



# External Monitoring Reports

of County Departments, Performed by State, Federal, and Other Outside Agencies

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# Department External Monitoring

The County as a whole, and specific County Departments, are subject to monitoring by various external agencies. The majority of monitoring is performed to ensure that State and Federal funds awarded to the County are spent in accordance with certain laws and regulations. Instances of non-compliance may result in: 1) a requirement to give funds back to the funding agency, 2) reduced funding in future years, and/or 3) higher monitoring costs.

Monitoring can occur on different levels such as an audit, review, or specific procedures performed on certain processes. Additionally, monitoring periods may vary (i.e. annually, quarterly, or on a one-time basis).

County policy requires that all monitoring performed over County departments are reported to the Auditor-Controller's office. This report presents information on monitoring reports received by the departments during fiscal year (FY) 2017-18. Any reports that were presented to the County Board of Supervisors separately, such as the Comprehensive Annual Financial Report and the Single Audit Report, are not included in this report. We have not performed audit procedures on the Departments' responses regarding their corrective action.

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Risks are assigned to each of the programs based upon monitoring results. The color coding indicates the following:

**Red:** Potential for large dollar amount of error or loss, significant lack of monitoring or breakdown in compliance, or wide-spread violation of law.

**Yellow:** Potential for moderate dollar amount of error or loss, some violation of policy, other compensating procedures may exist to correct issue. When an audit report indicates that a breakdown in compliance occurred, risk will be assessed at yellow. Nonadherence to policies and procedures, lack of self-monitoring, and a possible future loss of outside funding due to non-compliance will also be assessed at yellow.

**Green:** Low dollar amount of error or loss, other compensating procedures exist, or minimal program impact.

A listing of all external monitoring reports assessed as **Green** is included on the next page. The remaining pages present department specific monitoring reports assessed as **Red** and **Yellow** and list recommendations made by the external agency and the corrective action taken by the department.

# Department External Monitoring

## List of Low-Risk (Green) Reports


The following County departments had program monitoring reports that had either no findings or findings with little or no dollar amounts of error or loss, strong existing compensating procedures, or findings with minimal program impact:

Department	Programs Monitored	Monitoring Agency
Agricultural Commissioner	CEQA Filing Fee Compliance Review	CA Dept. of Fish and Wildlife
CEO	General Liability Claims Audit	Risk Management Services
District Attorney	Insurance Fraud Grant Programs	CA Dept. of Insurance
Housing and Community Development	Continuum of Care Monitoring	U.S. Dept. of Housing and Urban Development
Probation	Standards and Training for Corrections Program	CA Board of State and Community Corrections
Probation	Juvenile Hall and Camp Inspection Report	Juvenile Justice Commission
Probation	Juvenile Facility Education Program Review and Evaluation	Santa Barbara County Education Office
Public Health	Ryan White Part C HIV/AIDS Program	Health Resources and Services Administration
Public Health	Ryan White Part B HIV Care Program Site Monitoring	CA Dept. of Public Health
Public Health	Medicare Cost Report FY 2015-16	National Government Services
Public Health	Medicare Cost Report FY 2016-17	National Government Services
Public Health	Administrative Desk Review	CA Dept. of Public Health
Public Health	Targeted Case Management Cost Report Settlement FY 2010-11	CA Dept. of Health Care Services
Social Services	CalFresh Management Evaluation FY 2016-17	CA Dept. of Social Services
Social Services	Temporary Assistance for Needy Families Review (TANF)/Work Incentive Nutritional Supplement (WINS) Validation Review	CA Dept. of Social Services
Social Services	CalFresh/Supplemental Nutrition Assistance Program	CA Dept. of Social Services
Social Services	TANF-WINS Validation/Work Participation Rate Review	CA Dept. of Social Services
Social Services	Workforce Innovation and Opportunity Act Grant Review	CA Dept. of Social Services
Social Services	Foster Care Title IV-E State Review	CA Dept. of Social Services
Social Services	TANF-CalWORKs	CA Dept. of Social Services
Treasurer-Tax Collector	Examination of Lease Financing Bonds	Internal Revenue Service
Treasurer-Tax Collector	Social Security Administration Site Visit	Social Security Administration

# Agricultural Commissioner

The Agricultural Commissioner received two monitoring reports from the State. The monitoring reports included one California Environmental Quality Act (CEQA) Filing Fee Compliance Review and one Pierce’s Disease Control Program (PDCP) and Plant Health & Pest Prevention Services Programs (PHPPS) Agreements review. The CEQA Filing Fee Compliance Review is presented on page two. The PDCP and PHPPS Agreements review is summarized below.

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Program	Risk	Rationale
PDCP and PHPPS Agreements		Large amount of questioned costs

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## Purpose of Monitoring

To ensure the County complied with the terms and conditions of several agreements with PDCP and PHPPS, specifically the Light Brown Apple Moth (LBAM), Dog Team, and PDCP agreements.

## Findings

The review found \$59,087 in over-billings of overtime costs noted on monthly invoices, and \$15,227 in disallowed charges of indirect costs billed in excess of actual cost incurred, for a total of \$74,314 to be reimbursed by the County. Additionally, timekeeping records lacked sufficient detail, and there were control weaknesses over vehicle mileage.



## Corrective Action Taken

The County agreed to reimburse the LBAM program a total of \$59,087 for the over-billings of overtime costs noted on the monthly invoices. All future billing will contain only actual costs. The County also agreed to reimburse an additional \$15,227 to the PDCP and LBAM program for the disallowed charges of indirect costs in excess of actual cost incurred. Indirect cost rates proposals related documentation to support those costs will be developed within six months after the close of the County’s fiscal year as required. Department staff will track vehicle odometer readings and reflect the premises visited to ensure justification of employee mileage costs invoiced for reimbursement. Staff will reflect the actual activities that were performed during the periods in which time was charged to the CDFA agreements. These will be documented with sufficient detail on signed timesheets.



## Auditor-Controller

The Auditor-Controller received two monitoring reports during FY 2017-18. The first was a review of the County's Cost Allocation Plan to determine if it was prepared in accordance with Federal regulations. The second was a review of County internal controls over financial reporting. Both monitoring reports are summarized below.

Program	Risk	Rationale
Cost Allocation Plan		Compliance matter
Agreed Upon Conditions		Policies & procedures improvement

### Purpose of Monitoring

1. Cost Allocation Plan: To determine whether the County's Cost Allocation Plan for fiscal year 2018-19 was prepared in accordance with federal Office of Management and Budget Circular Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Grants, found at Title 2, Code of Federal Regulations, Part 200; and with supplemental guidance promulgated by the federal Department of Health and Human Services.
2. Agreed Upon Conditions Report: To consider the County's internal control over financial reporting as a basis for designing appropriate audit procedures for the purpose of expressing an opinion on the County's financial statements for the year ended June 30, 2017. During the audit, the audit firm became aware of matters that they believe are opportunities for strengthening internal controls related to information technology.

### Findings

1. Cost Allocation Plan: The Unreserved Retained Earnings balance for the Information Technology Services Internal Service Fund (IT ISF) as of June 30, 2017 exceeds an allowable 60 days working capital by \$994,473 for fiscal year 2018-19.
2. Agreed Upon Conditions Report:
  - Password requirements for the AC domain and certain financial systems are not configured to match the requirements specified in the County's Secure Computing policy.
  - The "Continuity of Operations Plan" developed for the Auditor-Controller's Office (ACO) does not fully document disaster recovery procedures, and full disaster recovery tests are not performed on a regular basis.
  - A Change Management Policy used to govern changes to the FIN system has not been made available to County employees, and current change management procedures are not consistently followed.
  - Access to FIN Web source code is not properly restricted as two terminated employees and one non-IT Auditor-Controller employee had access to the code.
  - IT risk assessments and internal vulnerability assessments are not conducted on an annual basis.

## Auditor-Controller (Continued)

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### **Corrective Action Taken**

1. Cost Allocation Plan: As a result of the fiscal year 2017-18 operations of the IT ISF, the excess working capital identified as of June 30, 2017 was reduced to \$196,710 as of June 30, 2018. The County General Services Department will reduce the remaining excess working capital through the rates and operations of the IT ISF in fiscal year 2018-19.
2. Agreed Upon Conditions Report: The ACO has taken the following corrective actions:
  - The ACO has implemented additional password requirements for certain key financial systems and will be migrating from the AC domain to the County domain in FY 2018-19. Once this migration is complete, domain and key financial system password requirements will conform to or exceed the requirements per the County's policy. The ACO also automatically terminates the accounts of separated employees, employees that transfer departments, and accounts that have not been updated in over a year.
  - The ACO is in the process of updating its Continuity of Operations Plan and will begin testing its updated disaster recovery procedures for critical systems during FY 2018-19.
  - The ACO implemented a new Change Management Policy.
  - The ACO has restricted access to FIN Web source code to only Auditor-Controller IT employees and IT consultant staff. The ACO reviews this access at least annually.
  - The ACO will work with Information and Communications Technology (ICT), an outside consultant, or its Internal Audit Division to conduct a full IT Risk Assessment. The ACO will also work with the Department of Homeland Security or a private company and County ICT to implement and perform internal vulnerability assessments of the Auditor-Controller's network and systems.

# Behavioral Wellness

Behavioral Wellness received one monitoring during FY 2017-18. The monitoring was one Short-Doyle Medi-Cal Cost Reporting and Data Collection (CR/DC) audit, which is presented below.

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Program	Risk	Rationale
Short-Doyle Medi-Cal CR/DC		Large amount of questioned costs

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### Purpose of Monitoring

To ensure that the total costs reimbursed to the County by the Short-Doyle Medi-Cal Program, Healthy Families Medi-Cal Program, and State General Fund under the Early Periodic Screening, Diagnostic, and Treatment program, agreed with the costs reported in County records, sufficient documentation was maintained, and that the County’s costs subject to reimbursement were allowable during FY 2010-11.

### Findings

Total questioned costs of \$66,822 resulting from the following:

- Differences between State and County records in terms of the units of services provided;
- Fee-for-service costs were not reported separately by discipline type in the cost report;
- Interest expense from borrowing from the County Treasury was claimed, which is a related party expense;
- Administrative costs in the Revenue and Expenditure report did not correlate with cost report.

### Corrective Action Taken

The County disagrees with all findings.

- For instances in which the County has more units than State records, the County had documentary evidence to support that all services noted in County Records were approved by the State. For instances in which the State had more than County records, this was due to the State not providing all the approved EOB files to the County.
- There is no requirement to report fee-for-service units by discipline type in the State issued cost report instruction manual. The County provided workpapers that disclose the actual costs and units by service function level for each discipline, so County was in compliance with the DMH Letters and CMS Pub No. 15-1, section 2304.
- The County incurred interest expense as a result of significant payment delays from the State Department of Health Care Services (DHCS). The interest on current indebtedness was necessary to continue to operate and provide patient care. The County also disputes DHCS Audits' interpretation concerning "related organizations" since County's Departments are all part of the same entity
- The County agrees that there should be a reconciliation between the Revenue and Expense Report and cost report but does not agree that the reports should match due to timing and reporting differences.

# Public Health

Public Health had eight monitoring reports. The monitoring reports included one Ryan White Part C HIV/AIDS Program Review, one Ryan White Part B HIV Care Program (HCP) Site Monitoring Fiscal Year 2016-17, two Medicare Cost Report Settlements, one Administrative Desk Review, and three Targeted Case Management (TCM) Cost Report Settlements for FY 2010-11, 2011-12, and 2013-14. All of these are listed on page 2, except for TCM Cost Report Settlements for FY 2011-12 and 2013-14, which are presented below.

Program	Risk	Rationale
TCM Cost Report Settlement FY 11-12		Large amount of questioned costs
TCM Cost Report Settlement FY 13-14		Large amount of questioned costs

**Purpose of Monitoring**

1. TCM Cost Report Settlement FY 11-12: Determined whether amounts paid for services provided to Medi-Cal beneficiaries complied with applicable laws and regulations from 7/1/2011—6/30/2012.
2. TCM Cost Report Settlement FY 13-14: Determined whether amounts paid for services provided to Medi-Cal beneficiaries complied with applicable laws and regulations from 7/1/2013—6/30/2014.

**Findings**

1. TCM Cost Report Settlement FY 11-12: \$203,890 due to the State as a result of unallowable program costs.
2. TCM Cost Report Settlement FY 13-14: \$176,648 due to the State as a result of unallowable program costs.

**Corrective Action Taken**

1. TCM Cost Report Settlement FY 11-12: The department disagrees with the State’s findings and has filed for a review of the findings through the State Department of Health Care Services informal appeal process. The Informal Appeal Hearing was held on August 1, 2018 and the department is currently waiting to hear whether the appeal is granted.
2. TCM Cost Report Settlement FY 13-14: The department disagrees with the State’s findings and filed for a review of the findings through the State Department of Health Care Services informal appeal process. A new cost report was submitted, which was granted at the Informal Appeal Hearing held on May 22, 2018.



