

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Members of the Sullivan
County Legislature
County of Sullivan, New York:

Report on Compliance for Major Federal Program

We have audited the County of Sullivan, New York's (the County) compliance with the types of compliance requirements described in 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 auditors' results section of the accompanying schedule of findings and questioned costs.

As discussed in note 1 to the schedule of expenditures of federal awards, the County's basic financial statements include the operation of certain entities whose federal awards are not included in the schedule of expenditures of federal awards for the year ended December 31, 2012. Our audit described below, did not include the federal awards, if any, of the entities identified in note 1.

Management's Responsibility

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

Auditors' 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.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Toski & Co., CPAs, P.C.

Williamsville, New York
June 28, 2013

COUNTY OF SULLIVAN, NEW YORK
Schedule of Expenditures of Federal Awards
Year ended December 31, 2012

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-through Grantor's Number</u> | <u>Federal Expenditures</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|----------------------------------------------|---------------------------------|
| U.S. Department of Agriculture - passed through New York State: | | | |
| Special Supplemental Nutrition Program for Women, Infants and Children | 10.557 | N/A | \$ 1,992,760 |
| Supplemental Nutrition Assistance Program - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | N/A | 936,962 |
| Rural Business Opportunity Grants | 10.773 | N/A | <u>61,251</u> |
| Total U.S. Department of Agriculture | | | <u>2,990,973</u> |
| U.S. Department of Housing and Urban Development - passed through New York State - Community Development Block Grants/State Program | | | |
| | 14.228 | 1126HR43-08 | <u>81,802</u> |
| U.S. Department of Labor: | | | |
| Passed through New York State: | | | |
| Employment Service/Wagner-Peyser Funded Activities | 17.207 | N/A | 3,392 |
| Senior Community Service Employment Program | 17.235 | N/A | 34,986 |
| Workforce Investment Act (WIA) National Emergency Grants | 17.277 | N/A | 2,520 |
| WIA Cluster: | | | |
| WIA Adult Program | 17.258 | N/A | 212,115 |
| WIA Youth Activities | 17.259 | N/A | 197,348 |
| WIA Dislocated Workers Formula Grants | 17.278 | N/A | <u>173,874</u> |
| Total WIA Cluster | | | <u>583,337</u> |
| Total U.S. Department of Labor | | | <u>624,235</u> |
| U.S. Department of Transportation - passed through New York State: | | | |
| Highway Planning and Construction | 20.205 | N/A | 160,056 |
| Airport Improvement Program | 20.106 | N/A | 1,054,993 |
| State and Community Highway Safety | 20.600 | N/A | 34,223 |
| Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | N/A | <u>17,543</u> |
| Total Highway Safety Cluster | | | <u>51,766</u> |
| Total U.S. Department of Transportation | | | <u>1,266,815</u> |
| U.S. Department of Education - passed through New York State - Special Education - Grants for Infants and Families | | | |
| | 84.181 | N/A | <u>39,121</u> |

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SULLIVAN, NEW YORK
Schedule of Expenditures of Federal Awards, Continued

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-through Grantor's Number</u> | <u>Federal Expenditures</u> |
|--------------------------------------------------------------------------------------|------------------------------------|----------------------------------------------|---------------------------------|
| U.S. Department of Health and Human Services - passed through New York State: | | | |
| Aging Cluster: | | | |
| Special Programs for the Aging - Title III, Part C - | | | |
| Nutrition Services | 93.045 | N/A | \$ 427,011 |
| Nutrition Services Incentive Program | 93.053 | N/A | <u>53,218</u> |
| Total Aging Cluster | | | <u>480,229</u> |
| National Family Caregiver Support, Title III, Part E | 93.052 | N/A | 167,197 |
| Medicare Enrollment Assistance Program | 93.071 | N/A | 13,660 |
| Immunization Grants | 93.268 | N/A | 19,708 |
| Centers for Disease Control and Prevention - Investigations and Technical Assistance | 93.283 | N/A | 75,289 |
| Temporary Assistance for Needy Families | 93.558 | N/A | 6,069,292 |
| Child Support Enforcement | 93.563 | N/A | 1,039,025 |
| ARRA - Child Support Enforcement | 93.563 | N/A | 90,113 |
| Low-Income Home Energy Assistance | 93.568 | N/A | 4,382,235 |
| Child Care and Development Block Grant | 93.575 | N/A | 1,578,384 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | N/A | 760,000 |
| Foster Care - Title IV-E | 93.658 | N/A | 2,333,578 |
| ARRA - Foster Care - Title IV-E | 65.658 | N/A | <u>13,095</u> |
| Total Foster Care - Title IV-E | | | <u>2,346,673</u> |
| Adoption Assistance | 93.659 | N/A | 158,366 |
| ARRA - Adoption Assistance | 93.659 | N/A | <u>3,207</u> |
| Total Adoption Assistance | | | <u>161,573</u> |
| Social Services Block Grant | 93.667 | N/A | 1,006,668 |
| Chafee Foster Care Independence Program | 93.674 | N/A | 78,265 |
| Medical Assistance Program | 93.778 | N/A | 98,578,634 |
| Centers for Medicare and Medicaid Services (CMS) | | | |
| Research, Demonstrations and Evaluations | 93.779 | N/A | 37,459 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | N/A | <u>28,853</u> |
| Total U.S. Department of Health and Human Services | | | <u>116,913,257</u> |

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SULLIVAN, NEW YORK
Schedule of Expenditures of Federal Awards, Continued

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-through Grantor's Number</u> | <u>Federal Expenditures</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|----------------------------------------------|---------------------------------|
| Corporation for National and Community Service - passed through New York State - Retired and Senior Volunteer Program | 94.002 | N/A | <u>\$ 207,469</u> |
| U.S. Department of Homeland Security - Federal Emergency Management Agency - passed through New York State Emergency Management Office - Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | N/A | <u>738,537</u> |
| U.S. Department of Justice - passed through New York State - Homeland Security Grant Program | 97.067 | N/A | <u>26,057</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 122,888,266</u></u> |

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SULLIVAN, NEW YORK
Notes to Schedule of Expenditures of Federal Awards
December 31, 2012

(1) Basis of Presentation

(a) Reporting Entity

The accompanying schedule of expenditures of Federal awards presents the activity of Federal financial assistance programs administered by County of Sullivan, New York (the County), an entity as defined in the basic financial statements except that it does not include the federal financial assistance programs, if any, of Sullivan County Community College, Sullivan County Industrial Development Agency, Emerald Corporate Center Economic Development Corporation, Sullivan County Funding Corporation or Sullivan County Tobacco Asset Securitization Corporation.

(b) Pass-Through Programs

Where the County receives funds from a government entity other than the Federal government (pass-through), the funds are accumulated based upon the Catalog of Federal Domestic Assistance (CFDA) number advised by the pass-through grantor.

Identifying numbers, other than CFDA numbers, which may be assigned by pass-through grantors are not maintained in the County's financial management system.

(c) Nonmonetary Federal Programs

The County is the recipient of a Federal financial assistance program that does not result in cash receipts or disbursements, termed "nonmonetary programs." During the year ended December 31, 2012, the County distributed \$19,122,559 of food vouchers to eligible persons participating in the Supplemental Nutrition Assistance Program (CFDA Number 10.551) and \$97,216,471 of medical services and goods were received by participants in the Medical Assistance Program (CFDA Number 93.778). However, the Supplemental Nutrition Assistance Program nonmonetary amount is not reflected in the schedule of expenditures of Federal awards.

New York State makes payments of benefits directly to vendors, primarily utility companies, on behalf of eligible persons participating in the Low-Income Home Energy Assistance Program (CFDA Number 93.568). Included in the amount presented on the schedule of expenditures of Federal awards is \$3,991,568 in direct payments.

The County also distributed \$1,576,404 of food vouchers to eligible persons participating in the Special Supplemental Nutrition Program for Women, Infants and Children (CFDA Number 10.557).

(2) Basis of Accounting

The schedule of expenditures of Federal awards is presented on the modified accrual basis of accounting and the amounts presented are derived from the County's general ledger. For programs with funding ceilings and caps, Federal expenditures are only recorded and presented in the schedule of expenditures of Federal awards up to such amounts.

COUNTY OF SULLIVAN, NEW YORK
Notes to Schedule of Expenditures of Federal Awards, Continued

(3) Indirect Costs

Indirect costs are included in the reported expenditures to the extent such costs are included in the Federal financial reports used as the source for the data presented.

(4) Matching Costs

Matching costs, i.e., the County's share of certain program costs are not included in the schedule of expenditures of Federal awards.

COUNTY OF SULLIVAN, NEW YORK
 Schedule of Findings and Questioned Costs
 Year ended December 31, 2012

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

| | |
|---------------------------------------------------------------------------------------|----------------------------------|
| Type of auditors' report issued | Unmodified |
| Internal control over financial reporting: | |
| 1. Material weakness(es) identified? | ___ Yes <u> x </u> No |
| 2. Significant deficiency(ies) identified not considered to be material weakness(es)? | ___ Yes <u> x </u> None reported |
| 3. Noncompliance material to financial statements noted? | ___ Yes <u> x </u> No |

Federal Awards:

| | |
|---------------------------------------------------------------------------------------|----------------------------------|
| Internal control over major programs: | |
| 4. Material weakness(es) identified? | ___ Yes <u> x </u> No |
| 5. Significant deficiency(ies) identified not considered to be material weakness(es)? | ___ Yes <u> x </u> None reported |

| | |
|------------------------------------------------------------------|------------|
| Type of auditors' report issued on compliance for major programs | Unmodified |
|------------------------------------------------------------------|------------|

| | |
|---------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a))? | ___ Yes <u> x </u> No |
|---------------------------------------------------------------------------------------------------------------------------|-----------------------|

7. The County's major programs audited were:

| <u>Name of Federal Program</u> | <u>CFDA Number</u> |
|-------------------------------------------------|--------------------|
| Temporary Assistance for Needy Families Cluster | 93.558/93.714 |
| Low-Income Home Energy Assistance | 93.568 |
| Medical Assistance Program Cluster | 93.778 |

| | |
|-----------------------------------------------------------------------------|-------------|
| 8. Dollar threshold used to distinguish between Type A and Type B programs? | \$3,000,000 |
|-----------------------------------------------------------------------------|-------------|

| | |
|-------------------------------------------|-----------------------|
| 9. Auditee qualified as low-risk auditee? | <u> x </u> Yes ___ No |
|-------------------------------------------|-----------------------|

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable findings.

COUNTY OF SULLIVAN, NEW YORK
Summary Schedule of Prior Audit Findings
Year ended December 31, 2012

Finding (2011-01) - Payroll Charges - CFDA No. 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 the County's timesheets for personnel costs allocated to this program, one employees' time was allocated to this grant instead of a different grant and, as a result, expenditures were improperly charged to this grant.

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

Management's 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 were executed.

Resolution - The finding is considered resolved.