

**SANTA BARBARA COUNTY  
AGENDA BOARD LETTER**



Clerk of the Board of Supervisors  
Room 407 105 E. Anapamu Street  
Santa Barbara, CA 93101  
(805) 568-2240

Agenda Number:

Department:  
Department Number:  
Agenda Date:  
Placement:  
Estimated Time:  
Continued Item:

**Auditor-Controller**  
**061**  
September 13, 2005  
Administrative  
  
No

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TO: Board of Supervisors

FROM: Robert W. Geis, CPA  
Auditor-Controller

STAFF CONTACT: Mike Struven  
Financial Reporting Division Chief (X2134)

SUBJECT: Single Audit Report for fiscal year ended June 30, 2003

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**RECOMMENDATIONS:** C.A. Recommendation: \_\_\_\_\_

That the Board of Supervisors:

Receive and file the A-133 Single Audit Report for the fiscal year ending June 30, 2003.

**ALIGNMENT WITH BOARD STRATEGIC PLAN:**

The recommendation(s) are primarily aligned with actions required by law or by routine business necessity.

**EXECUTIVE SUMMARY & DISCUSSION:**

**Single Audit Report**

The independent audit of the financial statements of the County (previously filed and accepted by the Board of Supervisors on September 16<sup>th</sup>, 2003) is part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the County's separately issued Single Audit Report.

The Single Audit was conducted by KPMG our independent auditor for the County. Single audit reporting packages are due 9 months after the fiscal year end and the County is late by 17 months in filing the report with the State Controller and federal agencies. Two major reasons for the delay include the following: programs in the Medicaid cluster and Food Stamp cluster were previously thought to be programs not subject to inclusion in the County Schedule of Federal Awards (SEFA). However the funding are federal dollars for programs that are passed through the State to Counties. These programs were added late in the process to the SEFA. The Medicaid cluster programs were complex programs to audit and required significant testing. Also, in previous years we have had no findings concerning the SEFA. In this audit the definition of a finding became more stringent under federal guidelines and we had ten formal findings requiring responses by management and corrective action plans. Section 3 of the report beginning on page 14 provides detail of KPMG's findings and recommendations related to federally funded programs, as well as the response of County officials.

Due to the delays in this year's audit we are also behind on the Single Audit for FY 03-04. Because the FY 02-03 audit was filed beyond the due date the County is considered a higher risk auditee and more programs are required to be tested in subsequent years. Findings will also be repeated since departments did not have time to put in the corrective action plans. We hope to complete the FY 03-04 Single Audit by October 31, 2005. The goal for the FY 04-05 Single Audit will be to complete by the due date, implement corrective action plans and eliminate future findings. This will help the County to remove the high risk audit criteria for the federal programs. Also, we hope to work closely with all the federally funded departments to improve the collection of data for the Single Audit report, the timing of audit field work and the filing of the report.

**FISCAL IMPACT:**

The annual audit fee is \$105,000 and internal audit provides 1200 hours to assist the outside firm in completion of the engagement that includes the financial statement audit and the single audit. The County incurred an additional \$35,000 in audit costs because of the extensive work done by KPMG as a result of their findings and the addition of the Medicaid cluster of programs. We anticipate that federal programs will reimburse the County for these additional costs.

**CONCURRENCES:** N/A