

COMMUNITY SERVICES AGENCY

Christine C. Applegate  
Director

251 E. Hackett Road  
P.O. Box 42, Modesto, CA 95353-0042

Phone: 209.558.2500 Fax: 209.558.2558



December 7, 2012

To the County of Stanislaus Board of Supervisors  
Modesto, California

The California Department of Education (CDE) requires the Community Services Agency (CSA) to submit an annual audit of the Child Care and Development Stage 2 and Stage 3 Contracts.

Please find attached Marcum, LLP Stage 2 and Stage 3 Fiscal Year 2011-2012 CDE Child Care and Development Program Audit. The auditors' Statement of Audit Standards SAS 114 letter "The Auditor's Communication with Those Charged with Governance" is the required audit communication to the Agency and the Board of Supervisor's.

The Auditors' report that the Child Care Fiscal Year 2011-2012 financial statements present fairly, in all material respects, the financial position of the Agency's Child Care programs as of June 30, 2012 and meet generally accepted accounting principles in the United States.

The audited Financial Statement totaled \$4,748,973 with no current year findings or observations. The prior year uncorrected extrapolated financial misstatement of \$9,948, related to a data entry error was amended in the current year Appendix 1 (in the Management Representation Letter). CDE's final Fiscal Year 2010-2011 invoice recognized only the actual misstatement of \$5,103. The additional review procedures established as a result of the misstatement contributed to the no finding results in Fiscal Year 2011-2012 audit.

The audit recognizes the Agency's ongoing commitment to improve and utilize best business practices. This information is intended solely for use by the Stanislaus County Board of Supervisors, the Chief Executive Office, and CSA management.

  
Christine C. Applegate  
Director

cc: CEO Office

2012 DEC 11 A 10:23  
BOARD OF SUPERVISORS





November 13, 2012

To the County of Stanislaus Board of Supervisors  
Modesto, California

We have audited the financial statements of the County of Stanislaus Community Services Agency Program Services and Support Fund's Child Development Program (the "Programs") for the year ended June 30, 2012, and have issued our report thereon dated November 13, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated May 17, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Programs. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Programs' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing communicated to you in our engagement letter and communicated separately to management.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the Programs during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.



Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Summary of Significant Accounting Policies
- Contingencies

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule (included with the management representation letter) summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 13, 2012, which is attached to this communication.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Programs' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Matters*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the County of Stanislaus Board of Supervisors and management of the Programs and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Marcum LLP*

San Francisco, California  
November 13, 2012



**COMMUNITY SERVICES AGENCY**

Christine C. Applegate  
Director

251 E. Hackett Road  
P.O. Box 42, Modesto, CA 95353-0042

Phone: 209.558.2500 Fax: 209.558.2558

November 13, 2012

Marcum LLP  
101 Montgomery Street, Suite 1900  
San Francisco, CA 94104

We are providing this letter in connection with your audit of the financial statements of Stanislaus County Community Services Agency Program Services and Support Fund's Child Development Programs (the "Programs") as of June 30, 2012 and for the year then ended for the purpose of expressing opinion as to whether the financial statements present fairly, in all material respects, the respective financial position of the Programs and the respective changes in financial position in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of November 13, 2012, the following representations made to you during your audit.

- 1) The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 2) We have made available to you all:
  - a) Financial records and related data.
  - b) Minutes of the meetings of directors and committees of directors, or summaries of actions of recent meetings.
- 3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 4) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
- 5) We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule (**Appendix 1**) are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit.



- 6) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
- 7) We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 8) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
- 9) We have a process to track the status of audit findings and recommendations.
- 10) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 11) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 12) The Programs have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 13) The following, if any, have been properly recorded or disclosed in the financial statements:
  - a) Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - b) Guarantees, whether written or oral, under which the Programs are contingently liable.
  - c) All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances.
- 14) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 15) There are no:
  - a) Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

- b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with generally accepted accounting principles.
  - c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.
- 16) As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 17) The Programs have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 18) The Programs have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 19) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 20) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 21) The financial statements properly classify all funds and activities.
- 22) Provisions for uncollectible receivables have been properly identified and recorded.
- 23) We have appropriately disclosed the Programs' policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
- 24) With respect to the supplementary information presented on the Basic Financial Statements.
- a) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- 25) We have evaluated the Programs' ability to continue as a going concern and have included appropriate disclosures, as necessary, in the financial statements.
- 26) We have evaluated and classified any subsequent events as recognized or non-recognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent

Marcum LLP  
FY 2011/2012 CDE Management Representation Letter  
November 13, 2012  
Page 4

to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signed: Christine C. Applegate  
Christine C. Applegate  
Director

Signed: Patrice Dietrich  
Patrice Dietrich  
Chief Financial Officer

Signed: Kim Dysert  
Kim Dysert  
Fiscal Operations Manager



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FY 2011/2012 CDE Management Representation Letter  
November 13, 2012  
Page 6

**Appendix 1 – Past Adjustments**

| <b>Description</b>                    | <b>Debit</b> | <b>Credit</b> |
|---------------------------------------|--------------|---------------|
| <b>Due from the County</b>            | \$5,103      |               |
| <b>Due to Department of Education</b> |              | \$5,103       |

# County of Stanislaus

## Community Services Agency Program Services and Support Fund

Child Development Programs

Modesto, California

*Financial Statements, Supplementary  
Information and Independent Auditors'  
Reports*

*For the year ended June 30, 2012*

**County of Stanislaus  
Community Services Agency Program Services and Support Fund  
Child Development Programs**

**Table of Contents**

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|  | <u>Page</u> |
|--|-------------|
| <b>General Information</b> .....   | i           |
| <b>Independent Auditors' Report</b> .....  | 1           |
| <b>Financial Statements:</b>   |             |
| Balance Sheet.....   | 4           |
| Statement of Revenues, Expenditures and Changes in Fund Balance .....  | 5           |
| Notes to Financial Statements .....  | 7           |
| <b>Supplemental Information:</b>   |             |
| Schedule of Expenditures by State Category .....   | 12          |
| Audited Final Fiscal Report for Alternative Payment Program - C2AP-1069 .....  | 14          |
| Audited Final Fiscal Report for Alternative Payment Program - C3AP-1067 .....  | 15          |
| Combining Schedule of Administrative Costs.....  | 16          |
| Schedule of Equipment Expenditures Utilizing Contract Funds .....  | 17          |
| Schedule of Renovation and Repair Expenditures Utilizing Contract Funds .....  | 18          |
| <b>Independent Auditors' Report on Compliance (Including Those Contained in the<br/>    CDE Audit Guide issued by the State of California Department of Education) and on<br/>    Internal Control over Financial Reporting Based on an Audit of Financial Statements<br/>    Performed in Accordance with Government Auditing Standards</b> ..... | 19          |
| <b>Findings and Questioned Costs - Current Year</b> .....  | 21          |
| <b>Findings and Questioned Costs - Prior Year</b> .....  | 22          |

**County of Stanislaus  
Community Services Agency Program Services and Support Fund  
Child Development Programs**

**General Information**

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**Official Name, Address and Telephone Number of Agency**

County of Stanislaus  
Community Services Agency  
251 E. Hackett Road  
P.O. Box 42  
Modesto, CA 95353  
(209) 558-2500

**Program Name and Contract Numbers**

C2AP-1069 CCDF Alternative Payment, Stage 2 CalWORKS  
C3AP-1067 CCDF Alternative Payment, Stage 3 CalWORKS

**Type of Agency**

Public Agency

**Agency Director**

Christine C. Applegate

**Grant Period**

July 1, 2011 to June 30, 2012

**Days of Operation**

241

**Hours of Operation**

Opening Time: 8:00 A.M.  
Closing Time: 5:00 P.M.  
Total number of hours open per day: 9.0



## INDEPENDENT AUDITORS' REPORT

To the County of Stanislaus Board of Supervisors  
Modesto, California

We have audited the accompanying financial statements of the County of Stanislaus Community Services Agency Program Services and Support Fund's Child Development Programs (the "Programs") as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Programs' management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Programs' internal controls over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Programs as of June 30, 2012, and the results of its operations for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 13, 2012, on our consideration of the Programs' internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be read in conjunction with this report in considering the results of our audit.



To the County of Stanislaus Board of Supervisors  
Modesto, California  
Page 2

Our audit was conducted for the purpose of forming an opinion on the Programs' financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in conformity with the generally accepted auditing standards and *CDE Audit Guide* issued by the California Department of Education. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Marcum LLP*

San Francisco, California  
November 13, 2012

**FINANCIAL STATEMENTS**

**County of Stanislaus**  
**Community Services Agency Program Services and Support Fund**  
**Child Development Programs**  
**Balance Sheet**  
**June 30, 2012**

|   | Alternative Payment Programs |                  |                  |                   | Stage 2 & 3<br>Total |
|---|------------------------------|------------------|------------------|-------------------|----------------------|
|   | Stage 2 C2AP                 | Stage 3 C3AP     |                  | Total Stage 3     |                      |
|   | 100% State                   | 66% Federal      | 34% State        |                   |                      |
| <b>ASSETS</b>                               |                              |                  |                  |                   |                      |
| Restricted cash                             | \$ 253,870                   | \$ 20,493        | \$ -             | \$ 20,493         | \$ 274,363           |
| Grants receivable                           | 96,158                       | 46,030           | 50,006           | 96,036            | 192,194              |
| <b>Total assets</b>                         | <b>350,028</b>               | <b>66,523</b>    | <b>50,006</b>    | <b>116,529</b>    | <b>466,557</b>       |
| <b>LIABILITIES AND FUND BALANCES</b>        |                              |                  |                  |                   |                      |
| <b>Liabilities:</b>                         |                              |                  |                  |                   |                      |
| Accounts payable and accrued liabilities    | 350,028                      | 36,172           | 50,006           | 86,178            | 436,206              |
| Due to the CA Department of Education (CDE) | -                            | 30,351           | -                | 30,351            | 30,351               |
| <b>Total liabilities</b>                    | <b>350,028</b>               | <b>66,523</b>    | <b>50,006</b>    | <b>116,529</b>    | <b>466,557</b>       |
| <b>Fund balances</b>                        | <b>-</b>                     | <b>-</b>         | <b>-</b>         | <b>-</b>          | <b>-</b>             |
| <b>Total liabilities and fund balances</b>  | <b>\$ 350,028</b>            | <b>\$ 66,523</b> | <b>\$ 50,006</b> | <b>\$ 116,529</b> | <b>\$ 466,557</b>    |

The accompanying Notes are an integral part of these Financial Statements.



**County of Stanislaus**  
**Community Services Agency Program Services and Support Fund**  
**Child Development Programs**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the year ended June 30, 2012**

|   | Alternative Payment Programs |                | Total            |
|---|------------------------------|----------------|------------------|
|   | Stage 2 C2AP                 | Stage 3 C3AP   |                  |
| <b>REVENUES:</b>                          |                              |                |                  |
| Government apportionment:                 |                              |                |                  |
| Current year contracts                    | \$ 4,143,941                 | \$ 495,954     | \$ 4,639,895     |
| Parent fees                               | 81,146                       | 27,932         | 109,078          |
| <b>Total revenues</b>                     | <b>4,225,087</b>             | <b>523,886</b> | <b>4,748,973</b> |
| <b>EXPENDITURES:</b>                      |                              |                |                  |
| Salaries                                  | 535,709                      | 70,045         | 605,754          |
| Employee benefits                         | 260,764                      | 34,904         | 295,668          |
| Provider payments                         | 3,307,484                    | 402,700        | 3,710,184        |
| Other operating expenditures              | 121,130                      | 16,237         | 137,367          |
| <b>Total expenditures</b>                 | <b>4,225,087</b>             | <b>523,886</b> | <b>4,748,973</b> |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b> | <b>-</b>                     | <b>-</b>       | <b>-</b>         |
| <b>FUND BALANCES:</b>                     |                              |                |                  |
| Beginning of year                         | -                            | -              | -                |
| End of year                               | \$ -                         | \$ -           | \$ -             |

The accompanying Notes are an integral part of these Financial Statements.

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**County of Stanislaus**  
**Community Services Agency Program Services and Support Fund**  
**Child Development Programs**  
**Notes to Financial Statements**  
**For the year ended June 30, 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The accompanying financial statements of the County of Stanislaus Community Services Agency Program Services and Support Fund's Child Development Programs (the "Programs") include the financial activities of the alternative payment programs which make payments directly to childcare providers for eligible families that receive subsidized childcare services. The financial operations of the Programs are accounted for in the Special Revenue Funds of the County of Stanislaus (County).

The accompanying financial statements are not intended to present the financial position or results of operations of the County. For complete disclosures refer to the County's Annual Financial Report.

**B. Fund Accounting**

The accounts of the County are organized on the basis of funds which are considered to be separate accounting entities. The operations of the Childcare Fund are accounted for in separate sets of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and for individual funds based on the purposes for which they are spent and means by which spending activities are controlled. These funds are legally restricted for specific purposes and are included in the basic financial statements of the County.

**C. Basis of Accounting**

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for on a spending or "*current financial resources*" measurement focus. Accordingly, only current assets and current liabilities generally are included on the balance sheet. Operating statements of governmental funds present increases (revenues and other financial sources) and decreases (expenditures and other financial uses) in net current assets.

The Programs' financial activities are accounted for using the modified accrual basis of accounting wherein revenues are recognized in the accounting period in which they become measurable and available to pay liabilities of the current period. Revenues considered susceptible to accrual include charges for services, federal and state grants and interest. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

**2. RESTRICTED CASH**

The County maintains a cash pool that is available for use by all funds. Separate cash balances for individual contracts within the Community Services Agency Program Services and Support Fund's Child Development Programs are not maintained by the County. Cash balances for individual contracts are determined from cash receipt and cash disbursement records of the individual contracts. Cash under the programs are restricted for program uses only.

**County of Stanislaus**  
**Community Services Agency Program Services and Support Fund**  
**Child Development Programs**  
**Notes to Financial Statements, Continued**  
**For the year ended June 30, 2012**

**3. AMOUNTS DUE FROM (TO) OTHER AGENCIES**

*Due from (to) the State of California Department of Education*

The amount due from the State of California Department of Education represents grants receivable under the fiscal year 2011-2012 contracts with the State of California Department of Education. As of June 30, 2012 the Programs have \$192,194 receivable from the State of California Department of Education, including \$26,017 representing a reallocation between Federal and state funding dollars for the Stage 3 Program.

The amount due to the State of California Department of Education represents the overpayments of fiscal year 2011-2012 contracts with the State of California Department of Education. As of June 30, 2012 the Programs have \$30,351 due to the State of California Department of Education, including \$26,017 representing a reallocation between Federal and state funding dollars for the Stage 3 Program for a net of \$4,334 due to the California Department of Education.

**4. CHILD DEVELOPMENT CONTRACTS**

The Programs contract with the California State Department of Education to conduct a child care alternative payment program. The Programs' reimbursement is the lesser of allowable costs incurred and a maximum funding amount. For the year ended June 30, 2012, the Programs earned \$4,639,895 of the maximum contract amount of \$5,222,705.

The Programs had the following grant expenditures and corresponding grant receipts for the fiscal year ending June 30, 2012, not including \$70,019 Stage 3 Grant revenues received after June 30, 2012:

|   | CFDA<br>Number | Contract<br>Number | Grant<br>Award<br>Amount | Grant<br>Expenditures | Grant<br>Revenues<br>Received | Amount<br>Due From/<br>(To) State |
|---|----------------|--------------------|--------------------------|-----------------------|-------------------------------|-----------------------------------|
| <b>Program Grants:</b>                          |                |                    |                          |                       |                               |                                   |
| <b>Federal Grants passed through the State:</b> |                |                    |                          |                       |                               |                                   |
| Alternative Payment - Stage 2                   | 93.575         | C2AP-1069          | \$ -                     | \$ -                  | \$ -                          | \$ -                              |
| Alternative Payment - Stage 3                   | 93.575         | C3AP-1067          | 469,778                  | 326,024               | 310,345                       | 15,679                            |
| Total Federal grants                            |                |                    | <u>\$ 469,778</u>        | <u>\$ 326,024</u>     | <u>\$ 310,345</u>             | <u>\$ 15,679</u>                  |
| <b>State Grants:</b>                            |                |                    |                          |                       |                               |                                   |
| Alternative Payment - Stage 2                   |                | C2AP-1069          | \$ 4,508,069             | \$ 4,143,941          | \$ 4,047,783                  | \$ 96,158                         |
| Alternative Payment - Stage 3                   |                | C3AP-1067          | 244,858                  | 169,930               | 119,924                       | 50,006                            |
| Total State grants                              |                |                    | <u>\$ 4,752,927</u>      | <u>\$ 4,313,871</u>   | <u>\$ 4,167,707</u>           | <u>\$ 146,164</u>                 |
| <b>Federal and State Total:</b>                 |                |                    |                          |                       |                               |                                   |
| Alternative Payment - Stage 2                   |                | C2AP-1069          | \$ 4,508,069             | \$ 4,143,941          | \$ 4,047,783                  | \$ 96,158                         |
| Alternative Payment - Stage 3                   |                | C3AP-1067          | 714,636                  | 495,954               | 430,269                       | 65,685                            |
| Total program grants                            |                |                    | <u>\$ 5,222,705</u>      | <u>\$ 4,639,895</u>   | <u>\$ 4,478,052</u>           | <u>\$ 161,843</u>                 |

**County of Stanislaus**  
**Community Services Agency Program Services and Support Fund**  
**Child Development Programs**  
**Notes to Financial Statements, Continued**  
**For the year ended June 30, 2012**

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**5. PARENT FEES**

Parent fees represent the portion of childcare expenses that are to be paid by parents who do not qualify for the full subsidy. The parents pay the childcare provider directly for their portion of the childcare expenses. The County adjusts the fee amount from the provider's payment amount.

**6. RENT**

The Alternative Payment Child Development Programs are housed in County buildings. Rent is charged to the Community Services Agency on the basis of square footage utilized and then allocated to Programs through the Statewide Cost Plan for County Welfare departments, County Expense Claim (CEC).

**7. COST ALLOCATION OF EXPENSES**

The County accumulates shared costs such as overhead, utilities, and administrative salaries in a cost pool and allocates these costs quarterly to each program based on time study hours through the County Expense Claim.

**8. CONTINGENCIES**

The Programs receive state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowed expenditures under terms of the grants, it is believed that any repayments resulting from disallowances will not be material.

**9. SELF-INSURANCE**

The County has a risk management program with respect to workers' compensation, general and professional liability, unemployment, vision and dental care. Under its existing workers' compensation insurance plan, the County is responsible for the first \$500,000 per occurrence, with a commercial insurance company providing excess coverage up to the statutory limits. The General Liability insurance including personal injury, auto, and public officials' errors and omissions are the County's responsibility for the first \$250,000 per occurrence with the excess insured by CSAC Excess Insurance Authority for up to \$25,000,000. The County's Property coverage is insured through CSAC Excess Insurance Authority and several commercial insurance carriers for \$584,896,996 with a \$10,000 deductible. The County is self-insured for unemployment, health benefits, vision care, and dental care. The Programs reimburse the County for this coverage through an allocation of overhead expense and do not believe there is any additional exposure that needs to be accrued.

**County of Stanislaus**  
**Community Services Agency Program Services and Support Fund**  
**Child Development Programs**  
**Notes to Financial Statements, Continued**  
**For the year ended June 30, 2012**

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**10. RESTRICTION ON INTERFUNDING BORROWINGS**

The State of California Department of Education prohibits inter-fund borrowings of any revenues received through a State of California contract to programs funded by other sources.

**11. FUNDING OF DEFICITS**

The General Fund of the County of Stanislaus is responsible for offsetting deficits, should any result in a future period, from revenues inadequate to cover expenditures in the Programs. There were no contributions from the County during the current year.

**12. SUBSEQUENT EVENTS**

The Programs' management has evaluated all events and transactions that occurred after June 30, 2012, and through November 13, 2012, the date the financial statements and accompanying notes to financial statements were available to be issued. During this period, no events or transactions occurred that would require adjustment of the financial statements or disclosure in the accompanying notes.

**SUPPLEMENTAL INFORMATION**  
**(as required by the State of California)**

**County of Stanislaus**  
**Community Services Agency Program Services and Support Fund**  
**Child Development Programs**  
**Schedule of Expenditures by State Category**  
**Fiscal year ended June 30, 2012**

|  |  | Stage 2             |                     |                     |
|--|--|---------------------|---------------------|---------------------|
|  |  | Alternative Payment |                     |                     |
|  |  | Federal<br>Grant    | State<br>Grant      | Total               |
| <b>Classified salaries</b>                       |  |                     |                     |                     |
| 2200   | Administrator's salaries   | \$ -                | \$ 57,417           | \$ 57,417           |
| 2300   | Clerical and other office salaries                                       | -                   | 224,696             | 224,696             |
| 2900   | Other classified salaries  | -                   | 253,596             | 253,596             |
| <b>2000</b>                                      | <b>Total classified salaries</b>   | -                   | 535,709             | 535,709             |
| <b>Employee benefits</b>                         |  |                     |                     |                     |
| 3300   | Social security  | -                   | 38,892              | 38,892              |
| 3400   | Health and welfare benefits  | -                   | 128,448             | 128,448             |
| 3500   | State unemployment benefits  | -                   | 3,554               | 3,554               |
| 3600   | Worker's compensation insurance  | -                   | 7,871               | 7,871               |
| 3900   | Other benefits   | -                   | 81,999              | 81,999              |
| <b>3000</b>                                      | <b>Total employee benefits</b>   | -                   | 260,764             | 260,764             |
| <b>Books and supplies</b>                        |  |                     |                     |                     |
| 4300   | Instructional materials and supplies                                     | -                   | -                   | -                   |
| 4400   | Non-capitalized equipment and furniture                                  | -                   | -                   | -                   |
| 4500   | Other supplies   | -                   | -                   | -                   |
| <b>4000</b>                                      | <b>Total books and supplies</b>  | -                   | -                   | -                   |
| <b>Services and other operating expenditures</b> |  |                     |                     |                     |
| 5100   | Direct provider payments   | -                   | 3,307,484           | 3,307,484           |
| 5100   | Personal services of instructional consultants,<br>lecturers, and others | -                   | 749                 | 749                 |
| 5200   | Travel and conferences   | -                   | 4,638               | 4,638               |
| 5300   | Dues and memberships   | -                   | 716                 | 716                 |
| 5400   | Insurance  | -                   | 4,072               | 4,072               |
| 5500   | Utilities and housekeeping services                                      | -                   | 18,700              | 18,700              |
| 5600   | Rentals, leases, repairs, and non-capitalized<br>improvements            | -                   | 17,849              | 17,849              |
| 5700   | Audit fees   | -                   | 20,716              | 20,716              |
| 5800   | Other services and operating expenditures                                | -                   | 53,690              | 53,690              |
| <b>5000</b>                                      | <b>Total services and other operating expenditures</b>                   | -                   | 3,428,614           | 3,428,614           |
| <b>Total net reimbursable expenditures</b>       |  | <b>\$ -</b>         | <b>\$ 4,225,087</b> | <b>\$ 4,225,087</b> |



**County of Stanislaus**  
**Community Services Agency Program Services and Support Fund**  
**Child Development Programs**  
**Schedule of Expenditures by State Category**  
**Fiscal year ended June 30, 2012**

|  |   | Stage 3             |                   |                   |
|--|---|---------------------|-------------------|-------------------|
|  |   | Alternative Payment |                   |                   |
|  |   | Federal             | State             |                   |
|  |   | Grant               | Grant             | Total             |
| <b>Classified salaries</b>                       |   |                     |                   |                   |
| 2200   | Administrator's salaries  | \$ 4,866            | \$ 2,536          | \$ 7,402          |
| 2300   | Clerical and other office salaries                                    | 19,166              | 9,989             | 29,155            |
| 2900   | Other classified salaries   | 22,014              | 11,474            | 33,488            |
| <b>2000</b>                                      | <b>Total salaries</b>   | <b>46,046</b>       | <b>23,999</b>     | <b>70,045</b>     |
| <b>Employee benefits</b>                         |   |                     |                   |                   |
| 3300   | Social security   | 3,339               | 1,741             | 5,080             |
| 3400   | Health and welfare benefits   | 11,622              | 6,057             | 17,679            |
| 3500   | State unemployment benefits   | 312                 | 163               | 475               |
| 3600   | Worker's compensation insurance                                       | 690                 | 359               | 1,049             |
| 3900   | Other benefits  | 6,982               | 3,639             | 10,621            |
| <b>3000</b>                                      | <b>Total employee benefits</b>  | <b>22,945</b>       | <b>11,959</b>     | <b>34,904</b>     |
| <b>Books and supplies</b>                        |   |                     |                   |                   |
| 4300   | Instructional materials and supplies                                  | -                   | -                 | -                 |
| 4400   | Non-capitalized equipment and furniture                               | -                   | -                 | -                 |
| 4500   | Other supplies  | -                   | -                 | -                 |
| <b>4000</b>                                      | <b>Total books and supplies</b>                                       | <b>-</b>            | <b>-</b>          | <b>-</b>          |
| <b>Services and other operating expenditures</b> |   |                     |                   |                   |
| 5100   | Direct provider payments  | 264,721             | 137,979           | 402,700           |
| 5100   | Personal services of instructional consultants, lecturers, and others | 57                  | 30                | 87                |
| 5200   | Travel and conferences  | 417                 | 217               | 634               |
| 5300   | Dues and memberships  | 34                  | 18                | 52                |
| 5400   | Insurance   | 360                 | 188               | 548               |
| 5500   | Utilities and housekeeping services                                   | 1,616               | 842               | 2,458             |
| 5600   | Rentals, leases, repairs, and non-capitalized improvements            | 1,430               | 746               | 2,176             |
| 5700   | Audit fees  | 2,159               | 1,125             | 3,284             |
| 5800   | Other services and operating expenditures                             | 4,601               | 2,397             | 6,998             |
| <b>5000</b>                                      | <b>Total services and other operating expenditures</b>                | <b>275,395</b>      | <b>143,542</b>    | <b>418,937</b>    |
| <b>Total net reimbursable expenditures</b>       |   | <b>\$ 344,386</b>   | <b>\$ 179,500</b> | <b>\$ 523,886</b> |

**AUDITED FINAL FISCAL REPORT  
for Alternative Payment or Family Child Care Home Programs**

Agency Name: County of Stanislaus Vendor No. 2250  
 Fiscal Year End: 30-Jun-12 Contract No. C2AP - 1069  
 Independent Auditor's Name: Marcum LLP

| SECTION I - REVENUE                                    | EDP NO. | Column A                          | Column B                                | Column C                         |
|--|---------|-----------------------------------|---|----------------------------------|
|  |         | CUMULATIVE FISCAL YEAR PER AGENCY | AUDIT ADJUSTMENT INCREASE OR (DECREASE) | CUMULATIVE FISCAL YEAR PER AUDIT |
| RESTRICTED PROGRAM INCOME                              |         |                                   |   |                                  |
| Child Care Food/National School Lunch Program          | 302     | \$0                               | \$0                                     | \$0                              |
| Restricted income for operating costs                  | 306     | 0                                 | 0                                       | 0                                |
| Cal Learn Program                                      | 308     | 0                                 | 0                                       | 0                                |
| Maintenance of Effort                                  | 339     | 0                                 | 0                                       | 0                                |
| Other:   | 312     | 0                                 | 0                                       | 0                                |
| <b>SUBTOTAL</b>  | 311     | 0                                 | 0                                       | 0                                |
| TRANSFER FROM RESERVE FUND                             | 310     | 0                                 | 0                                       | 0                                |
| FAMILY FEES FOR CERTIFIED CHILDREN                     | 329     | 81,146                            | 0                                       | 81,146                           |
| INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS | 349     | 0                                 | 0                                       | 0                                |
| NON-RESTRICTED INCOME                                  |         |                                   |   |                                  |
| Parent fees for noncertified children                  | 356     | 0                                 | 0                                       | 0                                |
| Other:   | 362     |                                   |   | 0                                |
| <b>TOTAL REVENUE</b>                                   | 390     | \$81,146                          | \$0                                     | \$81,146                         |

**SECTION II - EXPENSES**

|   |     |             |     |             |
|---|-----|-------------|-----|-------------|
| REIMBURSABLE EXPENSES                                 |     |             |     |             |
| <i>Direct Payments to Providers</i>                   | 401 | \$3,307,484 | \$0 | \$3,307,484 |
| 1000 Certificated Salaries                            | 402 | 0           | 0   | 0           |
| 2000 Classified Salaries                              | 404 | 535,709     | 0   | 535,709     |
| 3000 Employee Benefits                                | 406 | 260,764     | 0   | 260,764     |
| 4000 Books and Supplies                               | 408 | 0           | 0   | 0           |
| 5000 Services and Other Operating Expenses            | 412 | 121,130     | 0   | 121,130     |
| 6100/6200 Other Approved Capital Outlay               | 413 | 0           | 0   | 0           |
| 6400 New Equipment ( <i>program-related</i> )         | 414 | 0           | 0   | 0           |
| 6500 Equipment Replacement ( <i>program-related</i> ) | 416 | 0           | 0   | 0           |
| Depreciation or Use Allowance                         | 439 | 0           | 0   | 0           |
| Start-Up Expenses (service level exemption)           | 447 | 0           | 0   | 0           |
| Indirect Costs -- Rate: 0.00%                         | 459 | 0           | 0   | 0           |
| NONREIMBURSABLE EXPENSES                              |     |             |     |             |
| 6100-6500 Nonreimbursable capital outlay              | 479 | 0           | 0   | 0           |
| Other:  | 489 | 0           | 0   | 0           |
| <b>TOTAL EXPENSES</b>                                 | 490 | \$4,225,087 | \$0 | \$4,225,087 |
| TOTAL ADMINISTRATIVE COST ( <i>included above</i> )   | 690 | \$84,442    | \$0 | \$84,442    |
| DAYS OF OPERATION                                     | 169 | 241         | 0   | 241         |

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

Line 5000 Includes \$20,716 Accrual for Audit Fees.

**AUDITED FINAL FISCAL REPORT  
for Alternative Payment or Family Child Care Home Programs**

Agency Name: County of Stanislaus Vendor No. 2250  
 Fiscal Year End: 30-Jun-12 Contract No. C3AP - 1067  
 Independent Auditor's Name: Marcum LLP

| SECTION I - REVENUE                                    | EDP NO. | Column A                          | Column B                                | Column C                         |
|--|---------|-----------------------------------|---|----------------------------------|
|  |         | CUMULATIVE FISCAL YEAR PER AGENCY | AUDIT ADJUSTMENT INCREASE OR (DECREASE) | CUMULATIVE FISCAL YEAR PER AUDIT |
| <b>RESTRICTED PROGRAM INCOME</b>                       |         |                                   |   |                                  |
| Child Care Food/National School Lunch Program          | 302     | \$0                               | \$0                                     | \$0                              |
| Restricted income for operating costs                  | 306     | 0                                 | 0                                       | 0                                |
| Cal Learn Program                                      | 308     | 0                                 | 0                                       | 0                                |
| Maintenance of Effort                                  | 339     | 0                                 | 0                                       | 0                                |
| Other:   | 312     | 0                                 | 0                                       | 0                                |
| <b>SUBTOTAL</b>  | 311     | 0                                 | 0                                       | 0                                |
| TRANSFER FROM RESERVE FUND                             | 310     | 0                                 | 0                                       | 0                                |
| FAMILY FEES FOR CERTIFIED CHILDREN                     | 329     | 27,932                            | 0                                       | 27,932                           |
| INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS | 349     | 0                                 | 0                                       | 0                                |
| <b>NON-RESTRICTED INCOME</b>                           |         |                                   |   |                                  |
| Parent fees for noncertified children                  | 356     | 0                                 | 0                                       | 0                                |
| Other:   | 362     | 0                                 | 0                                       | 0                                |
| <b>TOTAL REVENUE</b>                                   | 390     | \$27,932                          | \$0                                     | \$27,932                         |

**SECTION II - EXPENSES**

|  |     |           |     |           |
|--|-----|-----------|-----|-----------|
| <b>REIMBURSABLE EXPENSES</b>                 |     |           |     |           |
| Direct Payments to Providers                 | 401 | \$402,700 | \$0 | \$402,700 |
| 1000 Certificated Salaries                   | 402 | 0         | 0   | 0         |
| 2000 Classified Salaries                     | 404 | 70,045    | 0   | 70,045    |
| 3000 Employee Benefits                       | 406 | 34,904    | 0   | 34,904    |
| 4000 Books and Supplies                      | 408 | 0         | 0   | 0         |
| 5000 Services and Other Operating Expenses   | 412 | 16,237    | 0   | 16,237    |
| 6100/6200 Other Approved Capital Outlay      | 413 | 0         | 0   | 0         |
| 6400 New Equipment (program-related)         | 414 | 0         | 0   | 0         |
| 6500 Equipment Replacement (program-related) | 416 | 0         | 0   | 0         |
| Depreciation or Use Allowance                | 439 | 0         | 0   | 0         |
| Start-Up Expenses (service level exemption)  | 447 | 0         | 0   | 0         |
| Indirect Costs -- Rate: 0.00%                | 459 | 0         | 0   | 0         |
| <b>NONREIMBURSABLE EXPENSES</b>              |     |           |     |           |
| 6100-6500 Nonreimbursable capital outlay     | 479 | 0         |     | 0         |
| Other:                                       | 489 | 0         |     | 0         |
| <b>TOTAL EXPENSES</b>                        | 490 | \$523,886 | \$0 | \$523,886 |
| TOTAL ADMINISTRATIVE COST (included above)   | 690 | \$11,541  | \$0 | \$11,541  |
| <b>DAYS OF OPERATION</b>                     | 169 | 241       |     | 241       |

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

Line 5000 Includes \$3,284 Accrual for Audit Fees.

**County of Stanislaus**  
**Community Services Agency Program Services and Support Fund**  
**Child Development Programs**  
**Combining Schedule of Administrative Costs**  
**For the year ended June 30, 2012**

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|  | Alternative Payment |                  |                  |
|--|---------------------|------------------|------------------|
|  | C2AP                | C3AP             | Total            |
| Salaries   | \$ 38,600           | \$ 5,013         | \$ 43,613        |
| Employee benefits  | 18,965              | 2,463            | 21,428           |
| Personal services of instructional<br>consultants, lecturers, and others | 46                  | 6                | 52               |
| Travel and conferences   | 285                 | 38               | 323              |
| Dues and memberships   | 44                  | 3                | 47               |
| Insurance  | 250                 | 33               | 283              |
| Utilities and housekeeping services                                      | 1,147               | 148              | 1,295            |
| Contracts, rents and leases  | 1,095               | 131              | 1,226            |
| Other services and operating expenditures                                | 3,294               | 422              | 3,716            |
| Audit expense  | 20,716              | 3,284            | 24,000           |
| <b>Total Reimbursable Expenditures</b>                                   | <b>\$ 84,442</b>    | <b>\$ 11,541</b> | <b>\$ 95,983</b> |

**County of Stanislaus**  
**Community Services Agency Program Services and Support Fund**  
**Child Development Programs**  
**Schedule of Equipment Expenditures Utilizing Contract Funds**  
**For the year ended June 30, 2012**

| Expenditures Under<br>\$7,500 Unit Cost |      | Expenditures Over<br>\$7,500 Unit Cost<br>With CDD Approval |      | Expenditures Over<br>\$7,500 Unit Cost<br>Without CDD Approval |      |
|---|------|---|------|--|------|
| Cost                                    | Item | Cost  | Item | Cost   | Item |
|   | None |   | None |  | None |

**County of Stanislaus**  
**Community Services Agency Program Services and Support Fund**  
**Child Development Programs**  
**Schedule of Renovation and Repair Expenditures Utilizing Contract Funds**  
**For the year ended June 30, 2012**

| Expenditures Under<br>\$10,000 Unit Cost |  | Expenditures Over<br>\$10,000 Unit Cost<br>With CDD Approval |  | Expenditures Over<br>\$10,000 Unit Cost<br>Without CDD Approval |  |
|--|--|--|--|---|--|
| Cost                                     | Item   | Cost   | Item   | Cost  | Item   |
|  | No renovation and<br>repair expenditures<br>using contract funds |  | No renovation and<br>repair expenditures<br>using contract funds |   | No renovation and<br>repair expenditures<br>using contract funds |



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE (INCLUDING THOSE CONTAINED IN THE *CDE AUDIT GUIDE*  
ISSUED BY THE STATE OF CALIFORNIA DEPARTMENT OF EDUCATION)  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the County of Stanislaus Board of Supervisors  
Modesto, California

We have audited the financial statements of the County of Stanislaus Community Services Agency Program Services and Support Fund's Child Development Programs (the "Programs"), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 13, 2012. We conducted our audit in accordance with generally accepted auditing standards 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

Management of the Programs, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Programs' 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 Programs' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Programs' internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



To the County of Stanislaus Board of Supervisors  
Modesto, California  
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Programs' 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. Such provisions include those provisions of laws and regulations identified in the *CDE Audit Guide*, issued by the State of California Department of Education. 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and *CDE Audit Guide*.

This report is intended for the information of the County of Stanislaus Board of Supervisors, Community Services Agency management, and the State of California Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Marcum LLP*

San Francisco, California  
November 13, 2012



**County of Stanislaus**  
**Community Services Agency Program Services and Support Fund**  
**Child Development Programs**  
**Findings and Questioned Costs - Current Year**  
**For the year ended June 30, 2012**

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No current year findings.

**County of Stanislaus**  
**Community Services Agency Program Services and Support Fund**  
**Child Development Programs**  
**Findings and Questioned Costs - Prior Year**  
**For the year ended June 30, 2012**

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2011-1 *Cost Allocation - Alternative Payment Program Stage 2, Contract No. C2AP - 0069*

**Criteria**

Time studies used by the Program to allocate indirect costs to each program need to be supported by the time cards filled out by each employee.

**Condition**

When reviewing and testing the time studies for the quarter of September 2010, we noted that 35.25 hours of an employee were miscoded to the Stage 2 program, instead of Stage 1 program. As a result, the costs allocated to the Stage 2 program have been overstated.

**Questioned Costs**

Known questioned cost for the quarter ended September 2010 were \$5,103. Based on an error rate of 2.4%, extrapolated questioned costs were estimated to be \$9,948 for Stage 2 program for fiscal year 2011.

**Effect and Context**

Wages and benefits of Stage 2 Program have been overstated due to the incorrect Program Ratio derived from time studies.

**Cause**

It appears to be a data entry error: one employee's hours have been miscoded to Stage 2 Program.

**Recommendation:**

We recommend that the Program implement review procedures to ensure the hours on the time cards are properly coded to each program.

**Management Response:**

The Community Services Agency currently employs a number of internal controls in support of the time card/time study process linked to the California Department of Social Services County Expense Claim. Current procedures are sufficient to provide reasonable assurance that reporting is accurate, as demonstrated in this and other audit history. Management finds this incident to be a unique and immaterial error.

However, in order to improve further upon our internal control procedures to ensure that hours on the time cards are properly coded and keyed to each program, one quarter during the contract year, a 100% time study review will be performed. This additional review recognizes the uniqueness of the child care programs as funded through the California Department of Education and demonstrates the Community Services Agency commitment to accounting accuracy in this contract and all other Community Services Agency programs.

**Status:**

No similar exception was noted in the fiscal year 2012. The questioned costs identified above were billed to the Programs by the State and were repaid in August 2012.