

ORANGE COUNTY FIRE AUTHORITY
Irvine, California

SINGLE AUDIT REPORT ON FEDERAL AWARDS

Year Ended June 30, 2012

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CERTIFIED PUBLIC ACCOUNTANTS

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- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Orange County Fire Authority
Irvine, California

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Orange County Fire Authority (OCFA), as of and for the year ended June 30, 2012, which collectively comprise the OCFA's basic financial statements and have issued our report thereon dated October 5, 2012. 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.

Internal Control Over Financial Reporting

Management of the OCFA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the OCFA'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 OCFA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the OCFA's 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the OCFA'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OCFA's 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 or other matters that are required to be reported under *Government Auditing Standards*.



CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Orange County Fire Authority
Irvine, California

This report is intended solely for the information and use of management, the Board of Directors, 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.

Lance, Solt & Lingham, LLP

Brea, California
October 5, 2012



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INDEPENDENT AUDITORS' 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

To the Board of Directors
Orange County Fire Authority
Irvine, California

Compliance

We have audited the Orange County Fire Authority (OCFA)'s 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 OCFA's major federal programs for the year ended June 30, 2012. The OCFA'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 OCFA's management. Our responsibility is to express an opinion on the OCFA's compliance based on our audit.

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 OCFA'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 OCFA's compliance with those requirements.

In our opinion, the OCFA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the OCFA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the OCFA'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 OCFA's internal control over compliance.



To the Board of Directors
Orange County Fire Authority

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the OCFA, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 5, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the Board of Directors, 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.

Lance, Soll & Luyhard, LLP

Brea, California
October 5, 2012

ORANGE COUNTY FIRE AUTHORITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Program/Project Identification Number</u> | <u>Expenditures</u> |
|--|----------------------------|--|----------------------------|
| <u>U.S. Department of Homeland Security</u> | | | |
| Direct assistance via Federal Emergency Management Agency: National Urban Search and Rescue (US&R) Response System*: | | | |
| 2010 Cooperative Agreement | 97.025 | 2010-SR-24-K041 | \$ 76,637 |
| 2011 Cooperative Agreement | 97.025 | EMW-2011-CA-00065 | 873,053 |
| Subtotal | | | <u>949,690</u> |
| 2010 Assistance to Firefighters Grant - Smoke Alarms | 97.044 | EMW-2010-FP-01751 | <u>88,547</u> |
| Passed through the City of Santa Ana: Urban Areas Security Initiative (USAI): | | | |
| 2009 UASI - Training Program | 97.067 | DHS 2009-GE-T8-0019 | 16,833 |
| Passed through the City of Anaheim: Urban Areas Security Initiative (USAI): | | | |
| 2010 UASI - Training Program | 97.067 | DHS 2010-GPD-067-000-01 | 133,383 |
| Passed through the Orange County Sheriff's Department: Homeland Security Grant (HSG) Program: | | | |
| 2010 SHSG - TLO Program | 97.067 | 2010-TE-GE-0085 | 62,904 |
| Subtotal | | | <u>213,120</u> |
| Total U.S. Department of Homeland Security | | | <u>1,251,357</u> |
| <u>U.S. Department of Transportation</u> | | | |
| Passed through the State of California/ Governor's Office of Emergency Services: Interagency Hazardous Materials Public Sector Training and Planning Grants (HMEP): | | | |
| OCFA HazMat Area Plan | 20.703 | HM-HMP-0173-10-01-00 | 3,200 |
| Total U.S. Department of Transportation | | | <u>3,200</u> |
| Total Federal Expenditures | | | <u>\$ 1,254,557</u> |

* Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to subrecipients during the year was \$0.

ORANGE COUNTY FIRE AUTHORITY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a. Scope of Presentation

The accompanying schedule of federal awards presents only the expenditures incurred by the Orange County Fire Authority, that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the Orange County Fire Authority from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

b. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the Orange County Fire Authority becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

ORANGE COUNTY FIRE AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

ORANGE COUNTY FIRE AUTHORITY

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no auditors' findings required to be reported in accordance with paragraph .510(a) of OMB Circular A-133.

Other Matters

2011-1 Payroll Certifications for Employees Charged to Federal Program CFDA No.: 97.025

CFDA Titles: National Urban Search and Rescue (US&R) Response System
Federal Agency: U.S. Department of Homeland Security
Questioned Costs: \$0

OMB Circular A-87 Section 8(h)(3) states, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee."

The Authority does have a Federal program in which 100% of an employee's time is charged to a single Federal program. We noted that the Authority completed the Certification Statements for employees that work solely on the National Urban Search and Rescue Response System (US&R) grant; however, the certifications were only done once for the entire grant period. Circular A-87 specifically states that this should be done at least semi-annually.

Recommendation

We recommend that the Authority prepare these certifications every six months or more frequently as required by the Federal regulations.

Management's Corrective Actions Planned or Taken

The Authority concurs with this recommendation and has prepared certifications as required for the most recent six-month grant period.

Status

This finding has been corrected for the year under audit.