

COUNTY OF BROOME, NEW YORK

**Single Audit Reports
December 31, 2012**

Bonadio & Co., LLP
Certified Public Accountants

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COUNTY OF BROOME, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass through Number</u> | <u>Federal Expenditures</u> |
|--|----------------------------|----------------------------|-----------------------------|
| U.S. Department of Agriculture: | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | N/A | 1,456,327 |
| Passed through New York State Department of Health: | | | |
| Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | C025728 | 3,805,492 |
| Passed through Office of Temporary and Disability Assistance: | | | |
| Supplemental Nutrition Assistance Program, Outreach/Participation Program | 10.580 | N/A | 48,764 |
| Total U.S. Department of Agriculture | | | <u>5,310,583</u> |
| U.S. Department of Housing and Urban Development: | | | |
| Community Development Block Grant - Entitlement Grants | 14.218 | N/A | 20,750 |
| Community Development Block Grant - State's Program and Non-Entitlement Grants in Hawaii | 14.228 | N/A | 358,643 |
| Lead-Based Paint Hazard Control in Privately-Owned Housing | 14.900 | NYLHB0483-10 | 505,237 |
| Passed through City of Binghamton, New York: | | | |
| ARRA - Homelessness Prevention and Rapid Rehousing Program | 14.257 | N/A | 161,274 |
| Total U.S. Department of Housing and Urban Development | | | <u>1,045,904</u> |
| U.S. Department of Justice: | | | |
| State Criminal Alien Assistance Program | 16.606 | N/A | 29,032 |
| Economic High-Tech and Cyber Crime Prevention | 16.752 | N/A | 11,180 |
| <i>JAG Cluster:</i> | | | |
| Edward Byrne JAG Program | 16.738 | BJ10632467 | 7,500 |
| ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories | 16.803 | | 29,250 |
| | | | <u>36,750</u> |
| Passed through New York State Division of Criminal Justice Services: | | | |
| Edward Byrne Memorial Formula Grant Program | 16.579 | NY-NYN-0276 | 5,723 |
| Total U.S. Department of Justice | | | <u>82,685</u> |
| U.S. Department of Labor: | | | |
| Passed through New York State Department of Labor: | | | |
| Employment Service/Wagner-Peyser Funded Activities | 17.207 | N/A | 90,611 |
| Trade Adjustment Assistance | 17.245 | N/A | 93,243 |
| Workforce Investment Act National Emergency Grants | 17.277 | N/A | 689,654 |
| <i>Workforce Investment Cluster:</i> | | | |
| Workforce Investment Act Adult Programs | 17.258 | N/A | 530,905 |
| Workforce Investment Act Youth Activities | 17.259 | N/A | 692,457 |
| Workforce Investment Act Dislocated Workers | 17.260 | N/A | 85,062 |
| Workforce Investment Act Dislocated Worker Formula Grants | 17.278 | N/A | 674,307 |
| | | | <u>1,982,731</u> |
| Total U.S. Department of Labor | | | <u>2,856,239</u> |
| U.S. Department of Transportation: | | | |
| Airport Improvement Program | 20.106 | various | 8,320,927 |
| Federal Transit Formula Grants | 20.507 | N/A | 2,978,259 |
| Passed through State Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | various | 779,561 |
| Metropolitan Transit Planning | 20.505 | D014517 | 46,080 |
| Job Access Reverse Commute | 20.516 | C002353 | 272,666 |
| Passed through New York State Governors Traffic Safety Committee: | | | |
| State and Community Highway Safety | 20.600 | various | 140,151 |
| Total U.S. Department of Transportation | | | <u>12,537,644</u> |
| Environmental Protection Agency: | | | |
| Brownsfield Assessment and Cleanup Cooperative Agreements | 66.818 | N/A | 63,076 |
| U.S. Department of Education: | | | |
| Passed through New York State Department of Health: | | | |
| Special Education - Preschool Grants | 84.173 | N/A | 65,996 |
| Special Education - Grants for Infants and Families | 84.181 | N/A | 578,428 |
| Total U.S. Department of Education: | | | <u>644,424</u> |

COUNTY OF BROOME, NEW YORK

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | | | |
|--|--------|------------|-------------------|
| U.S. Election Assistance Commission: | | | |
| Passed through the New York State Board of Elections: | | | |
| Help America Vote Act Requirements Payments | 90.401 | PC63813 | <u>335,500</u> |
| U.S. Department of Health and Human Services: | | | |
| Drug-Free Communities Support Program Grants | 93.276 | N/A | 108,762 |
| Passed through NACCHO: | | | |
| Medical Reserve Corps Small Grant Program | 93.008 | MRC090017 | 1,980 |
| Passed through Health Research Incorporated: | | | |
| Public Health Emergency Preparedness | 93.069 | various | 147,047 |
| Centers for Research and Demonstration for Health promotion and Disease Prevention | 93.135 | HRI3613-03 | 133,377 |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | HRI4417-01 | 16,374 |
| Centers for Disease Control and Prevention/Investigations and Technical Assistance | 93.283 | C023234 | 129,349 |
| PPHF 2012: Community Transformation Grants-Small Communities Program financed solely by 2012 Public Prevention and Health Funds | 93.737 | HRI4519-01 | 8,651 |
| Passed through New York State Office of Children and Family Services: | | | |
| Temporary Aid For Needy Families (TANF) | 93.558 | N/A | 16,912,614 |
| Child Care and Development Block Grant | 93.575 | N/A | 3,708,059 |
| Stephanie Tubbs Jones Child Welfare Services | 93.645 | N/A | 208,643 |
| Foster Care (Title IV-E) | 93.658 | N/A | 6,015,507 |
| Adoption Assistance | 93.659 | N/A | 1,447,426 |
| Social Services Block Grant | 93.667 | N/A | 2,238,599 |
| Chafee Foster Care Independence Program | 93.674 | N/A | 115,454 |
| Passed through State Office of Temporary and Disability Assistance: | | | |
| Child Support Enforcement (Title IV-D) | 93.563 | N/A | 707,391 |
| ARRA Child Support Enforcement (Title IV-D) | 93.563 | N/A | 206,701 |
| Low-Income Home Energy Assistance | 93.568 | N/A | 8,144,115 |
| Medical Assistance Program (Medicaid, Title XIX) | 93.778 | N/A | 4,997,714 |
| Passed through New York State Office of Alcoholism and Substance Abuse Services: | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | N/A | 1,167,358 |
| Passed through New York State Office for Aging: | | | |
| <i>Aging Cluster:</i> | | | |
| Special Programs for Aging, Title III, Part B - Grants for Supportive Services and Senior Centers | 93.044 | N/A | 254,160 |
| Special Programs for Aging, Title III, Part C - Nutrition Services | 93.045 | N/A | 466,824 |
| Nutrition Services Incentive Program | 93.053 | N/A | <u>161,545</u> |
| | | | <u>882,529</u> |
| Special Programs for the Aging, Title IV and Title II Discretionary Projects for Prevention of Elder Abuse, Neglect, and Exploitation | 93.048 | N/A | 48,393 |
| National Family Caregiver Support, Title III, Part E | 93.052 | N/A | 111,889 |
| Low-Income Home Energy Assistance Program | 93.568 | N/A | 51,365 |
| ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations | 93.725 | N/A | 12,192 |
| | 93.779 | N/A | 43,457 |
| Passed through New York State Department of Health: | | | |
| Immunization Grants | 93.268 | C023234 | 111,314 |
| Preventive Health and Health Services Block Grant | 93.991 | C027570 | 53,988 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | various | 227,420 |
| Passed through New York State Board of Elections: | | | |
| Voting Access for Individuals with Disabilities - Grants to States | 93.617 | T002770 | 15,529 |
| Passed through Southern Tier AIDS Program: | | | |
| HIV Care Formula Grants | 93.917 | various | <u>33,262</u> |
| Total U.S. Department of Health and Human Services | | | <u>48,006,459</u> |
| Corporation for National Community Service: | | | |
| Foster Grandparent Program | 94.011 | N/A | <u>256,926</u> |
| U.S. Social Security Administration: | | | |
| Passed through Maximus Tickets to Work: | | | |
| Social Security-Work Incentives Planning and Assistance Program | 96.008 | N/A | <u>397</u> |

COUNTY OF BROOME, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012

| | | | |
|---|--------|---------|----------------------|
| U.S. Department of Homeland Security: | | | |
| Hazard Migration Grant | 97.039 | | 63,749 |
| Passed through State Emergency Management Office: | | | |
| Disaster Grants - Public Assistance | 97.036 | N/A | 647,520 |
| Emergency Management Performance Grant | 97.042 | | 38,852 |
| Homeland Security Grant Program | 97.067 | various | 1,044,010 |
| Total U.S. Department of Homeland Security | | | <u>1,794,131</u> |
| | | | |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 72,933,968</u> |

COUNTY OF BROOME, NEW YORK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012

6. NONCASH AWARDS

A significant portion of federal award programs do not involve cash awards to the County of Broome, NY, New York. The value of these noncash awards has been recorded as expenditures on the Statement of Expenditures of Federal Awards, with the exception of the Supplemental Nutrition Assistance Program which is no longer required to be reported by the federal awarding agency. Those relating to the County are as follows:

| <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Amount</u> |
|---|--------------------------------|---------------|
| U.S. Department of Agriculture Supplemental Nutrition Assistance Program | 10.551 | \$48,286,267 |
| Special Supplemental Food Program for Women, Infants and Children | | |
| Value of Food Instruments | 10.557 | \$896,938 |
| U.S. Department of Health and Human Services Low Income Home Energy Assistance | | |
| Value of NYS Comptroller expenditures | 93.568 | \$3,272,983 |

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*

June 19, 2013

To the County Legislature of the
County of Broome, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Broome, New York, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County of Broome's basic financial statements, and have issued our report thereon dated June 19, 2013. Our report includes a reference to other auditors who audited the financial statements of the Broome Tobacco Asset Securitization Corporation and the Broome County Industrial Development Agency, as described in our report on the County of Broome's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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Internal Control Over Financial Reporting (Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 12-01 and 12-02 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 12-03 through 12-05 to be significant deficiencies.

Compliance and Other Matters

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

Purpose of this Report

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

Independent Auditor's Report on Compliance For Each Major Federal Program; Independent Auditor's Report on Internal Control Over Compliance; and Independent Auditor's Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

June 19, 2013

To the County Legislature of the
County of Broome, New York

Report on Compliance for Each Major Federal Program

We have audited the County of Broome, New York's (County) 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 County's major federal programs for the year ended December 31, 2012. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The County's basic financial statements include the operations of the Broome County Industrial Development Agency, a discretely presented component unit, which received \$2,548,510 in federal awards which is not included in the schedule during the year ended December 31, 2012. Our audit, described below, did not include the operations of the Broome County Industrial Development Agency because the entity engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

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Opinion on Each Major Federal Program

In our opinion, the County of Broome, New York 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 December 31, 2012.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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. *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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 12-06 that we consider to be a significant deficiency.

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

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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Broome, New York (County) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 19, 2013, 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

COUNTY OF BROOME, NEW YORK

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2012

Financial Statement Findings

11-01. Misclassifications in the Agency Fund

Condition: Audit analysis identified internal control deficiencies, errors and misclassifications in the Agency Fund that warranted material adjustments to the general ledger.

Status: This was not a repeat finding in 2012.

11-02. Capital Assets

Condition: Audit analysis identified deficiencies in established controls over the tracking and recording of capital assets. Deficiencies included:

- Instances where the accounting records did not properly reflect actual 2011 additions and disposals;
- Instances where fiscal year end December 31, 2011, beginning balances did not reflect fiscal year end December 31, 2010, ending balances;
- Misstatements of depreciation expense;
- Instances were noted where assets were improperly capitalized in the fiscal year ended December 31, 2011, rather than in the previous year.

Status: This is not a repeat finding in 2012.

11-03. Compensated Absences

Condition: The County has not implemented adequate internal controls to ensure proper and accurate recording of compensated absences. Existing controls dictate that all departments submit a listing of employees and their respective compensated absences balance. Currently, there is no process in place to ensure completeness or existence of the listing. In addition, there is no subsequent review of the department's calculations to ensure bargaining unit contract stipulations were adhered to.

Status: This is not a repeat finding in 2012.

11-04. Timely Deposit

Condition: A check was received during the fiscal year ended December 31, 2011, and was not properly reflected in the general ledger. In addition, the check was not deposited on a timely basis.

Status: This is not a repeat finding in 2012.

COUNTY OF BROOME, NEW YORK

**SCHEDULE OF PRIOR AUDIT FINDINGS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2012**

Financial Statement Findings – Continued

11-05. Payroll Interface

Condition: Management implemented a new accounting software system in 2010, including the use of interfaces which automatically transmit information and data between the payroll module and the general ledger. Audit analysis identified deficiencies in controls over the accounting software and its related interfaces.

Status: This is not a repeat finding in 2012.

Federal Award Findings and Questioned Costs

11-06. Adequate Documentation

U.S. Department of Health and Human Services – CFDA 93.558 - Temporary Assistance for Needy Families (TANF)

Condition: In one of forty instances, the County was unable to provide adequate documentation to support the caseworker's determination of just cause for the individual's absence from a scheduled appointment.

Status: This is not a repeat finding in 2012.

COUNTY OF BROOME, NEW YORK

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
 - Reportable condition(s) identified that are not considered to be material weakness(es)? Yes No

Type of auditors' 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? Yes No

COUNTY OF BROOME, NEW YORK

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012 (Continued)**

1. SUMMARY OF AUDITORS' RESULTS (Continued)

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|--|
| 10.561 | State Administrative matching Grants for the Supplemental Nutrition Assistance Program |
| 20.106 | Airport Improvement Program |
| 20.507 | Federal Transit Formula Grants |
| 93.558 | Temporary Assistance for Needy Families |
| 93.563 | Child Support Enforcement |
| 93.568 | Low-Income Home Energy Assistance Program |
| 93.667 | Social Services Block Grant |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse |
| 97.067 | Homeland Security Grant Program |

Dollar threshold used to distinguish between type A and type B programs:

\$2,188,019

Auditee qualified as low-risk auditee?

_____ Yes X No

2. FINANCIAL STATEMENT FINDINGS

12-01. Financial Statement Preparation Entries

Criteria: All transactions that relate directly to the operations of the funds are required to be recorded in the general ledger. This enables management to review all of the activity in their respective fund and make appropriate management decisions with all of the information available to them within the general ledger.

Condition: As part of preparing the financial statements and the Consolidated Annual Financial Report (CAFR) each year, the Office of Management and Budget prepares various journal entries outside of the general ledger to create the fund financial statements and the government wide financial statements. The entries made to adjust the general ledger to arrive at the fund financial statements are entries that should be recorded within the general ledger as they relate to activity for the year. These entries As a result, the trial balances provided for the audit required all of these entries to be posted before the account balances could be audited. In addition, these entries do not go through the same review process as other journal entries and there is no unique numbering for them because they are created and maintained in an Excel spreadsheet.

Cause: Legacy processes that have been carried over in addition to a system conversion a few years ago that requires significant manual effort to produce reports that cannot readily be obtained from the system as it stands.

COUNTY OF BROOME, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012 (Continued)

2. FINANCIAL STATEMENT FINDINGS (Continued)

12-01. Financial Statement Preparation Entries - Continued

Effect: Management cannot rely on the activity posted in the general ledger to make management decisions without significant calculations being performed outside of the system to determine what the actual fund balance or net assets of fund is at any point in time during the year.

Recommendation: All fund activity should be recorded within each fund throughout the year or as year-end closing entries. Only financial statement conversion entries to convert the fund financial statements to the government-wide financial statements ("GASB 34 entries") should be made outside the system to prepare the financial statements, but should still follow the normal journal entry process of being uniquely numbered with proper supporting documentation and flow through the review process.

View of Responsible Officials and Planned Corrective Actions: Management acknowledges this weakness and has implemented a plan to ensure all financial activity will be properly recorded within the general ledger starting with the year ending December 31, 2013. The only exception will be for the conversion entries necessary for GASB 34.

12-02. Capital Projects Activity

Criteria: Accounting principles generally accepted in the United States requires the recording of only governmental fund capital projects activity within the capital projects fund and short term financing to be recorded as such.

Condition: The County currently records all activity for all capital projects for all funds, including proprietary funds, within the Capital Projects Fund. This requires all of the proprietary funds' projects activity to be reversed out of this fund at year end and recorded in the appropriate fund for financial statement reporting purposes. In addition, the County has previously recorded new bond anticipation notes as revenue instead of short term liabilities resulting in a prior period adjustment of approximately \$9.8 million for the year ended December 31, 2012.

Cause: Legacy processes that have been carried over.

Effect: The County could erroneously not remove proprietary fund activity causing the related proprietary fund and the capital projects fund to be misstated.

Recommendation: The County should record all capital projects activity in the respective fund and record bond anticipation notes as short term financing until they are converted to long term financing when the revenue can be recognized.

View of Responsible Officials and Planned Corrective Actions: Broome County Office of Management & Budget has changed the policy for recording Capital Projects for proprietary funds within the general ledger. The cross-over will be completed by June 30, 2013 and will eliminate the need for future "manual" adjustments to the financial statements.

12-03. Payroll

Criteria: Controls should be adequately designed and implemented to provide security and privacy over personal payroll information of County employees.

COUNTY OF BROOME, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012 (Continued)

2. FINANCIAL STATEMENT FINDINGS (Continued)

Condition: As part of audit procedures and various inquiries with management, the following items were noted within the payroll transaction cycle:

12-03. Payroll - Continued

- There is no consistency throughout the County with respect to employee timesheets. Each department has their own methodology for having employees complete timesheets and report time. For example, some departments utilize detailed timesheets that the employee and department head sign off on while others use summary spreadsheets for the entire department with no signatures.
- For those employees that do not participate in the direct deposit function, live payroll checks are issued in bulk and distributed by respective Department Payroll Clerks without a separate envelop for each pay check.
- There is no overall review and approval of the payroll once the payroll clerks enter all of the departmental time in the system to verify there were no data input errors.

Cause: There is no formal process over the payroll timesheets that would require all departments to utilize a consistent detailed timesheet form that would require the signatures of each employee and the department head for each pay period.

Effect: Without consistent timesheets throughout the County, there could be inconsistencies or errors in employees' time that could go undetected. Without individually enveloped pay checks, personal information such as garnishments and other withholdings could be viewed by unauthorized personnel.

Recommendation: The County should enhance their procedures over payroll to include implementing a standard timesheet form to be used by all employees throughout the County which will assist in the overall review of the payroll once it has been input. In addition, each payroll check should either be sealed within an envelope prepared by the County's Payroll Department or consideration should be given to issuing a different style pay check that will ensure privacy of the employees' information.

View of Responsible Officials and Planned Corrective Actions: The Broome County Department of Information Technology is currently working on implementing an electronic timesheet that will ensure consistency in the time keeping and add appropriate levels of control to the payroll process. This implementation project has already begun and is expected to be completed by the end of 2013.

12-04. Annual Financial Reports Submitted by Departments

Criteria: Controls should be adequately designed so that any department within the County responsible for complying with financial reporting requirements should complete the report in a timely manner to ensure review of the report by the entity's Finance Department occurs prior to submission to the State or Federal government.

Condition: There are various departments that submit financial reports to State and Federal agencies within the County, but the Office of Management and Budget (OMB) only reviews a few of these reports. For example, the Department of Transportation submits annual reports to the Federal

Department of Transportation for reimbursement through the Federal Transit Formulas Program in excess of \$3 million without review by anyone outside of the County's Department of Transportation.

COUNTY OF BROOME, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012 (Continued)

2. FINANCIAL STATEMENT FINDINGS (Continued)

12-04. Annual Financial Reports Submitted by Departments - Continued

Cause: Insufficient controls exist to track and monitor all of the required financial reports the County's various departments are required to submit throughout the year.

Effect: Without proper monitoring and review procedures over the various financial reports, the County could experience non-compliance with reporting requirements with respect to missing deadlines and/or reporting inaccurate financial information which could lead to delays or denials of reimbursements.

Recommendation: The County should establish controls and procedures so the Office of Management and Budget (OMB) is notified of and can properly track each financial report required to be submitted by any County department. This tracking should include the nature of the report, frequency of submission, the deadline for filing, and should track that the report was properly reviewed by a member of the OMB team for accuracy in comparison to the general ledger.

View of Responsible Officials and Planned Corrective Actions: Starting in July, 2013 each Broome County department will be assigned an OMB staff member who will provide assistance with financial questions, guidance with process and procedures, and review and/or analyze all reporting. By assigning an OMB liaison to each department, the County will establish an additional control over all fiscal reporting thus ensuring adherence to all reporting requirements and assurance that all supporting documentation has been compiled and retained.

12-05. Cash Reconciliations

Criteria: All cash accounts should be recorded in the general ledger in the appropriate fund each month or at year end (for the departmental cash accounts) prior to cash reconciliations being performed. Controls over cash reconciliations should be established so that all cash reconciliations prepared include all cash that is recorded in the general ledger by account, by fund.

Condition: While performing cash procedures, the following items were noted:

- The County has a zero balance account it utilizes for its Accounts Payable. At year end, there is a negative \$2.3 million balance that represents outstanding checks however; the County does not have the ability to properly allocate that outstanding balance to all of the respective funds.
- The County has a payroll cash account that is reconciled in total, but each fund has an allocated portion of the outstanding balance that does not appear to be supported by the reconciliation.
- The County makes various closing entries to cash accounts as part of the year end closing and those entries are made outside of the general ledger and therefore not included as part of the cash reconciliations for each fund once certain entries have reallocated cash to other funds.

Cause: As a result of the closing entries outside of the general ledger as described in finding 12-01 above, the individual(s) responsible for preparing the reconciliations is not aware of the additional cash being recorded within each fund.

COUNTY OF BROOME, NEW YORK

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012 (Continued)**

2. FINANCIAL STATEMENT FINDINGS (Continued)

12-05. Cash Reconciliations - Continued

Effect: Cash reflected in the financial statements may not be supported by reconciliations.

Recommendation: As the County is currently working with a new financial institution, they should ensure all of their needs can be accommodated by the financial institution with respect to the County's ability to reconcile its accounts by fund. In addition, the County should ensure all cash activity is recorded in a timely manner by year end so all year end bank reconciliations can be reconciled to the general ledger without requiring a second reconciling after entries have been posted.

View of Responsible Officials and Planned Corrective Actions: Beginning with the year ending December 31, 2013 the County will ensure that the proper analysis is performed on all outstanding payments so that the cash can be appropriately allocated to each fund within the general ledger. This will ensure that the cash reflected in the financial statements is (1) supported by accurate documentation and (2) included in the year-end bank reconciliations.

Please Note: A separate communication has been issued for findings related to the Willow Point Nursing Home in conjunction with its separate audit reporting package.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

12-06. Adequate Supporting Documentation

U.S. Department of Transportation – CFDA #20.507 – Federal Transit Formulas Grants

Criteria: Procedures should be in place to ensure that a request for reimbursement associated with grant expenditures has adequate supporting documentation and that it is reviewed and approved before it is submitted timely.

Condition: The County's Department of Transportation did not have adequate supporting documentation for the drawdown request of expenditures related to their Federal Transit FORMULA Grant before requesting reimbursement from the Federal Transit Administration.

Questioned costs: None

Cause: The County has no review or audit process in place to attest the expenses are properly supported, allowable, and paid timely before the Department submits the request for reimbursement.

Effect: The County's Department of Transportation could be in non-compliance with grant requirements over allowable activities if expenses that are not supported are requested for reimbursement of the Federal Transit Administration.

Recommendation: The County should establish procedures to review any drawdown requests that occur throughout the various County departments to ensure they are all properly supported, they are for allowable activities, and they are submitted in a timely manner.

COUNTY OF BROOME, NEW YORK

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012 (Continued)**

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

12-06. Adequate Supporting Documentation – (Continued)

U.S. Department of Transportation – CFDA #20.507 – Federal Transit Formulas Grants

View of Responsible Officials and Planned Corrective Actions: As indicated in the response to Financial Statement Finding 12-04, starting in July, 2013 each Broome County department will be assigned an OMB staff member who will provide assistance with financial questions, guidance with process and procedures, and review and/or analyze all reporting. By assigning an OMB liaison to each department, the County will establish an additional control over all fiscal reporting thus ensuring adherence to the reporting requirements and assurance that the supporting documentation has been compiled and retained.