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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 Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Honorable Board of Commissioners  
Washoe County, Nevada  
Reno, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Washoe County, Nevada (Washoe County) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Washoe County's basic financial statements, and have issued our report thereon dated November 23, 2016.

**Internal Control over Financial Reporting**

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

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 deficiency described in the accompanying Schedule of Findings and Responses as Finding 2016-A to be a material weakness.

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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Washoe County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

**Washoe County's Responses to Findings**

Washoe County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses and Corrective Action Plan. Washoe County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

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



Reno, Nevada  
November 23, 2016

WASHOE COUNTY, NEVADA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

*Findings Relating to the Financial Statements Reported in Accordance with GAGAS:*

**2016-A Medicaid Management Revenue  
Material Weakness**

*Criteria:* Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Properly reporting revenue earned prior to yearend is a key component of effective internal control over financial reporting.

*Condition:* During our testing over Medicaid management revenue, we noted that several months of revenue, for services provided during the last quarter of 2016, were not recorded at June 30, 2016. A journal entry was required to record a receivable, revenue and a deferred inflow of resources.

*Cause:* During the year ended June 30, 2016, the Department of Social Services made a decision to delay billing for Medicaid management services until 90 days after the date of service and record the revenue when received (rather than when earned). This is not in conformance with the modified accrual basis of accounting and as such, Washoe County did not have adequate controls in place to ensure all revenue earned prior to year-end was recorded at June 30.

*Effect:* Prior to the adjustment, several accounts in the Child Protective Services Fund were understated by the following amounts:

*Due from other governments \$1,094,570  
Medicaid Management revenue \$669,992  
Deferred inflow of resources \$424,578*

*Recommendation:* We recommend Washoe County enhance controls over revenue recognition to ensure all revenue earned prior to year-end is recorded at June 30.

*Views of Responsible Officials:* Management agrees with this finding.



# Washoe County Comptroller's Department CORRECTIVE ACTION PLAN FOR AUDIT FINDING

Date: 11/9/2016  
Division: Comptroller

## Corrective Action Plan

Audit Report Number:  
Finding Number: 2016-A  
Finding: Revenue not recorded in fiscal year  
Corrective Action Taken or To Be Taken: Washoe County Comptroller's will be meeting with Social Services to offer training and education on modified accrual accounting and on appropriate entry for earned revenue recognition.

If already taken,  
date of completion:

If to be taken, estimated  
date of completion: 12/23/2016

## Agency Response

Does the Agency Agree with finding?: Yes  No  Partially

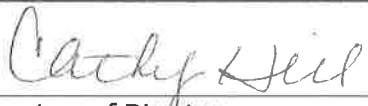
If No or Partial, Please explain reason(s) why:

Additional Comments:

## Division Responsible for Corrective Action Plan

Name, Title: Robert Andrews, Accounting Manager  
Address or Mailstop: P.O. Box 11130  
City, State, Zip Code: Reno, NV 89520  
Phone Number: (775) 328-2563  
Email: chill@washoecounty.us

## Reviewed and Approved

  
Signature of Director

11-9-16  
Date:

**2015-A      Recording of Centrally Assessed Tax Receivable  
Significant Deficiency**

*Initial Fiscal Year Finding Occurred: 2015*

*Finding Summary: During our testing of centrally assessed taxes it was noted that taxes were assessed and collected in the year ended June 30, 2015 and remitted to Washoe County in July 2015. The amount should have been recorded as amounts due from other governments and revenue at June 30, 2015.*

*Status: Corrected*

**2015-B      Recording of Accreted Interest  
Significant Deficiency**

*Initial Fiscal Year Finding Occurred: 2015*

*Finding Summary: During our testing of debt it was noted that accreted interest on capital appreciation bonds issued in 2008 and 2009 should have been recorded at June 30, 2015.*

*Status: Corrected*



## **Auditor's Comments**

To the Honorable Board of Commissioners  
Washoe County, Nevada  
Reno, Nevada

In connection with our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Washoe County, Nevada (the County) as of and for the year ended June 30, 2016, and the related notes to the financial statements, nothing came to our attention that caused us to believe that the County failed to comply with the specific requirements of Nevada Revised Statutes cited below. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they relate to accounting matters.

### **Statute Compliance**

The required disclosure on compliance with Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 2 to the financial statements.

### **Progress on Prior Year Statute Compliance**

The County conformed to all significant statutory constraints on its financial administration for the year ended June 30, 2015.

### **Prior Year Recommendations**

There were two financial statement findings reported in the prior year report. Both were corrected during the 2016 year.

### **Current Year Recommendations**

The current year findings are reported in the Schedule of Findings and Responses.

A handwritten signature in cursive script that reads 'Eide Bailly LLP'.

Reno, Nevada  
November 23, 2016

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