



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

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

Department Name: Auditor-Controller
Department No.: 061
For Agenda Of: 2/7/2012
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Robert W. Geis, CPA (x2100)
Director(s)
Contact Info: Heather Fletcher, CPA (x2456)

SUBJECT: Single Audit Report for the fiscal year ended June 30, 2011

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence: N/A

As to form: N/A

Recommended Actions:

To receive and file the County of Santa Barbara's Single Audit Report for the fiscal year ended June 30, 2011.

Summary Text:

Under the *Single Audit Act*, entities that have expenditures of federal awards in excess of \$500K per year are required to have annual audits (commonly referred to as *Single Audits*). The audits are conducted by independent outside auditors in accordance with the U.S. Office of Management and Budget (OMB) Circular A-133. During fiscal year 10-11 the County expended approximately \$111M in federal funds excluding fee for service Medicaid and other vendor type transactions. The County's Single Audit was performed by Brown Armstrong Accountancy Corporation of Bakersfield, California (Brown Armstrong).

The County continues to be designated with a high-risk status which subjects the County to further scrutiny from outside organizations and higher audit costs.

Background:

The *Single Audit Act* (officially the *Single Audit Act Amendments of 1996*) is intended to promote sound financial management, including effective internal control, with respect to federal awards administered by state and local governments and not-for-profit organizations. The Single Audit contains both compliance and financial components. The audit standards require the auditee (the County) to:

1. Maintain internal control for federal programs,
2. Comply with the laws, regulations, and provisions of contracts or grant agreements,
3. Prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards (SEFA),
4. Ensure that the required Single Audits are properly performed and submitted when due, and
5. Follow up and take corrective actions on audit findings.

Although interrelated, the Single Audit differs from the County’s annual financial audit in that the Single Audit focuses on compliance with federal regulations and internal controls over federal programs, while the financial audit focuses on the fair and materially accurate presentation of the County’s financial statements. The County’s Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2011, was previously received and filed by your Board on September 20, 2011.

The Single Audit requires the independent auditor to evaluate the County’s status as high-risk or low-risk. A high-risk auditee is a recipient which has a high risk of having instances of non-compliance with Federal laws and regulations, while a low-risk auditee is the exact opposite. The County is currently considered a high-risk auditee.

A high-risk auditee status results in increased County audit costs due to extended audit procedures that must be performed. Furthermore, increased scrutiny from outside organizations also results from this status. To be considered a low-risk auditee certain criteria must be met for the previous two fiscal years. The table below depicts the criteria and items that were met/not met by the County in fiscal years 09-10 and 10-11.

<i>Criteria</i>	<i>Met by the County?</i>	
	<i>10-11</i>	<i>09-10</i>
<i>Single Audits performed on an annual basis</i>	<i>Yes</i>	<i>Yes</i>
<i>Auditor’s opinions were unqualified</i>	<i>No</i>	<i>No</i>
<i>No material weaknesses (internal control deficiencies)</i>	<i>Yes</i>	<i>Yes</i>
<i>No noncompliance with a material effect on the program</i>	<i>No</i>	<i>No</i>
<i>No known or likely questioned costs exceeding five percent of the program Federal award expended</i>	<i>Yes</i>	<i>Yes</i>

An **unqualified opinion** is the same as a clean opinion, while a **qualified opinion** signifies that the auditor found material instances of noncompliance within a major program.

The Single Audit opinions by major Federal program audited for the last two years are as follows:

<i>Federal Program</i>	<i>10-11</i>	<i>09-10</i>
<i>Supplemental Nutrition Assistance Program (SNAP)</i>	Qualified	Qualified
<i>Medicaid</i>	Qualified	Qualified
<i>Temporary Assistance for Needy Families (TANF)</i>	Qualified	Qualified
<i>Adoption Assistance</i>	Qualified	Qualified
<i>Foster Care</i>	Qualified	Qualified
<i>Child Support</i>	Unqualified	Qualified
<i>Workforce Investment Act (WIA)</i>	Unqualified	Unqualified
<i>Highway Planning & Construction</i>	Unqualified	Unqualified
<i>Edward Byrnes</i>	Unqualified	Not Tested in Audit
<i>Substance Abuse Prevention and Treatment (SAPT)</i>	Not Tested in Audit	Unqualified
<i>Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)</i>	Not Tested in Audit	Unqualified
<i>Community Development Block Grants/Entitlement (CDBG)</i>	Not Tested in Audit	Unqualified

Material instances of noncompliance included in the report for the major Federal programs, fiscal year 10-11, are listed below. Findings below are primarily based on a sample size of 60 for each program. Findings predominately related to deficiencies in performing required procedures.

Foster Care Title IV-E – Social Services

- Six case files where initiation of a state-level fingerprint check within 10 calendar days after the background check did not occur.
- Three case files where the cases were missing income support.

Medicaid - Social Services

- Five case files whereby the County did not timely verify income and property documentation through a required system.
- Six case files whereby the eligibility information provided by the client did not match the information entered into the system.
- Five case files whereby the County failed to timely process the client's reapplication form to redetermine eligibility.
- Twenty-five In-home Supportive Services case files whereby the County failed to perform a client reassessment of needs within the 12 month renewal period.

SNAP - Social Services

- Nine case files whereby the County inaccurately entered the participant's income into the CalWin System.

TANF- Social Services

- Three case files whereby the County inaccurately entered the participant's income into the CalWin System.
- Eleven case files whereby the County did not verify income and property documentation through the required system.

Foster Care Title IV-E – Probation

- Five case files whereby the County failed to re-determine reasonable candidacy in a timely manner.
- Four case files whereby the case plans were missing one of the required signatures.

Adoption Assistance – Social Services

- Three case files whereby the County failed to agree the benefit payment on form AAP-2 to the amount in the CalWin System.
- Twenty case files whereby the forms AD 4320 were missing from the files.
- Seventeen case files whereby the forms AAP-4 were signed by the same person for the Adoption Agency and Welfare Department.
- Twenty-six case files whereby the forms AAP-2 and/or AD4320 were missing the required signatures.

Material instances of noncompliance are reported to the Federal awarding agency. It is the responsibility of the Federal awarding agency to issue a management decision on audit findings within six months after receipt of the audit report and ensure that the recipient takes appropriate and timely corrective action.

In order to become a low-risk auditee, management must ensure that proper controls are put into place to eliminate the findings that continue to affect the grant recipient departments. Until such time as adequate controls are implemented by the grantee departments, the County is unable to achieve its performance measure of receiving an unqualified opinion. We would like to note that county staffs of the programs involved have been cooperative and helpful with the audit. Furthermore, management has dedicated resources to attempt to address the issues. We have noted some improvement in previously identified areas of concern but many programs continue to have repeat findings.

County departments have proposed corrective action plans to ensure that material instances of noncompliance don't continue into future years. These corrective action plans, if implemented, appear to contain reasonable solutions to prevention of future findings.

Also included as part of the Single Audit reporting package is the Agreed Upon Conditions Report. This report includes findings that the auditors determined were not significant enough to include in the Single Audit Report, but needed to be communicated to management.

Performance Measure:

Receive an unqualified opinion on the Federal Single Audit Report.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

For FY 10-11, the total audit contract is \$148,400 of which \$56,840 is attributed to the Single Audit. The Internal Audit Division of the Auditor-Controller's Office also contributed approximately \$50,000 toward the audit.

Staffing Impacts:

None

Special Instructions:

None

Attachments:

County of Santa Barbara Single Audit Report for the fiscal year ended June 30, 2011.
Agreed Upon Conditions Report for the fiscal year ended June 30, 2011.

Authored by:

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cc: Chandra Wallar, County Executive Officer
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