

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

To the Honorable Legislature of the
County of Sullivan, New York:

Compliance

We have audited the County of Sullivan, New York's ("County") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB Circular A-133 Compliance Supplement*) that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2011. 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 Sullivan County Community College (a component unit), which received \$7,940,665 in federal awards which is not included in the schedule during the year ended December 31, 2011. Our audit, described below, did not include the operations of the Sullivan County Community College, as another auditor was engaged to perform an audit 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 of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the 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 to determine the 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2011-01. 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.

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 the response.

This report is intended solely for the information and use of the Board of Legislators, 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. However, this report is a matter of public record and its distribution is not limited.

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
June 27, 2012

COUNTY OF SULLIVAN, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2011

| <u>Federal Grantor Program Title</u> | <u>Federal CFDA Number (1)</u> | <u>Non ARRA (2)</u> | <u>Federal CFDA ARRA (2)</u> | <u>Federal Program Expenditures</u> |
|-------------------------------------------------------------------------------------------|----------------------------------------|-------------------------|--------------------------------------|---------------------------------------------|
| <u>U.S. Department of Agriculture</u> | | | | |
| Indirect Program - Passed through New York State Department of Health - | | | | |
| Special Supplemental Nutrition Program for Woman, Infants and Children | 10.557 | \$ 1,729,652 | \$ | \$ 1,729,652 |
| Indirect Program - Passed through New York State Department of Social Services - | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 1,031,221 | | 1,031,221 |
| Direct Program - | | | | |
| Rural Business Opportunity Grants | 10.773 | 28,308 | | <u>28,308</u> |
| Total U.S. Department of Agriculture | | | | <u>2,789,181</u> |
| <u>U.S Department of Labor</u> | | | | |
| Indirect Program - Passed through New York State Office for the Aging - | | | | |
| Senior Community Service Employment | 17.235 | 36,852 | | <u>36,852</u> |
| Indirect Programs - Passed through New York State Department of Labor: | | | | |
| <i>WIA Cluster:</i> | | | | |
| WIA Adult Program | 17.258 | 197,798 | | 197,798 |
| WIA Adult Program (ARRA) | 17.258 | | 26,191 | 26,191 |
| WIA Youth Activities | 17.259 | 273,507 | | 273,507 |
| WIA Youth Activities (ARRA) | 17.259 | | 16,823 | 16,823 |
| WIA Dislocated Worker Formula Grants | 17.278 | 272,005 | | 272,005 |
| WIA Dislocated Worker Formula Grants (ARRA) | 17.278 | | 15,875 | <u>15,875</u> |
| Cluster Sub-total | | | | <u>802,199</u> |
| Total U.S. Department of Labor | | | | <u>839,051</u> |

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COUNTY OF SULLIVAN, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
 YEAR ENDED DECEMBER 31, 2011

| <u>Federal Grantor Program Title</u> | <u>Federal CFDA Number (1)</u> | <u>Non ARRA (2)</u> | <u>Federal CFDA ARRA (2)</u> | <u>Federal Program Expenditures</u> |
|------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------|--------------------------------------|---------------------------------------------|
| <u>U.S Department of Transportation</u> | | | | |
| Direct Program - | | | | |
| Airport Improvement Program | 20.106 | \$ 1,293,759 | \$ | \$ 1,293,759 |
| Indirect Programs - Passed through New York State Department of Transportation: | | | | |
| Highway Planning and Construction | 20.205 | 238,422 | | 238,422 |
| Highway Planning and Construction (ARRA) | 20.205 | | 1,906 | 1,906 |
| State and Community Highway Safety | 20.600 | 40,517 | | 40,517 |
| Indirect Program - Passed through New York State Department of Justice - | | | | |
| Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | 30,729 | | <u>30,729</u> |
| Total U.S. Department of Transportation | | | | <u>1,605,333</u> |
| <u>U.S Department of Energy</u> | | | | |
| Indirect Program - Passed through New York State Department of Energy Research and Development Authority - | | | | |
| Energy Efficiency and Conservation Block Grant Program | 81.128 | 55,000 | | <u>55,000</u> |
| <u>U.S Department of Education</u> | | | | |
| Indirect Programs - Passed through New York State Department of Education: | | | | |
| Special Education - Grants for Infants and Families | 84.181 | 47,048 | | 47,048 |
| State Fiscal Stabilization Fund (ARRA) | 84.397 | | 15,366 | <u>15,366</u> |
| Total U.S. Department of Education | | | | <u>62,414</u> |

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COUNTY OF SULLIVAN, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
 YEAR ENDED DECEMBER 31, 2011

| <u>Federal Grantor Program Title</u> | <u>Federal CFDA Number (1)</u> | <u>Non ARRA (2)</u> | <u>Federal CFDA ARRA (2)</u> | <u>Federal Program Expenditures</u> |
|------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------|--------------------------------------|---------------------------------------------|
| <u>U.S Department of Health and Human Services</u> | | | | |
| Indirect Programs - Passed through New York State Office for the Aging: | | | | |
| <i>Aging Cluster:</i> | | | | |
| Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers | 93.044 | \$ 92,988 | \$ | \$ 92,988 |
| Special Programs for the Aging - Title III, Part C Nutrition Services | 93.045 | 173,634 | | 173,634 |
| Nutrition Services Incentive Program | 93.053 | 53,218 | | <u>53,218</u> |
| Cluster Sub-total | | | | 319,840 |
| Special Programs for the Aging - Title III, Part D Disease Prevention and Health Promotion Services | 93.043 | 5,788 | | 5,788 |
| National Family Caregiver Support - Title III, Part E | 93.052 | 37,701 | | 37,701 |
| Global AIDS | 93.067 | 12,265 | | 12,265 |
| Medicare Enrollment Assistance Program | 93.071 | 19,660 | | 19,660 |
| Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations | 93.779 | 32,374 | | 32,374 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | 28,044 | | 28,044 |
| Indirect Programs - Passed through New York State Department of Health and Human Services: | | | | |
| <i>Immunization Cluster:</i> | | | | |
| Immunization Grants | 93.268 | 20,847 | | 20,847 |
| Immunization (ARRA) | 93.712 | | 12,814 | <u>12,814</u> |
| Cluster Sub-total | | | | 33,661 |
| Centers for Disease Control and Prevention - Investigations and Technical Assistance | 93.283 | 47,191 | | 47,191 |

(Continued)

COUNTY OF SULLIVAN, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
 YEAR ENDED DECEMBER 31, 2011

| <u>Federal Grantor Program Title</u> | <u>Federal CFDA Number (1)</u> | <u>Non ARRA (2)</u> | <u>Federal CFDA ARRA (2)</u> | <u>Federal Program Expenditures</u> |
|-----------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------|--------------------------------------|---------------------------------------------|
| Indirect Programs - Passed through New York State Department of Family Assistance: | | | | |
| <i>TANF Cluster:</i> | | | | |
| Temporary Assistance for Needy Families Emergency Contingency Fund for Temporary Assistance for Needy Families (ARRA) | 93.558 | \$ 6,456,529 | \$ | \$ 6,456,529 |
| | 93.714 | | 25,215 | <u>25,215</u> |
| Cluster Sub-total | | | | 6,481,744 |
| Child Support Enforcement | 93.563 | 349,219 | | 349,219 |
| Child Support Enforcement (ARRA) | 93.563 | | 31,321 | 31,321 |
| Low-Income Home Energy Assistance | 93.568 | 4,271,503 | | 4,271,503 |
| Child Care and Development Block Grant | 93.575 | 1,804,424 | | 1,804,424 |
| Child Welfare Services - State Grants | 93.645 | 315,275 | | 315,275 |
| Foster Care - Title IV-E | 93.658 | 1,762,956 | | 1,762,956 |
| Foster Care - Title IV-E (ARRA) | 93.658 | | 53,457 | 53,457 |
| Adoption Assistance | 93.659 | 166,639 | | 166,639 |
| Adoption Assistance (ARRA) | 93.659 | | 9,709 | 9,709 |
| Social Services Block Grant | 93.667 | 822,591 | | 822,591 |
| Chafee Foster Care Independence Program | 93.674 | 41,722 | | 41,722 |
| Medical Assistance Program | 93.778 | 1,425,182 | | 1,425,182 |
| Medical Assistance Program (ARRA) | 93.778 | | 2,172,196 | <u>2,172,196</u> |
| Total U.S. Department of Health and Human Services | | | | <u>20,244,462</u> |
| <u>Corporation for National and Community Service</u> | | | | |
| Direct Program - | | | | |
| Retired and Senior Volunteer Program | 94.002 | 56,105 | | <u>56,105</u> |

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COUNTY OF SULLIVAN, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Concluded)
 YEAR ENDED DECEMBER 31, 2011

| <u>Federal Grantor</u> <u>Program Title</u> | <u>Federal</u> <u>CFDA</u> <u>Number (1)</u> | <u>Non</u> <u>ARRA (2)</u> | <u>Federal</u> <u>CFDA</u> <u>ARRA (2)</u> | <u>Federal</u> <u>Program</u> <u>Expenditures</u> |
|-----------------------------------------------------------------------------------|----------------------------------------------------|-------------------------------|--------------------------------------------------|---------------------------------------------------------|
| <u>U.S. Department of Homeland Security</u> | | | | |
| Indirect Programs - Passed through New York State Emergency Management Office: | | | | |
| Disaster Grants - Public Assistance | 97.036 | \$ 435,110 | \$ | \$ 435,110 |
| Hazard Mitigation Grant | 97.039 | 58,500 | | 58,500 |
| Interoperable Emergency Communications | 97.055 | 67,216 | | 67,216 |
| Homeland Security Grant Program | 97.067 | 297,152 | | <u>297,152</u> |
| Total U.S. Department of Homeland Security | | | | <u>857,978</u> |
| Total Federal Expenditures | | <u>\$ 24,128,651</u> | <u>\$ 2,380,873</u> | <u>\$ 26,509,524</u> |

- (1) Catalog of Federal Domestic Assistance number.
 (2) American Recovery and Reinvestment Act

COUNTY OF SULLIVAN, NEW YORK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. *General*

The accompanying Schedule of Expenditures of Federal Awards presents all activity of all federal awards programs for the year ended December 31, 2011. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the Schedule.

2. *Basis of Accounting*

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

3. *Relationship to Financial Statements*

The County's fund financial statements are presented using the modified accrual basis of accounting.

COUNTY OF SULLIVAN, NEW YORK

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2011

NONE

COUNTY OF SULLIVAN, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified.

Internal control over financial reporting:

- Material weakness(es) identified yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors' 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 no

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|-------------------------------------------|
| 20.106 | Airport Improvement Program |
| 93.575 | Child Care and Development Block Grant |
| 93.778 | Medical Assistance Program |
| 93.778 | Medical Assistance Program-ARRA |

Dollar threshold used to distinguish between Type A and Type B programs: \$795,286

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

Finding 2011-01: Payroll Charges – CFDA 93.575 Child Care and Development Block Grant

Criteria: Payroll charges should be supported by personnel activity reports such as time and attendance records in accordance with OMB Circular A-87.

Condition: It was noted during our review of an employees' timesheets had time being charged to this grant improperly due to a clerical error.

Context: As a result of a review of the County's timesheets for personnel costs allocated to this program, one employees' time was allocated to this grant instead of a different grant.

Effect: Expenditures are improperly charged to this grant.

Cause: A clerical error and lack of oversight over the allocation of payroll expenditures.

Recommendation: The County should implement better oversight over the allocation of payroll expenditures.

Management Response: A correction was done immediately and retroactively to January 2012. Supplemental claims for 2011 costs to correct allocations between this grant and the other grant will be executed as soon as New York State implements its new claims system.