

**COUNTY OF SONOMA, CALIFORNIA**

Single Audit Reports

For the Fiscal Year Ended June 30, 2007

**COUNTY OF SONOMA, CALIFORNIA  
SINGLE AUDIT REPORTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

*Table of Contents*

	<i>Page(s)</i>
Schedule of Expenditures of Federal Awards .....	1-5
Notes to Schedule of Expenditures of Federal Awards .....	6-8
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	9-10
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program, Internal Control over Compliance and the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133 .....	11-13
Schedule of Findings and Questioned Costs .....	14-17
Status of Prior Year Findings and Questioned Costs .....	18-19

**COUNTY OF SONOMA, CALIFORNIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass-through Grantor/Program Name	Federal CFDA No.	Pass through Grant Award No.	Expenditures
<b>U.S. Department of Agriculture</b>			
<u>Passed through the State Department of Social Services</u>			
Foodstamps	10.551	11609	\$ 16,918,146
State Administrative Matching Grant for Food Stamp Program	10.561	05-45538	2,828,946
Subtotal Foodstamps Cluster - Passed through Department of Social Services			<u>\$ 19,747,092</u>
<u>Passed through the State Department of Agriculture</u>			
School Breakfast Program	10.553	49-10496-6052401-01	733,600
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	05-45803	1,434,386
Subtotal Passed through State Department of Agriculture			<u>2,167,986</u>
<u>Passed through the State Department of Natural Resources</u>			
Farm and Ranch Lands Protection Program	10.913	73-9104-5-10	500,000
<b>Total U.S. Department of Agriculture</b>			<b><u>22,415,078</u></b>
<b>U.S. Department of Commerce</b>			
<u>Direct Federal Program</u>			
Habitat Conservation	11.463	NA04NNMF4630069	124,040
<b>Total U.S. Department of Defense</b>			<b><u>124,040</u></b>
<b>U.S. Department of Defense</b>			
<u>Direct Federal Program</u>			
Navigation Projects	12.107	-----	121,716
<b>Total U.S. Department of Defense</b>			<b><u>121,716</u></b>
<b>U.S. Department of Housing and Urban Development</b>			
<u>Direct Federal Programs</u>			
Housing Opportunities For Persons With AIDS	14.241	04-35626-A02	19,350
Housing Opportunities For Persons With AIDS	14.241	05-45923	322,750
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>342,100</u></b>
<b>U.S. Department of Interior</b>			
<u>Direct Federal Programs</u>			
U.S. Bureau of Reclamation - Water Reclamation and reuse Program	15.504	-----	245,669
<b>Total U.S. Department of Interior</b>			<b><u>245,669</u></b>
<b>U.S. Department of Justice</b>			
<u>Direct Federal Programs</u>			
Law Enforcement Assistance Narcotics and Dangerous Drugs Training	16.004	-----	259,403
Local Law Enforcement Block Grants	16.592	2006-DJBX0612	72,933
State Criminal Alien Assistance Program	16.606	-----	604,578
Subtotal Direct			<u>936,914</u>

**COUNTY OF SONOMA, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/Grant Name	Federal CFDA No.	Pass through Grant Award No.	Expenditures
<b>U.S. Department of Justice (Continued)</b>			
<u>Passed through State Office of Emergency Services (Continued)</u>			
Victim Assistance Center	16.575	VCGC5062	117,821
Edward Byrne Memorial Formula Grant Program - Domestic Cannabis Eradication	16.579	2006-45	48,911
Edward Byrne Memorial Formula Grant Program - Marijuana Suppression Program	16.579	MS06140490	118,905
Edward Byrne Memorial Formula Grant Program - Narcotics Elimination Task Force	16.579	DC06170490	167,849
Subtotal Edward Byrne Memorial Formula Grant Programs			335,665
Subtotal Passed through State Office of Emergency Services			453,486
<b>Total U.S. Department of Justice</b>			<b>1,390,400</b>
<b>U.S. Department of Labor</b>			
<u>Direct Federal Program</u>			
Disability Employment Policy Development - Project Inclusion	17.720	6592	16,315
<u>Passed through the State Department of Education</u>			
Workforce Investment Act - Adult Program	17.258	201 & 202	507,604
Workforce Investment Act - Adult Program -COMPASS	17.258	739	45,905
Workforce Investment Act - Adult Program - NEG	17.258	836 & 693	76,578
Workforce Investment Act - Youth Activities	17.259	301 & 302	609,672
Workforce Investment Act - Youth Activities - Regional Incentive	17.259	117	6,000
Workforce Investment Act - Dislocated Workers	17.260	501 & 502	814,075
Workforce Investment Act - Dislocated Workers	17.260	528	309,662
Workforce Investment Act - Dislocated Workers - Rapid Response	17.260	540 & 541	297,147
Subtotal Workforce Investment Act Cluster passed through the State Department of Education			2,666,643
<b>Total U.S. Department of Labor</b>			<b>2,682,958</b>
<b>U.S. Department of Transportation</b>			
<u>Direct Federal Program</u>			
Federal Aviation Administration - Airport Improvement Program	20.106	2004-8-30	100,364
Federal Aviation Administration - Airport Improvement Program	20.106	-----	1,031,751
Federal Aviation Administration - Airport Improvement Program	20.106	DTFA08-06-C-31701	57,349
Federal Aviation Administration - Airport Improvement Program	20.106	DTFA08-06-C-31700	31,536
Federal Aviation Administration - Airport Improvement Program	20.106	DTFA08-05-C-31586	321,434
Federal Aviation Administration - Airport Improvement Program	20.106	DTFA08-04-C-31488	8,987
Federal Aviation Administration - Airport Improvement Program	20.106	DTFA08-03-C-31439	86,656
Subtotal Federal Aviation Administration - Airport Improvement Program			1,638,077
<u>Passed through the State Department of Transportation</u>			
Highway Planning and Construction	20.205	ER 3644 (001)	1,460,588
Highway Planning and Construction	20.205	STPLH 5920 (101)	22,500
Highway Planning and Construction	20.205	STPLX 5920 (035)	8,352
Highway Planning and Construction	20.205	STPLZ 5920 (002)	2,171
Highway Planning and Construction	20.205	STPLZ 5920 (027)	1,946,311
Highway Planning and Construction	20.205	STPLZ 5920 (030)	10,966
Highway Planning and Construction	20.205	STPLZ 5920 (048)	892,662
Highway Planning and Construction	20.205	STPLZ 5920 (059)	51,332
Highway Planning and Construction	20.205	CML 5920(099)	119,834
Highway Planning and Construction	20.205	BHLS 5920 (045)	5,693
Highway Planning and Construction	20.205	BHLO 5920 (075)	4,781
Highway Planning and Construction	20.205	STPL 5920 (096)	6,706,123
Subtotal - Highway Planning and Construction passed through the State Department of Transportation			11,231,313

**COUNTY OF SONOMA, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/Grant Name	Federal CFDA No.	Pass through Grant Award No.	Expenditures
<b>U.S. Department of Transportation (Continued)</b>			
<u>Passed through the State of California Office of Traffic Safety</u>			
Job Access Reverse Commute	20.516	N/A	49,490
State and Community Highway Safety	20.600	PTO553 & AL0723	64,792
Subtotal State of California Office of Traffic Safety			<u>114,282</u>
<b>Total U.S. Department of Transportation</b>			<b><u>12,983,672</u></b>
<b>U.S. Environmental Protection Agency</b>			
<u>Direct Federal Programs</u>			
Leaking Underground Storage Tank Trust Fund Program - Corrective Action	66.805	06-026-250-0	140,555
<u>Passed through the State Department of Health Services</u>			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	SRF1997CX107	164,142
<b>Total U.S. Environmental Protection Agency</b>			<b><u>304,697</u></b>
<b>U.S. Department of Education</b>			
<u>Passed through the State Department of Education</u>			
Child Care	84.xxx	CAPP-5081	141,063
Safe and Drug Free Schools and Communities	84.186	SDF03-01	87,233
Subtotal State Department of Education			<u>228,296</u>
<u>Passed through State Department of Rehabilitation</u>			
Rehabilitation Services Vocational Rehabilitation Grants	84.126	26428	81,967
<b>Total U.S. Department of Education</b>			<b><u>310,263</u></b>
<b>U.S. Department of Health and Human Services</b>			
<u>Direct Federal Programs</u>			
Ryan White CARE Act Title IV Program	93.153	6 H12 HA 23035-06-01	254,296
HIV Emergency Relief Project Grants	93.914	6 H89 HA 00042-12-01	960,177
HIV Outpatient Early Intervention Services	93.918	2 H76 HA 00580-07-00	429,980
Subtotal Direct			<u>1,644,453</u>
<u>Passed through the State Department of Aging -</u>			
<u>Special Programs for the Aging</u>			
Title VII B - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	AP-0607-27	7,279
Title VII A - Long Term Care Ombudsman Services for Older Individuals	93.042	AP-0607-27	25,686
Title III-Part D-Disease Prevention and Health Promotion Services	93.043	AP-0607-27	28,045
Title III, Part E - National Family Caregiver Support	93.052	AP-0607-27	218,102
Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	AP-0607-27	641,221
Title III, Part C - Nutrition Services	93.045	AP-0607-27	592,549
Nutrition Services Incentive Program	93.053	AP-0607-27	170,313
Subtotal Aging Cluster			<u>1,404,083</u>
Title XIX Medicaid Waiver	93.778	MS-0607-11	857,000
Special Program for the HICAP	93.779	HI 0607-27	103,880
Subtotal Passed through State Department of Aging			<u>2,644,075</u>

**COUNTY OF SONOMA, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/Grant Name	Federal CFDA No.	Pass through Grant Award No.	Expenditures
<b>U.S. Department of Health and Human Services (Continued)</b>			
<u>Passed through the State Department of Health Services</u>			
Public Health and Social Services Emergency Fund	93.003	-----	280,468
Medical Reserve Corps Small Grant Program	93.008	MRCSG030062-03-00	19,963
Projects for Assistance in Transition from Homelessness	93.150	-----	59,522
Substance Abuse and Mental Services - Projects of Regional and National Significance	93.243	SIG04-01	255,460
Immunization Grants	93.268	06-55206	118,698
CDC - Investigations and Technical Assistance:			
Preparedness and Response to Bioterrorism	93.283	N/A	1,028,390
North Coast Regional EPI Project	93.283	N/A	537
Subtotal CDC - Investigations and Technical Assistance Grants			1,028,927
Special Projects of National Significance	93.928	4 H97 HA 05565-01-03	18,693
Block Grants for Community Mental Health Services (SAMHSA)	93.958	N/A	264,346
Block Grants for Prevention and Treatment of Substance Abuse	93.959	SCC49	2,808,813
Preventative Health Services - Sexually Transmitted diseases Control Grants - CLASP (Chlamydia Screening Project)	93.977	05-45688	40,000
Prevention Health and Health Services Block Grant	93.991	N/A	574,709
Maternal and Child Health Services Block Grants	93.994	2006-49	135,504
Maternal and Child Health Services Block Grants - Help for Teen Parents	93.994	2006-49	131,696
Subtotal Maternal and Child Health Services Block Grants			267,200
Subtotal Passed through State Department of Health Services			5,736,799
<u>Passed through the State Department of Health - Office of AIDS</u>			
Projects for Assistance in Transition from Homelessness	93.150	06-55778	166,144
HIV Care Formula Grants	93.917	04-05387-01	57,000
Subtotal Passed through State Department of Health - Office of AIDS			223,144
<u>Passed through State Department of Rehabilitation</u>			
Promoting Safe and Stable Families	93.556	N/A	328,152
Refugee and Entrant Assistance	93.566	N/A	4,462
Subtotal Passed through State Department of Rehabilitation			332,614
<u>Passed through State Department of Social Services</u>			
Temporary Assistance for Needy Families - Program Administration	93.558	11001	15,161,088
Temporary Assistance for Needy Families - FGU	93.558	11001	17,286,697
Subtotal Temporary Assistance for Needy Families			32,447,785
Child Support Enforcement	93.563	N/A	9,720,845
Child Welfare Services - Title IV-B	93.645	12313	294,861
Foster Care Assistance - Title IV-E	93.658	12307	3,275,255
Foster Care Assistance Administration - Title IV-E	93.658	0601CA1401	2,563,453
Foster Care - Title IV-E	93.658	12307	3,382,817
Subtotal Foster Care			9,221,525

**COUNTY OF SONOMA, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/Grant Name	Federal CFDA No.	Pass through Grant Award No.	Expenditures
<b>U.S. Department of Health and Human Services (Continued)</b>			
<u>Passed through State Department of Social Services (Continued)</u>			
Adoption Assistance	93.659	12402	2,183,648
Chafee Foster Care Independent Program	93.674	12332	153,287
State Children's Insurance Program	93.767	N/A	300,984
Medical Assistance Program - Children	93.778	N/A	931,629
Medical Assistance Program - Administration	93.778	N/A	10,163,898
Medical Assistance Program - Adolescent and Family Life Program (MCAH)	93.778	2006-49	187,317
Medical Assistance Program	93.778	05-45175	24,976
Medical Assistance Program -Maternal Child Health Branch	93.778	2006-49	375,021
Subtotal Medical Assistance Program Grants			<u>11,682,841</u>
Subtotal Passed through State Department of Social Services			<u>66,005,776</u>
Subtotal Passed through			<u>74,942,408</u>
<b>Total U.S. Department of Health and Human Services</b>			<b><u>76,586,861</u></b>
<b>U.S. Department of Homeland Security</b>			
<u>Passed through the State Office of Emergency Services</u>			
Public Disaster Assistance (President declared)	97.036	2007-1	1,311,333
Emergency Management Performance Grants	97.042	2006-8	78,654
Staffing for Adequate Fire and Emergency Response (SAFER)	97.042	2006-8	49,777
State Homeland Security Program (SHSP)	97.073	2005-015	533,117
State Homeland Security Program (SHSP)	97.073	2006-71	388,951
State Homeland Security Program (SHSP)	97.073	20047-45	86,246
Subtotal Homeland Security Grant Program			<u>1,008,314</u>
Buffer Zone Protection Program (BZPP)	97.078	2005-68	11,862
Subtotal Passed through the State Office of Emergency Services			<u>2,459,940</u>
<b>Total U. S. Department of Homeland Security</b>			<b><u>2,459,940</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u><u>\$ 119,967,394</u></u></b>

**COUNTY OF SONOMA, CALIFORNIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 1 – GENERAL**

The accompanying schedule of expenditures of federal awards (SEFA) for the fiscal year ended June 30, 2007, presents the activity of all federal award programs of the County of Sonoma, California (County) with the exception of the federal award programs of the Sonoma County Community Development Commission and the County of Sonoma Transportation Project Fund (Transit), which were subject to separate audits by independent auditors.

The expenditures incurred under federal award programs audited by other auditors are as follows:

Sonoma County Community Development Commission	\$ 25,651,961
Sonoma County Transportation Project Fund	3,784,734

The County reporting entity is defined in Note 1 to the County’s basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the SEFA.

**NOTE 2 – BASIS OF ACCOUNTING**

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in Note 1 to the County’s basic financial statements.

**NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS**

The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant contract information and the Office of Management and Budget’s Catalog of Federal Domestic Assistance.

**NOTE 4 – FOOD STAMPS**

Food stamps expenditures of \$16,918,146 represent the face value of food stamps distributed in the County. They do not represent cash expenditures and accordingly are not reported in the County’s basic financial statements for the fiscal year ended June 30, 2007.

**COUNTY OF SONOMA, CALIFORNIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 5 – AMOUNT PROVIDED TO SUBRECIPIENTS**

Of the total federal expenditures presented in the SEFA, the following amounts were passed through to subrecipients:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
State Administrative Matching Grant for Food Stamp Program	10.561	\$ 101,418
Housing Opportunities for Persons with AIDS	14.241	319,490
Workforce Investment Act Cluster	17.258 - 17.260	629,622
Disability Employment Policy Development – Project Inclusion	17.720	8,032
Job Access Reverse Commute	20.516	22,051
State and Community Highway Safety	20.600	8,250
Safe and Drug Free Schools and Communities	84.186	70,704
Public Health and Social Services Emergency Fund	93.003	101,679
Title VII A - Long Term Care Ombudsman Services for Older Individuals	93.042	25,686
Title III-Part D - Disease Prevention and Health Promotion Services	93.043	27,861
Title III, Part E - National Family Caregiver Support Aging Cluster	93.044-45/53	1,106,840
Ryan White CARE Act Title IV Program	93.153	156,438
Substance Abuse and Mental Services - Projects of Regional and National Significance	93.243	231,800
Immunization Grants	93.268	118,698
CDC – Investigations and Technical Assistance – Preparedness and Response to Bioterrorism	93.283	12,000
Promoting Safe and Stable Families	93.556	183,464
Temporary Assistance for Needy Families	93.558	1,613,410
Special Program for the HICAP	93.779	96,688
HIV Emergency Relief Project Grants	93.914	603,532
HIV Care Formula Grants	93.917	20,634
HIV Outpatient Early Intervention Services	93.918	33,550
Block Grants for Community Mental Health Services	93.958	264,346
Block Grants for Prevention and Treatment of Substance Abuse	93.959	1,301,738
Total		<u>\$ 7,226,705</u>

**COUNTY OF SONOMA, CALIFORNIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 6 – PROGRAM TOTALS**

The schedule of expenditure of federal awards does not summarize programs that cross agency funding. The following summarizes those programs that cross agency funding:

<u>Program</u>	<u>CFDA#</u>	<u>Pass Through Agency</u>	<u>Amount</u>
Medical Assistance Program	93.778	State Department of Aging	\$ 857,000
		State Department of Social Services	<u>11,682,841</u>
		Program Total	12,539,841

**NOTE 7 – SCHEDULE OF STATE OF CALIFORNIA OFFICE OF EMERGENCY SERVICES GRANT EXPENDITURES**

The following represents the State of California Office of Emergency Services grant expenditures, by department, for the fiscal year ended June 30, 2007. Budgets are established at the combined grant level.

Narcotics Elimination Task Force - Grant No. DC 06170490

<u>Department/Category</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sheriff:			
Operating expenses	\$ 1,202	\$ 1,202	\$ --
District Attorney:			
Personal services	47,982	47,982	--
Probation:			
Personal services	118,665	118,665	--
Totals:			
Personal services	166,647	166,647	--
Operating expenses	<u>1,202</u>	<u>1,202</u>	<u>--</u>
Total	<u>\$ 167,849</u>	<u>\$ 167,849</u>	<u>\$ --</u>

Marijuana Suppression Program - Grant No. MS 06140490

<u>Department/Category</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sheriff:			
Personal services	\$ 15,507	\$ 18,857	\$ 3,350
Operating expenses	<u>2,320</u>	<u>2,320</u>	<u>--</u>
Subtotal	<u>17,827</u>	<u>21,177</u>	<u>--</u>
District Attorney:			
Personal services	<u>101,078</u>	<u>97,728</u>	<u>(3,350)</u>
Totals:			
Personal services	116,585	116,585	--
Operating expenses	<u>2,320</u>	<u>2,320</u>	<u>--</u>
Total	<u>\$ 118,905</u>	<u>\$ 118,905</u>	<u>\$ --</u>



To the Honorable Members of the  
 Board of Supervisors  
 County of Sonoma, California

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

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 Sonoma, California (the County), as of and for the fiscal year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 16, 2007. We did not audit the financial statements of the Sonoma County Community Development Commission major Special Revenue Fund. Also, we did not audit the financial statements of the Sonoma County Library, the Sonoma County Fair and Exposition, Inc., and the County of Sonoma Transportation Project Fund (Transit) which represent the following percentages of assets, net assets/fund balances and revenues as of and for the fiscal year ended June 30, 2007:

Opinion Unit	Assets	Net assets/fund balances	Revenues
Governmental Activities	3.8%	6.7%	7.6%
Business-type Activities	8.4	13.2	18.2
Aggregate Remaining Fund Information	5.2	6.6	16.7

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2007-A and 2007-B to be significant deficiencies in internal control over financial reporting

A *material weakness* is a significant deficiency, or combination of significant deficiencies that result 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the significant deficiencies described in the accompanying schedule of findings and questioned costs as items 2007-A and 2007-B are material weakness.

#### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

*Maclean Hui & O'Connell LLP*

Certified Public Accountants

Sacramento, California  
December 16, 2007



**MACIAS GINI & O'CONNELL** LLP  
 CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300  
 Sacramento, CA 95816  
 916.928.4600

2175 N. California Boulevard, Suite 645  
 Walnut Creek, CA 94596  
 925.274.0190

505 14th Street, 5th Floor  
 Oakland, CA 94612  
 510.273.8974

515 S. Figueroa Street, Suite 325  
 Los Angeles, CA 90071  
 213.286.6400

402 West Broadway, Suite 400  
 San Diego, CA 92101  
 619.573.1112

To the Honorable Members of the  
 Board of Supervisors  
 County of Sonoma, California

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
 APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE  
 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 IN ACCORDANCE WITH OMB CIRCULAR A-133**

*Compliance*

We have audited the compliance of County of Sonoma, California (County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2007. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the following entities, which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2007:

Entity	Federal Expenditures
Sonoma County Community Development Commission	\$ 25,651,961
Sonoma County Transportation Project Fund	3,784,734

Our audit, described below, did not include the operations of those entities as those entities were audited by other auditors in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and is described in the accompanying schedule of findings and questioned costs as item 2007-1.

### *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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not to the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2007-1 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness

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

### *Schedule of Expenditures of Federal Awards*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated December 16, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. We did not audit the financial statements of the Sonoma County Community Development Commission major Special Revenue Fund. Also, we did not audit the financial statements of the Sonoma County Library, the Sonoma County Fair and Exposition, Inc., and the County of Sonoma Transportation Project Fund (Transit), which represent the following percentages of assets, net assets/fund balances and revenues as of and for the fiscal year ended June 30, 2007:

<u>Opinion Unit</u>	<u>Assets</u>	<u>Net assets/fund balances</u>	<u>Revenues</u>
Governmental Activities	3.8%	6.7%	7.6%
Business-type Activities	8.4	13.2	18.2
Aggregate Remaining Fund Information	5.2	6.6	16.7

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

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. The schedule of expenditures of federal awards does not include the expenditures of federal awards made by the Sonoma County Community Development Commission or the Sonoma County Transportation Project Fund as those entities are audited by other auditors in accordance with OMB Circular A-133. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Macie Hui & O'Connell LLP*

Certified Public Accountants

Sacramento, California  
March 17, 2008, except for the  
schedule of expenditures of federal awards,  
as to which the date is December 16, 2007

**COUNTY OF SONOMA, CALIFORNIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Section I – Summary of Auditor’s Results**

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	Yes
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes
Identification of major programs:	
<u>Program Title</u>	<u>CFDA</u>
Highway Planning and Construction	20.205
Child Support Enforcement	93.563
Medical Assistance Program	93.778
Dollar threshold used to distinguish between Type A and Type B programs:	\$3,000,000
Auditee qualified as low-risk auditee?	Yes

**COUNTY OF SONOMA, CALIFORNIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Section II – Financial Statement Findings**

**Item: 2007-A CAPITALIZATION OF CONSTRUCTION IN PROGRESS**

**Condition:**

During our audit, we noted that the Water Agency, a blended component unit of the County, had incorrectly capitalized certain costs incurred in prior years associated with the Mumford Dam and Crocker Creek fish passages projects.

**Effect:**

The County recorded a prior period adjustment and restated beginning net assets in the Water Agency major enterprise fund and reduced capital assets by \$1,949,641 as a result of the incorrectly capitalized costs.

**Cause:**

The project costs were inappropriately capitalized as construction in progress because the projects were incorrectly established within the Water Agency's Project Cost Accounting System (PCAS).

**Recommendation:**

We recommended that a formal process be established which would require the approval from the Sonoma County Auditor-Controller's Office before inputting new projects into the PCAS. The approval process would ensure that at the inception of the projects undertaken by the County, such project costs are properly identified as either capital projects or ongoing repairs and maintenance projects.

**Management Response:**

In September 2007, the Water Agency implemented a new process for assigning project numbers in its project cost accounting system. This process utilizes a control form that must be completed prior to the issuance of a project number. Included on the form is a field that requires a description of the project and whether or not the project should be classified as capitalizable. The staff at the Auditor Controller's Office will be consulted when a final determination is required. The Water Agency believes the implementation of this process will eliminate any future classification errors in regards to capitalizable costs.

**COUNTY OF SONOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Section II – Financial Statement Findings (Continued)**

**Item: 2007-B MISCLASSIFICATION OF DEPRECIABLE CAPITAL ASSETS**

**Condition:**

During our audit, we noted that the County had \$19,047,041 related to the landfill's expansion that was incorrectly recorded as land rather than site improvements. It was also determined that \$13,588,976 related to completed projects and \$1,802,671 other non-capital activities were inappropriately included in construction in progress rather than site improvements and expense, respectively. The County recorded accumulated depreciation related to the above reclassifications in the amount of \$26,951,722.

**Effect:**

The County recorded a prior period adjustment and restated beginning net assets in the Refuse major enterprise fund and reduced capital assets by \$28,754,393 as a result of the misclassification of depreciable costs and expenses incurred in prior periods.

**Cause:**

The landfill expansion costs and facility upgrades were inappropriately classified as land as a result of the improper identification of the nature of the costs.

**Recommendation:**

We recommend that a formal process be established which would require the detailed review and approval of the accounting treatment of project costs from the Sonoma County Auditor-Controller's Office before inputting new projects into its Cost Accounting System (CAS). The review and approval process would ensure that at the inception of the projects undertaken by the County, such project costs are properly identified and classified as either non-depreciable land acquisitions, depreciable improvements, or repairs, maintenance and other expenses.

**Management Response:**

The Auditor-Controller's Office will work with project supervisors to review and approve the accounting treatment of project costs prior to inputting new projects into its CAS. The County believes the implementation of this process will eliminate any future classification errors in regards to capitalizable costs.

**COUNTY OF SONOMA, CALIFORNIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Section III – Federal Award Findings and Questioned Costs**

**Item:** 2007-1  
**Federal Program:** Medical Assistance Program  
**CFDA #** 93.778  
**Department:** United States Department of Health and Human Services

**Criteria:**

Participants in the Medical Assistance Program (the Program) must meet the State of California's (State's) eligibility requirements as provided in the State plan (42 CFR section 431.10). The State's program guidelines require that the eligibility of all participants be re-determined on an annual basis to ensure that participants receiving assistance continue to meet the program's eligibility requirements based on income, family status or need. The re-determination process also ensures that participant files are properly maintained. There are specific requirements that must be followed to ensure that individuals meet the financial and categorical requirements for Medicaid. The County is required to use the income and eligibility verification system (IEVS) to verify eligibility using wage information available from such sources as the agencies administering State unemployment compensation laws, Social Security Administration (SSA), and the Internal Revenue Service to verify income eligibility and the amount of eligible benefits.

**Condition:**

During our review of 40 participant files, we noted five cases in which the required annual re-determinations had not been conducted and/or documented and three cases in which the IEVS form was not signed and dated.

**Questioned Costs:**

Undeterminable.

**Effect:**

The County has not complied with Federal and State program eligibility requirements, which could jeopardize future funding. In addition, the grantor agencies may disallow assistance payments made to participants who are not eligible for the assistance.

**Recommendation:**

We recommend the County conduct and properly document annual eligibility re-determinations including using IEVS for all participants as required by Federal and State program guidelines. We further recommend the County strengthen the quality control review process by reviewing case files periodically to ensure all participant files contain and sign the required documents.



**COUNTY OF SONOMA  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Section III – Federal Award Findings and Questioned Costs (Continued)**

<b>Reference Number:</b>	<b>2006-01</b>
Federal Catalog Number/ Program Name:	93.778 Medical Assistance Program
Audit Finding:	During our review of 40 participant files, we noted five cases in which the required annual re-determinations had not been conducted and/or documented and one case in which the IEVS form was not signed and dated.
Status of Corrective Action:	Not corrected. See finding 2007-01