental Nutrition Assistance Program and the State Administrative Matching Grants for the Supplemental Nutrition Assistance Program CFDA 10.551 & 10.561	<u>Condition</u> We inquired about the daily reconciliations between the EBT system and the county's eligibility system (ISAWS) and were informed that the daily reconciliations were not being done and that the County was not aware of this requirement.
	<u>Recommendation</u> We recommend that the county perform and 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.
Award No. n/a Year: 2007/2008	<u>Status</u> Not Implemented. This finding is renumbered to 09-SA-1 because we had the same finding for the current year audit as well.

COUNTY OF MARIN

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
Finding 08-SA-2	<i>Federal Grantor: U.S. Department of Health and Human Services</i>
Temporary Assistance for Needy Families CFDA 93.558	<i>Pass-Through Entity: State Department of Social Services</i>
	<i>Compliance Requirement: Eligibility/Special Tests (IEVS)</i>
	<i>Reporting Requirement: Material Weakness and Material Noncompliance in Relation to a Compliance Supplement Audit Objective</i>
Award No. n/a Year: 2007-2008	<u>Condition</u> We tested twenty-nine cases and noted that two cases did not have current IEVS documents for all active individuals on the cases and two cases had current IEVS but they had not been signed and dated by the Eligibility Worker. <u>Recommendation</u> We recommend that the Department review this omission to request, review, and compare the IEVS to information in the case record. We recommend that the Department attempt to determine why the current system of controls failed to prevent these exceptions and that the Department establish and communicate a policy designed to ensure that IEVS information is requested, received, and reviewed and that this review is documented in each case. <u>Status</u> Not Implemented. This finding is renumbered to 09-SA-2 because we had the same finding for the current year audit as well.

COUNTY OF MARIN

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
Finding 08-SA-3	<i>Federal Grantor: U.S. Department of Health and Human Services</i>
Medical Assistance Program CFDA 93.778	<i>Pass-Through Entity: State Departments of Health Services and Alcohol and Drug Abuse Programs</i>
Award No. n/a Year: 2007-2008	<i>Compliance Requirement: Eligibility/Special Tests (IEVS)</i> <i>Reporting Requirement: Significant Deficiency and Material Noncompliance in Relation to a Compliance Supplement Audit Objective</i>

Condition

We tested twenty-nine cases and noted that five cases did not have current IEVS documents for all active individuals.

Recommendation

We recommend that the Department review this omission to request, review, and compare the IEVS to information in the case record. We recommend that the Department attempt to determine why the current system of controls failed to prevent these exceptions and that the Department establish and communicate a policy designed to ensure that IEVS information is requested, received, and reviewed and that this review is documented in each case.

Status

Not Implemented. This finding is renumbered to 09-SA-3 because we had the same finding for the current year audit as well.

**SUPPLEMENTARY SCHEDULES
OF
THE CALIFORNIA EMERGENCY
MANAGEMENT AGENCY
AND
THE DEPARTMENT OF CORRECTIONS
AND REHABILITATION PROGRAMS
GRANT EXPENDITURES**

COUNTY OF MARIN

Schedule of the California Emergency Management Agency and the Department of Corrections and Rehabilitation Grants Expenditures For the Year Ended June 30, 2009

California Emergency Management Agency Grants

The following represents expenditures for California Emergency Management Agency (Cal EMA) programs for the year ended June 30, 2009. 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, 2008	For the Year Ended June 30, 2009	Cumulative As of June 30, 2009	Federal Share	State Share	County Share
<u>VW 08270210 - Victim Witness Assistance</u>						
Personal services	\$ 170,102	\$ 157,451	\$ 327,553	\$ 67,002	\$ 90,449	\$ --
Operating expenses	8,055	8,882	16,937	--	8,882	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ 178,157</u>	<u>\$ 166,333</u>	<u>\$ 344,490</u>	<u>\$ 67,002</u>	<u>\$ 99,331</u>	<u>\$ --</u>
<u>VB 08060210 - Vertical Prosecution</u>						
Personal services	\$ 92,892	\$ 67,179	\$ 160,071	\$ --	\$ 67,179	\$ --
Operating expenses	6,165	4,958	11,123	--	4,958	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ 99,057</u>	<u>\$ 72,137</u>	<u>\$ 171,194</u>	<u>\$ --</u>	<u>\$ 72,137</u>	<u>\$ --</u>
<u>AT 07040210 - Child Abuse Treatment</u> <i>*Grant year conforms to the Federal fiscal year - October 1 - September 30th</i>						
Personal services	\$ 4,954	\$ 2,090	\$ 7,044	\$ 2,090	\$ --	\$ --
Operating expenses	96,169	55,944	152,113	44,101	--	11,843
Equipment	--	--	--	--	--	--
Totals	<u>\$ 101,123</u>	<u>\$ 58,034</u>	<u>\$ 159,157</u>	<u>\$ 46,191</u>	<u>\$ --</u>	<u>\$ 11,843</u>
<u>AT 08050210 - Child Abuse Treatment</u> <i>*Grant year conforms to the Federal fiscal year - October 1 - September 30th</i>						
Personal services	\$ --	\$ 5,515	\$ 5,515	\$ 5,515	\$ --	\$ --
Operating expenses	--	114,355	114,355	90,381	--	23,974
Equipment	--	--	--	--	--	--
Totals	<u>\$ --</u>	<u>\$ 119,870</u>	<u>\$ 119,870</u>	<u>\$ 95,896</u>	<u>\$ --</u>	<u>\$ 23,974</u>
<u>DC 09110210 - Coordination of Probation Enforcement</u>						
Personal services	\$ --	\$ 159,591	\$ 159,591	\$ 159,591	\$ --	\$ --
Operating expenses	--	--	--	--	--	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ --</u>	<u>\$ 159,591</u>	<u>\$ 159,591</u>	<u>\$ 159,591</u>	<u>\$ --</u>	<u>\$ --</u>

COUNTY OF MARIN

Schedule of the California Emergency Management Agency and the Department of Corrections and Rehabilitation Grants Expenditures For the Year Ended June 30, 2009

California Emergency Management Agency Grants

The following represents expenditures for California Emergency Management Agency (Cal EMA) programs for the year ended June 30, 2009. 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, 2008	For the Year Ended June 30, 2009	Cumulative As of June 30, 2009	Federal Share	State Share	County Share
HT 08080210 - High Technology Theft Apprehension & Prosecution Program						
Personal services	\$ 327,497	\$ 206,662	\$ 534,159	\$ --	\$ 206,662	\$ --
Operating expenses	2,107,079	1,404,507	# 3,511,586	--	1,078,203	326,304
Equipment	--	11,000	11,000	--	11,000	--
Totals	<u>\$ 2,434,576</u>	<u>\$ 1,622,169</u>	<u>\$ 4,056,745</u>	<u>\$ --</u>	<u>\$ 1,295,865</u>	<u>\$ 326,304</u>
HD 08080210 - High Technology Theft Apprehension & Prosecution Program - Identify Theft Units						
Personal services	\$ 31,895	\$ 40,734	\$ 72,629	\$ --	\$ 40,734	\$ --
Operating expenses	670,484	270,366	940,850	--	205,629	64,737
Equipment	--	12,578	12,578	--	12,578	--
Totals	<u>\$ 702,379</u>	<u>\$ 323,678</u>	<u>\$ 1,026,057</u>	<u>\$ --</u>	<u>\$ 258,941</u>	<u>\$ 64,737</u>

California Department of Corrections and Rehabilitation Grants

The following represents expenditures for the California Department of Corrections and Rehabilitation programs for the year ended June 30, 2009. 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, 2008	For the Year Ended June 30, 2009	Cumulative As of June 30, 2009	Federal Share	State Share	County Share
CSA 129-08 - Juvenile Accountability Incentive Block Grant						
Personal services	\$ 15,598	\$ 15,606	\$ 31,204	\$ 15,606	\$ --	\$ --
Operating expenses	--	--	--	--	--	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ 15,598</u>	<u>\$ 15,606</u>	<u>\$ 31,204</u>	<u>\$ 15,606</u>	<u>\$ --</u>	<u>\$ --</u>
CSA 351-07 - Title II Formula Grants						
Personal services	\$ 614,684	\$ 502,726	\$ 1,117,410	\$ 502,726	\$ --	\$ --
Operating expenses	--	--	--	--	--	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ 614,684</u>	<u>\$ 502,726</u>	<u>\$ 1,117,410</u>	<u>\$ 502,726</u>	<u>\$ --</u>	<u>\$ --</u>

COUNTY OF MARIN

**Management Report
For the Year Ended June 30, 2009**

COUNTY OF MARIN

Management Report For the Year Ended June 30, 2009

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To the Board of Supervisors
County of Marin

In planning and performing our audit of the financial statements of the County of Marin (County) as of and for the year ended June 30, 2009, we considered the County'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 a 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 a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above. In addition, because of inherent limitations in internal controls, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

During our audit we became aware of matters that are opportunities for strengthening internal controls. The memorandum that accompanies this letter summarizes our comments and suggestions concerning these matters. We previously reported on the County's internal control in our report dated August 17, 2010. This letter does not affect our report dated August 17, 2010 on the financial statements of the County of Marin.

To the Board of Supervisors
County of Marin

This report is intended for the use of management, the Board of Supervisors, and officials of the federal and state grantor agencies, and is not intended to be and should not be used by anyone other than these specified parties.

We thank the County's staff for its cooperation during our audit.

Gallina LLP

Roseville, California
August 17, 2010

COUNTY OF MARIN

Management Report Current Year Comments For the Year Ended June 30, 2009

Professional standards require that we provide you with the following information related to our audit.

The Auditor's Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated January 22, 2010, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated January 22, 2010.

COUNTY OF MARIN

Management Report Current Year Comments For the Year Ended June 30, 2009

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

- Accrual and disclosure of compensated absences: Management's estimate is based on information collected in the County's payroll system using current pay rates and past experience on employee use of compensating time-off. Our audit agreed balances reported in the financial statements to those in the County's payroll system.
- Capital asset lives and depreciation expense: Management's estimate is based on past experience. We scanned depreciation listings for reasonable compliance to this approach.
- Valuation of risk management liabilities: Management's estimate is derived from actuarial reports obtained from experts. We agreed the claims liability reported in the financial statements to information derived from those reports.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No material misstatements were noted during the audit.

An audit adjustment of \$2.1 million was made to the financial statements to adjust accounts receivable and intergovernmental revenue in the General Fund.

COUNTY OF MARIN

Management Report Current Year Comments For the Year Ended June 30, 2009

In addition there was one immaterial misstatement identified during the audit. Management has determined that its effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

- Record an increase to cash and investments in the amount of \$5,293,665 which represents the difference between fair market value and the amortized cost of investments reflected on the County's financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 17, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

COUNTY OF MARIN

Management Report Current Year Comments For the Year Ended June 30, 2009

REPORT TIMELINESS

Criteria

Financial reporting entities exist in a dynamic, ever-changing operating environment. Information presented in financial statements provides the greatest benefit to users when it is available shortly following the end of the fiscal period presented in the statements. As a given set of financial statements grow older and new pressures and operating conditions arise, the older financial statements are less likely to convey those conditions in a way that allows users to make sound decisions. Consequently, both the California State Controller's Office and OMB Circular A-133 require submission of the County's final audited financial statements by the end of nine months following the close of each of the County's fiscal years.

Condition

Since the finalization of the fiscal year ended June 30, 2008 audit report which was issued in January 2010, the County has worked diligently with the Auditor to prepare for the June 30, 2009 audit. The County's books were closed by the end of April 2010 and fieldwork was conducted in June. The draft financial statements were completed in early August 2010 and the final audit report for this period was not issued until August 18, 2010.

Cause

Since the County's transition to its current accounting system, SAP, the County has not been able to close its books and prepare for the audit in a timely manner. This was due to a number of reasons including the reassignment of key staff to the SAP implementation team as well as problems with the conversion.

Effect

The County has not been able to submit on-time reports for the past three fiscal years and therefore has not been in compliance with the requirements of OMB Circular A-133, the California State Controller's Office, and other entities to which it had agreed by contract to furnish the audit report by an earlier date. Late submission of reports could cause the County to lose funding from various agencies.

COUNTY OF MARIN

Management Report
Current Year Comments
For the Year Ended June 30, 2009

REPORT TIMELINESS (continued)

Recommendation

We recommend that the County continue with its efforts to dedicate staffing assigned to financial reporting objectives to ensure that it can meet the required deadlines for the 2010 audit. The County has made great improvements in preparing for the 2009 audit and appears to be on the right course to becoming compliant with the requirements of the California State Controller's Office and OMB Circular A133.

Management Response

We agree that "timeliness" is a cornerstone of financial reporting and accordingly have invested the proper staffing to adequately work around the issues caused by the SAP conversion and deficiencies in work processes. We have made substantial progress in "catching up" with reporting timeliness and will be time compliant with the issuance of the June 30, 2010 financial report.

COUNTY OF MARIN

Management Report Current Year Comments For the Year Ended June 30, 2009

ACCOUNTING FOR GOVERNMENTAL TRUST FUNDS

Criteria

The County adopted the provisions of GASB Statement No. 34 (GASB 34), *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as of July 1, 2002. GASB 34 states that assets held for the government should no longer be reported in fiduciary funds, but rather in governmental or proprietary funds, as appropriate.

Condition

Currently, the County maintains approximately fifty (50) trust funds whose activity must be analyzed and summarized outside of the accounting system for integration into the financial statements at year end.

Due to the structure of these trust funds within the accounting system, the County is not able to fully utilize the capabilities of its accounting system to generate reports necessary for financial reporting and budgeting of these trust funds and has to rely on electronic spreadsheets for summarizing the activity of each of these funds. For example, the County is not able to generate revenue and expenditure budgetary comparisons by account or generate a summary of activity by revenue and expenditure type for a particular fund without manually summarizing the activity. In addition, we noted that there were some direct payments being made out of some funds without any budgetary consequences since revenues and disbursements are not compared against the adopted budget unless the funds are transferred from the trust funds to an existing governmental fund.

Cause

The County did not fully implement Governmental Accounting Standards Board’s Statement No. 34 prior to the installation of its new accounting system. This made the year-end “closing” process cumbersome, and necessitated a series of spreadsheets and other processes to enable adequate financial reporting.

Effect of Condition

By not fully utilizing the accounting system to report the activity of these governmental trust funds, staff is summarizing the activity using electronic spreadsheets which 1) can cause errors in exporting information into these spreadsheets and 2) increase the possibility of the County doubling-up revenues and expenditures for monies that are transferred from these trust funds to existing County funds. In addition, because the County does not budget for any activity occurring in these trust funds, it is not able to properly address any possible significant deviations from the adopted budget.

COUNTY OF MARIN

Management Report
Current Year Comments
For the Year Ended June 30, 2009

ACCOUNTING FOR GOVERNMENTAL TRUST FUNDS (continued)

Recommendation

We recommend that the Department of Finance consider utilizing its accounting system to account for the activity of governmental trust funds rather than the labor-intensive process of transferring data onto spreadsheets and to budget for trust fund activity. To implement this process, the Department of Finance will need to close out the governmental trust funds from the trust funds where they are currently being reported and either combine the balances with an existing governmental fund or create new funds that use the budgetary object code reporting structure. This is a repeat of a prior year recommendation.

Management Response

The Department of Finance and the County Administrator's Office jointly have prepared a solution to correctly account for "trust funds" as "government funds" along with the necessary amendments to the County's budget process. We expect implementation in the later part of 2010.

COUNTY OF MARIN

Management Report Current Year Comments For the Year Ended June 30, 2009

NETTING OF RECEIVABLES AGAINST ADVANCES

Criteria

Except in special, specifically defined circumstances, the financial statements should not net assets and liabilities together, as doing so obscures the true financial position of an entity by rendering readers unable to evaluate each balance sheet account separately.

Condition

While gaining an understanding of the composition of the County's accounts receivable balances, we learned that the receipt of social services advances, which result in an unearned revenue liability, are being offset against customer accounts receivable entries in accounts 1130120 - Advances - Customer and 1130105 - Accounts Receivable - Customers. The sum of the two accounts is being reported as the County's accounts receivable balance.

Cause

By not using a separate account for advances as a liability account, advances and accounts receivable are being treated as similar accounts.

Effect

The netting of unearned revenue and accounts receivable transactions referred to above results in the reporting of a composite balance that represents neither an asset nor a liability and is of limited benefit for financial statement users.

Recommendation

We recommend that the County separate out the reporting of unearned revenue transactions from accounts receivable transactions to promote clarity in presentation. This is a repeat of a prior year recommendation.

Management Response

The business processes of recording "advances" and "receivables" has been corrected during fiscal year 2010.

COUNTY OF MARIN

Management Report
Current Year Comments
For the Year Ended June 30, 2009

BOARD APPROVAL OF BUDGET ADJUSTMENTS

Criteria

The Board should approve adjustments to the budget on a periodic basis in order to ensure management oversight by the Board in accordance with Government Code Section 29125.

Condition

The Board issues an annual authorization letter, which gives the Department of Finance (DOF) and the County Administrative Officer (CAO) the authorization to adjust budgets as needed, with the exception of capital projects and grants which must be approved by the Board.

Cause

The authorization letter is considered by the Board, the DOF and the CAO as Board approval for any required individual budget adjustments, excluding capital projects and grants.

Effect

Adjustments to the budget may occur which the Board may not have approved if the adjustments were being reviewed on an individual basis.

Recommendation

The Board should approve all increases in appropriations at the legal level of budgetary control, which for the County of Marin is the object level within a budget unit. The County has implemented procedures to address this recommendation for the fiscal year ending June 30, 2010.

Management Response

The Department of Finance and the County Administrator's office revised the process to adjust budgets beginning July 2010. All budget adjustments will be presented to the Board of Supervisors for approval and only changes within a "budget unit" will be processed by Technical Adjustments.

COUNTY OF MARIN

Management Report
Current Year Comments
For the Year Ended June 30, 2009

CONTROL OVER PAYROLL

Criteria

Control over changes to master data kept in personnel files, including pay rates, requires that appropriate authorization be given and recorded to prevent fraud and errors. Records demonstrating this authorization should be complete and timely.

Condition

Review of personnel files in the Human Resources Department revealed incomplete records and inconsistent documentation.

- While conducting the audit, we encountered multiple cases where personnel documents could not be provided demonstrating the authorization of step increases.
- In several instances the personnel action forms recording step increases were not signed by either the department requesting the action or the human resources department.
- In several instances pay rates used to calculate payroll could not be reconciled to personnel action forms or other authorized increases.
- It was also noted that in several instances pay rates used in the Mars payroll system did not reconcile to pay rates used after cutover to SAP payroll system.

Cause

Inadequate enforcement of monitoring and record keeping over personnel files has allowed controls over the changing of pay rates to be neglected.

Effect

When controls over the maintenance of employee records are not enforced, fraudulent or inaccurate payroll processing becomes more likely.

Recommendation

We recommend that controls be implemented and enforced to ensure that changes in employee pay rates are appropriately authorized and approved. We also recommend that record keeping practices be implemented to ensure that all employee records are complete and maintained.

COUNTY OF MARIN

Management Report
Current Year Comments
For the Year Ended June 30, 2009

CONTROL OVER PAYROLL (continued)

Management Response

The Department of Finance will work with the Human Resources Department to review related work processes and strengthen controls over changes to employee master data.

COUNTY OF MARIN

Status of Prior Year Recommendations
For the Year Ended June 30, 2009

Recommendation	Status
REPORT TIMELINESS	
We recommend the County consider the staffing assigned to financial reporting objectives to ensure it is sufficient to permit timely preparation of the financial statements in the future. We also recommend that the County develop IT solutions that can be used on an ongoing basis to easily extract the data necessary to prepare financial statements and perform the audit.	Implemented
ACCOUNTING FOR GOVERNMENTAL TRUST FUNDS	
We recommend that the Department of Finance consider utilizing its accounting system to account for the activity of governmental trust funds rather than the labor-intensive process of transferring data onto spreadsheets and to budget for trust fund activity. To implement this process, the Department of Finance will need to close out the governmental trust funds from the trust funds where they are currently being reported and either combine the balances with an existing governmental fund or create new funds that use the budgetary object code reporting structure.	Implementation is continuing
BUDGETARY CONTROLS	
We recommend that the County consider the feasibility of implementing an automated control within the SAP system that would warn appropriate officials when salary expenditures exceeded budget or were projected to exceed budget, without actually preventing the issuance of payroll checks. We also recommend that the County perform more frequent comparisons of actual expenditures to the adopted budget to ensure that modifications to the budget are submitted to the Board for review in a timely manner and that over-spending is not allowed. Implementing such reviews would assist the County in dealing with potential problems proactively before actual obligations were incurred.	Implemented June 2010
FUNCTIONAL EXPENDITURE REPORTING IN SAP	
We recommend that the County create and associate each revenue account and expenditure account within SAP with one of the seven standard functions used by the California State Controller's Office and create a report within the SAP system that allows easy access to this data. The County may wish to use the spreadsheets already prepared as a basis for assigning the accounts to functional categories.	Implemented

COUNTY OF MARIN

Status of Prior Year Recommendations For the Year Ended June 30, 2009

Recommendation	Status
BUDGET TO ACTUAL REPORTING	
We recommend that the County consider whether the level of detail in SAP is appropriate for reconciling or agreeing actual revenues and expenditures to budget and to meet the financial reporting objectives and to make necessary adjustments.	Implemented
NETTING OF RECEIVABLES AGAINST ADVANCES	
We recommend that the County separate reporting of unearned revenue transactions from accounts receivable transactions to promote clarity in presentation.	Implementation is continuing
FINANCIAL STATEMENT PREPARATION AND APPLICATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES	
We recommend that the County continue to modify the SAP system to accurately process and record the business transactions in such a way to generate assurance as to accuracy and completeness of the financial information recorded. In addition, County staff, both in the Department of Finance and other departments which post to the accounting system should continue to be trained in the skills necessary to accurately and competently fulfill their responsibilities.	Implemented
BOARD APPROVAL OF BUDGET ADJUSTMENTS	
We recommend that the Board should approve budget adjustments on an individual basis.	Implemented June 2010
MISSING EMPLOYEE TIMESHEETS	
We recommend that timesheets be completed and authorized by all employees. We also recommend that all timesheets be maintained for a reasonable period of time and be accessible.	Implemented

