

**CHILDREN AND FAMILIES FIRST COMMISSION
OF VENTURA COUNTY
A Component Unit of the County of Ventura**

Single Audit Report
June 30, 2014

DRAFT

Fanning & Karrh

Certified Public Accountants

A Professional Corporation

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

Table of Contents	<u>Page</u>
Independent Auditor's Report on Compliance for each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	1 - 3
Schedule of Expenditures of Federal Awards	4
Notes to Schedule of Expenditures of Federal Awards	5
Schedule of Findings and Questioned Costs:	
Summary of Auditor's Results	6
Financial Statement Findings	7
Federal Award Findings	8 - 9
Prior Year Audit Findings	10

DRAFT



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Commissioners of
Children and Families First Commission of Ventura County:

Report on Compliance for Each Major Federal Program

We have audited the Children and Families First Commission of Ventura County's (Commission), a component unit of the County of Ventura, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2014. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of the 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 Commission'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 Commission'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 Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Children and Families First Commission of Ventura 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 major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 2014-001 and 2014-002. Our opinion on each major federal program is not modified with respect to these matters.

The Commission's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Commission'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 Children and Families First Commission of Ventura 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 Commission'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 Commission's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses, or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities and each governmental fund of Children and Families First Commission of Ventura County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements. We issued our report thereon dated October 9, 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. 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 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 is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ventura, California
March __, 2015

DRAFT

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
 A COMPONENT UNIT OF THE COUNTY OF VENTURA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE)			
Race to the Top - Early Learning Challenge (RTT-ELC)	84.412A	15181	\$ <u>722,012</u>
Total U.S. Department of Education			<u>722,012</u>
Total Expenditures of Federal Awards			<u>\$ 722,012</u>

DRAFT

See accompanying notes to financial statements and auditor's report.

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Children and Families First Commission of Ventura County (the Commission), known as First 5 Ventura County. The Commission is considered a legal public entity separate from the County of Ventura (the County). However, the Commission is a component unit of the County for financial reporting purposes. The Commission's reporting entity is defined in Note 1 of the Commission's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the Schedule of Expenditures of Federal Awards.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting which is described in Note 1 of the Commission's basic financial statements.

Relationship to Basic Financial Statements

Federal awards revenues are generally reported within the Commission's financial statement under the financial statement caption "Program Revenue".

Pass Through Awards to Subrecipients

Included in the total expenditures of federal awards, the amount of \$664,414 has been passed through to subrecipients under CFDA# 84.412A.

Relationship to Federal Financial Reports

Amounts reported on the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports. However, certain federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the Schedule of Expenditures of Federal Awards and the federal financial reports.

2. RELATED PARTY TRANSACTIONS

Certain members of the Commission are contractors, directors, or employees of agencies that are funded by the Commission and, accordingly, may receive payments or compensation from those agencies. For fiscal year 2013-14, federal expenditures paid under such contracts amounted to \$664,414. The Commission's conflict of interest policy prohibits a commissioner from any decision making process that involves a related agency.

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiencies identified that are not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards:

Internal control over major programs:	
Material weakness identified?	<u>No</u>
Significant deficiencies identified that are not considered to be material weaknesses?	<u>None Reported</u>

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major program: CFDA

U.S Department of Education
Race to the Top - Early Learning Challenge 84.412A

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? No

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II - Financial Statement Findings

None noted

DRAFT

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION III - Federal Award Findings

2014-001 RTT-ELC - CFDA 84.412A

Condition and Criteria: The payroll charge was not documented as prescribed in OMB Circular A-87.

Perspective Information: Payroll was charged to the grant based upon an approved budgeted amount of 15% for the Program Director. Comparisons of actual costs to budgeted distributions were not performed on a quarterly basis, a requirement of A-87. Subsequent to the year ended June 30, 2014, a Personnel Activity Report was prepared which supported that 17% of the Program Directors actual hours were spent on the program. OMB Circular A-87 requires, among other things, that where employees work on multiple activities, a distribution of their salaries or wages be supported by personnel activity reports or equivalent. It further requires the personnel activity report reflect the total activity for the employee, be prepared at least monthly, be signed by the employee, and compared to budgeted distributions at least quarterly.

Cause: Procedures were not in place to provide for the timely preparation of the personnel activity report and quarterly reviews.

Auditor's Recommendation: Procedures should be established requiring the monthly preparation of personnel activity reports for all employees that have payroll charged to Federal programs, along with procedures for a quarterly reconciliation in order to record any changes as allowed through the budgeted distributions.

Views of Responsible Officials: The Program Director's time was tracked in a calendar format. Subsequent to June 30, 2014, procedures have been developed to track an individual's total payroll activity, in accordance with the format required by federal guidelines on a monthly basis with quarterly reconciliation when Federal funding covers a portion of the total personnel costs.

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION III - Federal Award Findings - concluded

2014-002 RTT-ELC - CFDA 84.412A

Criteria: A timely determination of subrecipient or vendor relationship was not made.

Condition: In accordance with OMB Circular A-133, Section 210, a determination as to whether payments to another organization constitute a Federal award (subrecipient) or a payment for goods and services (vendor) is required upon execution of the contract. Subsequent to June 30, 2014, a determination of a contract relationship as a subrecipient was made and the contractor was provided with the Federal CFDA number and the Federal expenditure amount for the fiscal year ended June 30, 2014. Since the determination was not made at the time of the contract, the Federal award information was not provided to the subrecipient in a timely manner. Additionally, the subrecipient's Schedule of Expenditures of Federal Awards for the years ended June 30, 2013 and June 30, 2014 did not include the ELC-RTT expenditures.

Perspective Information: The Commission has documented policies and procedures for monitoring subrecipient compliance on all their award contracts. Procedures were performed during the subaward monitoring to obtain reasonable assurance that the subrecipient used the federal program funds for authorized purposes, complied with laws, regulation, and the provisions of contracts and grant agreements, and achieved performance goals. However, its policy and procedures does not include the determination of subrecipient or vendor relationship.

Auditor's Recommendation: Procedures should be established to determine the subrecipient or vendor relationship for subawards of all Federal funds at the time of granting the subaward.

Views of Responsible Officials: Procurement policies and procedures will be updated to add that a determination will be made for all contracts receiving Federal funding as to whether it is considered a vendor or subrecipient per the definitions of OMB Circular A-133.

CHILDREN AND FAMILIES FIRST COMMISSION OF VENTURA COUNTY
A COMPONENT UNIT OF THE COUNTY OF VENTURA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION III - Prior Year Audit Findings

Not Applicable

DRAFT