

COUNTY OF BROOME, NEW YORK

**Reports Required by the Single Audit Act
and Government Auditing Standards**

DECEMBER 31, 2010

COUNTY OF BROOME, NEW YORK

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

Honorable County Executive, Patrick J. Brennan
and Honorable Members of the County Legislature
County of Broome, New York

We have audited the basic 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 (the "County") as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 27, 2011. We did not audit the financial statements of Broome Community College or Broome County Industrial Development Agency, which represents 99% of both the assets and revenues of the aggregate discretely presented component units. In addition, we did not audit the financial statements of the Broome County Tobacco Asset Securitization Corporation, a blended component unit of the County. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our consideration of compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters and internal control over financial reporting did not include the operations of Broome Community College, Broome County Industrial Development Agency or the Broome County Tobacco Asset Securitization Corporation.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 findings 10-01 and 10-02 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 findings 10-03 and 10-04 to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

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

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

This report is intended solely for the information of the County Legislature, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Tertus, Marshall + Auzan, LLP

September 27, 2011
Syracuse, New York

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

Honorable County Executive, Patrick J. Brennan
and Honorable Members of the County Legislature
County of Broome, New York

COMPLIANCE

We have audited County of Broome, New York's (the "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, 2010. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of Broome Community College, Broome County Industrial Development Agency and the Broome County Tobacco Asset Securitization Corporation, whose federal awards are not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2010. Our audit, described below, did not include the federal awards of the above entities as these entities conducted separate audits in accordance with OMB Circular A-133, if required.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the 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, 2010.

INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the County of Broome, New York as of and for the year ended December 31, 2010 and have issued our report thereon dated September 27, 2011. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

(Continued)

This report is intended solely for the information and use of County Legislature, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Tertuo, Marshall & Design, LLP

September 27, 2011
Syracuse, New York

**COUNTY OF BROOME, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/Program Title	CFDA #	Pass-Through Grantor ID #	Federal Expenditures
U.S. Department of Agriculture			
Pass-Through NYS Department of Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	C012323	3,626,105
Pass-Through NYS Department of Social Services:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561		<u>1,453,583</u>
Total U.S. Department of Agriculture			<u>5,079,688</u>
U.S. Department of Housing and Urban Development			
Pass-Through Town of Union:			
Community Development Block Grants/Entitlement Grants	14.218		26,388
Direct Program:			
ARRA - Homelessness Prevention and Rapid Re-Housing Program Technical Assistance	14.262		<u>953,817</u>
Total U.S. Department of Housing and Urban Development			<u>980,205</u>
U.S. Department of Justice			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG)	16.804		<u>29,976</u>
Total U.S. Department of Justice			<u>29,976</u>

(Continued)

**COUNTY OF BROOME, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/Program Title	CFDA #	Pass-Through Grantor ID #	Federal Expenditures
U.S. Department of Labor			
Pass-Through NYS Department of Labor:			
Trade Adjustment Assistance	17.245		<u>137,820</u>
WIA Cluster			
Direct Program:			
ARRA - WIA Adult Program	17.258		33,302
Pass-Through NYS Department of Labor:			
WIA Adult Program	17.258		<u>298,671</u>
Total			<u>331,973</u>
Direct Program:			
ARRA - WIA Youth Activities	17.259		161,374
Pass-Through NYS Department of Labor:			
WIA Youth Activities	17.259		<u>273,523</u>
Total			<u>434,897</u>
Direct Program:			
ARRA - WIA Dislocated Workers	17.260		113,178
Pass-Through NYS Department of Labor:			
WIA Dislocated Workers	17.260		<u>939,516</u>
Total			<u>1,052,694</u>
Total WIA Cluster			<u>1,819,564</u>
Direct Program:			
Incentive Grants - WIA Section 503	17.267		<u>39,525</u>
Total U.S. Department of Labor			<u>1,996,909</u>
U.S. Department of Transportation			
Direct Program:			
Airport Improvement Program (AIP)	20.106		<u>2,107,198</u>
Direct Program:			
ARRA - Highway Planning and Construction	20.205		2,669,302
Pass-Through NYS Department of Transportation:			
Highway Planning and Construction	20.205	D012060	418,008
Total	20.205		<u>333,424</u>
			<u>3,420,734</u>
Pass-Through NYS Department of Transportation:			
Metropolitan Transportation Planning	20.505	D012060	<u>110,243</u>
Direct Program:			
Federal Transit - Formula Grants	20.507		<u>6,001,595</u>
Pass-Through NYS Department of Transportation:			
Job Access Reverse Commute (JARC)	20.516		<u>311,347</u>
Pass-Through NYS Governor's Traffic Safety Committee:			
State and Community Highway Safety	20.600	CP0400212	<u>76,583</u>
Total U.S. Department of Transportation			<u>12,027,700</u>

(Continued)

**COUNTY OF BROOME, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/Program Title	CFDA #	Pass-Through Grantor ID #	Federal Expenditures
U.S. Environmental Protection Agency			
Direct Program:			
Brownfield Assessment and Cleanup Cooperative Agreements	66.818		<u>33,392</u>
Total U.S. Environmental Protection Agency			<u>33,392</u>
U.S. Department of Education			
Pass-Through NYS Department of Health through NYS Department of Education:			
Special Education - Grants for Infants and Families	84.181		<u>681,357</u>
Total U.S. Department of Education			<u>681,357</u>
Elections Assistance Commission			
Pass-Through NYS Board of Elections:			
Help America Vote Act Requirements Payments	90.401	C002528	<u>15,758</u>
Total Elections Assistance Commission			<u>15,758</u>
U.S. Department of Health and Human Services			
Pass-Through NACCHO:			
Medical Reserve Corps Small Grant Program	93.008	MRC080017	353
Medical Reserve Corps Small Grant Program	93.008	MRC090017	<u>25</u>
Total			<u>378</u>
Pass-Through NYS Office for the Aging:			
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation	93.041		<u>11,490</u>
Aging Cluster			
Pass-Through NYS Office for the Aging:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Center	93.044		238,048
Pass-Through NYS Office for the Aging:			
Special Programs for the Aging - Title III, Part C - Nutritional Services	93.045		474,895
Pass-Through NYS Office for the Aging:			
Nutrition Services Incentive Program	93.053		<u>166,269</u>
Total Aging Cluster			<u>879,212</u>
Pass-Through NYS Office for the Aging:			
Special Programs for the Aging - Title III, Part D - In-Home Services for Frail Older Individuals	93.046		<u>13,085</u>
Pass-Through NYS Office for the Aging:			
Special Programs for the Aging - Title IV and Title II - Discretionary Projects	93.048		<u>202,386</u>
Pass-Through NYS Office for the Aging:			
National Family Caregiver Support Program	93.052		<u>99,778</u>

(Continued)

**COUNTY OF BROOME, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/Program Title	CFDA #	Pass-Through Grantor ID #	Federal Expenditures
U.S. Department of Health and Human Services (Continued)			
Pass-Through Health Research Inc.:			
Public Health Emergency Preparedness	93.069	HRI158305	508,484
Public Health Emergency Preparedness	93.069	HRI231204	<u>57,762</u>
Total			<u>566,246</u>
Pass-Through NYS Office for the Aging:			
Medicare Enrollment Assistance Program	93.071		<u>6,428</u>
Pass-Through NYS Department of Health:			
Centers for Research Demonstration for Health Promotion and Disease Prevention	93.135	HRI361301	<u>173,444</u>
Pass-Through NYSOCFS:			
Family Planning Services	93.217	C024611	<u>59,305</u>
Pass-Through NYS Department of Health:			
Immunization Grants	93.268	C012944	<u>108,918</u>
Direct Program:			
Drug - Free Communities Support Program Grants	93.276		<u>125,433</u>
TANF Cluster			
Direct Program:			
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714		(1,131)
Pass-Through NYS Department of Social Services:			
Temporary Assistance for Needy Families (TANF)	93.558		<u>12,754,875</u>
Total TANF Cluster			<u>12,753,744</u>
Direct Program:			
ARRA - Child Support Enforcement (Title IV-D)	93.563		<u>815,667</u>
Pass-Through NYS Office for the Aging:			
Low-Income Home Energy Assistance	93.568		62,635
Pass-Through NYS Department of Social Services:			
Low-Income Home Energy Assistance	93.568		<u>10,009,702</u>
Total			<u>10,072,337</u>
Pass-Through NYS Department of Labor:			
Child Care and Development Block Grants	93.575		<u>3,942,109</u>
Pass-Through NYS Board of Elections:			
Voting Access for Individuals With Disabilities - Grants to States	93.617	T002586	3,729
Voting Access for Individuals With Disabilities - Grants to States	93.617	T002770	<u>21,753</u>
Total			<u>25,482</u>

(Continued)

**COUNTY OF BROOME, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/Program Title	CFDA #	Pass-Through Grantor ID #	Federal Expenditures
U.S. Department of Health and Human Services (Continued)			
Pass-Through OCIS:			
Stephanie Tubbs Child Welfare Services Program	93.645		<u>239,724</u>
Direct Program:			
ARRA - Foster Care - Title IV-E	93.658		212,382
Pass-Through NYS Division for Youth:			
Foster Care-Title IV-E	93.658		<u>6,004,690</u>
Total			<u>6,217,072</u>
Direct Program:			
ARRA - Adoption Assistance	93.659		<u>1,261,711</u>
Pass-Through NYS Department of Labor:			
Social Services Block Grant	93.667		<u>2,349,525</u>
Pass-Through NYS Department of Labor:			
Independent Living	93.674		<u>108,610</u>
Direct Program:			
ARRA - Medical Assistance Program (Medicaid; Title XIX)	93.778		8,020,303
Pass-Through NYS Department of Labor:			
Medical Assistance Program (Medicaid; Title XIX)	93.778		158,259,634
Pass-Through NYS Office of Mental Health:			
Medical Assistance Program (Medicaid; Title XIX)	93.778		<u>342,314</u>
Total			<u>166,622,251</u>
Pass-Through NYS Office for the Aging:			
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779		<u>34,435</u>
Pass-Through Southern Tier AIDS Program:			
HIV Care Formula Grants	93.917	C10760	<u>26,578</u>

(Continued)

**COUNTY OF BROOME, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/Program Title	CFDA #	Pass-Through Grantor ID #	Federal Expenditures
U.S. Department of Health and Human Services (Continued)			
Pass-Through Health Research Inc.:			
Cooperative Agreements for State - Based Comprehensive Breast and Cervical Cancer Early	93.919	HRI347503	58,202
Cooperative Agreements for State - Based Comprehensive Breast and Cervical Cancer Early	93.919	HRI 347703	27,595
Cooperative Agreements for State - Based Comprehensive Breast and Cervical Cancer Early	93.919	HRI347502	21,672
Cooperative Agreements for State - Based Comprehensive Breast and Cervical Cancer Early	93.919		78,525
Total			<u>185,994</u>
Pass-Through NYS Office of Alcoholism & Substance:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959		<u>1,352,980</u>
Pass-Through NYS Department of Health:			
Preventive Health and Health Services Block Grant	93.991	C020120	24,786
Preventive Health and Health Services Block Grant	93.991	C107739	30,490
Total			<u>55,276</u>
Pass-Through NYS Department of Health:			
Maternal and Child Health Services Block Grant to the States	93.994	C017588	113,044
Maternal and Child Health Services Block Grant to the States	93.994	C013270	25,545
Maternal and Child Health Services Block Grant to the States	93.994	NYLSST0004-09	93,076
Maternal and Child Health Services Block Grant to the States	93.994	C-021144	14,961
Maternal and Child Health Services Block Grant to the States	93.994	C023737	21,170
Total			<u>267,796</u>
Direct Program:			
Foster Grandparent Program (FGP)	94.011		<u>263,076</u>
Total U.S. Department of Health & Human Services			<u>208,840,470</u>
U.S. Department of Homeland Security			
Pass-Through NYS Emergency Management Office:			
Emergency Management Performance Grants	97.042		<u>250</u>
Pass-Through NYS Office of Homeland Security:			
Homeland Security Grant Program	97.067	C835260	156,568
Homeland Security Grant Program	97.067	C835294	13,586
Homeland Security Grant Program	97.067		42,333
Total			<u>212,487</u>
Total U.S. Department of Homeland Security			<u>212,737</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 229,898,192</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF BROOME, NEW YORK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

1. BASIS OF PRESENTATION

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 when 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. County management has identified certain pass-through identifying numbers and included them in the Schedule of Expenditures of Federal Awards.

Non-Monetary Federal Programs

The County is the recipient of financial assistance that does not result in cash receipts or disbursements, termed "non-monetary programs." During the fiscal year ended December 31, 2010, \$9,490,683 in payments made by the state to eligible persons participating in the Low-Income Home Energy Assistance Program (93.568), \$154,449,565 for the Medicaid Program (93.778), and \$2,880,123 of Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) food instruments were distributed to eligible persons participating in the WIC Program (10.557), as listed in the accompanying schedule.

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. Federal expenditures are recorded when an allowable cost is incurred under the applicable program and is due and payable. For programs with funding caps, federal expenditures are only recorded and presented in the Schedule of Expenditures of Federal awards up to such amounts.

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.

COUNTY OF BROOME, NEW YORK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

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.

5. SUBRECIPIENTS

A summary of the federal programs that pass-through federal monies to a subrecipient entity is provided below.

Federal Programs with Subrecipients	CFDA #
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Workers	17.260
Work Incentive Grant	17.267
Federal Transit - Formula Grants	20.507
State and Community Highway Safety (Section 402 Grants)	20.600
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation	93.041
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044
Special Programs for the Aging - Title III, Part C - Nutritional Services	93.045
Performance Outcomes Measurement Project	93.048
National Family Caregiver Support Program	93.052
Medicare Enrollment Assistance Program	93.071
Family Planning Services	93.217
Temporary Assistance for Needy Families	93.558
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779
Block Grants for Prevention and Treatment of Substance Abuse	93.959

COUNTY OF BROOME, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Part I - Summary of Auditor's Results

- The Independent Auditor's Report on the Basic Financial Statements expressed an unqualified opinion.
- The Independent Auditor's Report on Compliance with Requirements Applicable to Major Federal Award Programs expressed an unqualified opinion.
- Significant deficiencies in internal control were disclosed during the audit of the financial statements. Of these conditions, findings 10-01 and 10-02 were considered to be a material weakness, as required to be reported in accordance with *Government Auditing Standards*.
- No instances of noncompliance material to the financial statements were disclosed during the audit.
- There were no audit findings which are required to be reported under Section 510(a) of OMB Circular A-133.
- The dollar threshold to determine Type A programs was \$3,000,000. The major federal programs of the County for the year ended December 31, 2010 were as follows:

U.S. Department of Agriculture:

- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

U.S. Department of Transportation:

- Highway Planning and Construction
- Federal Transit - Formula Grants

U.S. Department of Health and Human Services:

- Temporary Assistance for Needy Families Cluster (TANF)
- Low-Income Home Energy Assistance (HEAP)
- Child Care and Development Block Grant
- Foster Care Title IV-E
- Medical Assistance Program (Medicaid Title XIX)

- The County did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133 for the year ended December 31, 2010.

**COUNTY OF BROOME, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Part II - Findings and Questioned Costs Relating to Financial Statements

Reference Number: 10-01

Criteria

Financial statements are required to, in all material respects, represent the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information at year end. Internal controls should provide adequate assurance that revenues, expenses, receivables, liabilities and capital assets are recorded in accordance with generally accepted accounting principles.

Condition/Context

Audit analysis identified internal control deficiencies, errors, inconsistencies, and misclassifications that warranted material adjustments to the general ledger.

Effect

The following material adjustments were necessary to the general ledger:

- Workers' Compensation fund to increase expenses and decrease accounts receivable in the amount of \$479,000.
- Solid Waste Management fund to increase expenses and decrease capital assets in the amount of \$428,000.
- Aviation fund to increase beginning net assets and accumulated depreciation in the amount of \$416,000.
- Health Insurance fund to decrease expenses and liabilities in the amount of \$739,000.

Recommendation

As part of the County's internal control processes, financial statements should be prepared in a manner consistent with accounting principles generally accepted in the United States of America.

**COUNTY OF BROOME, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Part II - Findings and Questioned Costs Relating to Financial Statements (Cont'd)

Reference Number: 10-01 (Cont'd)

Management Response

Regarding the adjustments to the Workers' Compensation fund and the Health Insurance fund, both were a result of receiving incomplete information from RMSCO. In February 2011, the Office of Management & Budget was provided documentation from RMSCO that illustrated Broome County's liability as of December 31, 2010. In June 2011 an adjusted long-term liability figure was received regarding the Worker's Compensation fund. Broome County immediately prepared a correcting entry and communicated the necessary change to the auditor. The explanation given to Broome County by RMSCO regarding this change was that there were additional claims that had not been included in the original liability calculation. The Health Insurance fund difference was identified in August 2011 when the auditor received the 2010 Health Insurance confirmation and lag report from RMSCO. Broome County was then notified by the auditor of this discrepancy. Broome County's management has met with the upper level management at RMSCO to discuss this matter and to identify necessary procedural changes that will prevent the misrepresentation of Broome County's liabilities in the future.

The adjustments required to both the Solid Waste Management and Aviation funds have to do with prior period inaccuracies within the Asset Management Module. We recognize these deficiencies and are using them as an opportunity to improve the current procedures within the Office of Management & Budget. Through the restructuring of the department and conducting a full process review, our objective is to ensure that there are proper procedures in place to easily identify errors, inconsistencies and misclassifications prior to any entries being interfaced into the General Ledger from the Asset Management Module.

**COUNTY OF BROOME, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Part II - Findings and Questioned Costs Relating to Financial Statements (Cont'd)

Reference Number: 10-02

Criteria

Financial statements are required to, in all material respects, represent the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information at year end. Internal controls should provide adequate assurance that capital assets are recorded in accordance with generally accepted accounting principles.

Condition/Context

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

- Timely and accurate reconciliation of capital asset activity was not performed;
- Adequate review and oversight of accounting and reporting was not performed;
- Proper implementation of GASB 51 *Accounting and Financial Reporting of Intangible Assets* was not performed, resulting in an immaterial misstatement of the general ledger;
- Certain expenditures were improperly expensed and others improperly capitalized and/or capitalized in the incorrect amount;
- Instances occurred where assets were improperly capitalized in the fiscal year ending December 31, 2010 rather than in the previous year.

Effect

Deficiencies in established controls over the tracking and recording of capital assets resulted in a number of material and immaterial misstatements of the general ledger.

Recommendation

The County should assess the operating effectiveness of current controls over capital assets. Supporting documentation and schedules should be reconciled to the general ledger including beginning and ending balances as well as additions and disposals. Such reconciliations should be completed on a recurring basis and reviewed by a designated member of management. Purchases should be capitalized or expensed in a manner that is consistent with generally accepted accounting principles, governmental accounting principles as well as capitalization policies.

**COUNTY OF BROOME, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Part II - Findings and Questioned Costs Relating to Financial Statements (Cont'd)

Reference Number: 10-02 (Cont'd)

Management Response

We recognize these deficiencies and are using them as an opportunity to improve the current procedures within the Office of Management & Budget. Through the restructuring of the department and conducting a full process review, our objective is to ensure that there are proper procedures in place to easily identify errors, inconsistencies and misclassifications prior to any entries being interfaced into the General Ledger from the Asset Management Module.

**COUNTY OF BROOME, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Part II - Findings and Questioned Costs Relating to Financial Statements (Cont'd)

Reference Number: 10-03

Criteria

General and application controls should be adequately designed and implemented to ensure that the accounting software system provides complete and accurate information.

Condition/Context

Management has implemented a new accounting software system, 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 new accounting software and its related interfaces.

Effect

Instances were identified where information was not completely and accurately transmitted between the payroll module and the general ledger resulting in immaterial overstatements of payroll expenditures, expense and cash within the general ledger.

Recommendation

We recommend that management review the entire accounting system to determine whether it is providing information as efficiently and accurately as possible. Differences and issues identified should be further investigated and adjustments made to the general ledger as deemed necessary.

Management Response

Management acknowledges the deficiencies within the interface program and is working diligently toward a solution. The changes necessary require the staff within the Office of Management & Budget to work with a dedicated programmer within the Information Technology department. Currently, there is a team, made up of management, technical staff and a programmer, that meet weekly to review, revise and define the interface logic between the Human Resource Management Module and the general ledger. Several improvement modifications have been made and several more are scheduled in the future. Assuming the resources working on this project are maintained, management feels that all corrections will be implemented prior to the end of 2011.

**COUNTY OF BROOME, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Part II - Findings and Questioned Costs Relating to Financial Statements (Cont'd)

Reference Number: 10-04

Criteria

Timely preparation and review of complete and accurate bank reconciliations is a key to ensuring that cash receipts and disbursements are properly recorded.

Condition/Context

Management has implemented a new accounting software system. In some instances those employees responsible for preparing and/or reviewing bank reconciliations did not have proper access to complete and accurate financial information.

Effect

As a result of not having proper access to complete and accurate financial information, those employees responsible for preparing and/or reviewing bank reconciliations reconciled the bank statements to book balances that did not agree to the general ledger in all instances. As a result, at year end, there were immaterial unreconciled differences between the general ledger and bank statement balances.

Recommendation

We recommend that all personnel be provided appropriate levels of access as well as be thoroughly trained on the new accounting software to reduce processing errors and/or re-work. Bank reconciliations should continue to be performed and reviewed monthly.

Management Response

Effective August 31, 2011, all personnel involved with the bank reconciliation process have access to all transactions within PeopleSoft. This modification was retroactive back to January 1, 2011. As a result, the employees responsible for preparing and/or reviewing the bank reconciliations will have an accurate baseline to reconcile the bank statements against the general ledger.

Management agrees that the bank reconciliation process wasn't clearly revised and defined with the implementation of PeopleSoft; the new accounting software system. There is now management involvement with the re-engineering of the reconciliation process. The Office of Management & Budget is working on developing proactive measurements to simplify the identification of discrepancies between the cash accounts and cash ledgers prior to the completion of the monthly bank reconciliations. The Office of Management & Budget will work with Audit & Control to continue stream-lining this process until it meets management approval.

(Concluded)