



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: November 29, 2022
Placement: Administrative
Estimated Time: N/A
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Betsy M. Schaffer, CPA, CPFO, 805-568-2100
Director(s)
Contact Info: Juan Izquierdo, CPA, 805-568-2134

SUBJECT: Single Audit Reports for the fiscal year ended June 30, 2021

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

- A. Receive and file the County of Santa Barbara's Single Audit Reports for the fiscal year (FY) ended June 30, 2021.
- B. Determine that the above actions are not a "project" under the California Environmental Quality Act (CEQA) pursuant to section 15378(b)(5) of the CEQA guidelines, because they consist of administrative activities of the government that will not result in direct or indirect physical changes in the environment.

Summary Text:

Under the Code of Federal Regulations, entities that expend \$750,000 or more of Federal awards 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 Subpart F of the U.S. Office of Management and Budget (OMB) 2 CFR Part 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. During FY 2020-21, the County expended approximately \$169 million in reimbursable Federal funds excluding loans, fee for service Medicaid and other vendor type transactions.

Eide Bailly LLP (Eide Bailly) performed the County's Single Audit. The County received unmodified "clean" opinions on five of the six Federal programs selected for the Single Audit, with a qualified opinion related to Department of the Treasury - Catalog of Federal Domestic Awards (CFDA) 21.019 COVID-19 Coronavirus Relief Fund, which was qualified for instances of noncompliance related to Activities Allowed or Unallowed, Allowable Costs/Cost Principles within the County Executive Office department.

The aforementioned qualified opinion related to the COVID-19 Coronavirus Relief Fund was the result of noncompliance related to Activities Allowed or Unallowed, Allowable Costs/Cost Principles. As a component of the Single Audit report, the County has submitted a Corrective Action Plan to address the noncompliance. Eide Bailly also performed the County's annual financial statement audit. As a required part of performing both audits in accordance with *Government Auditing Standards*, Eide Bailly issued a Report on Internal Control over Financial Reporting and on Compliance and Other Matters, which is included in the attached Single Audit Reports.

Background:

The *Uniform Guidance* 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 whether the County's financial statements are presented fairly in all material respects. The County's Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2021, was previously received and filed by your Board on March 15, 2022.

An **unmodified opinion** is a "clean" opinion, while a **qualified opinion** signifies that the auditor found material instances of noncompliance within a major program. As indicated in the table below, five of the six programs tested for FY 2020-21 received an unmodified opinion. The Single Audit opinions by major Federal program audited for the last three years are as follows:

<i>Federal Program</i>	<i>2020-21</i>	<i>2019-20</i>	<i>2018-19</i>
COVID-19 Coronavirus Relief Fund	Qualified	N/A	N/A
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases	Unmodified	N/A	N/A
Workplace Innovation and Opportunity Act Cluster	Unmodified	N/A	N/A
Adoption Assistance	Unmodified	N/A	N/A
Child Support Enforcement	Unmodified	N/A	N/A
Block Grants for Prevention & Treatment of Substance Abuse	Unmodified	Qualified	N/A
Health Center Program Cluster	N/A	Unmodified	N/A
Temporary Assistance for Needy Families	N/A	Unmodified	N/A
Special Supplemental Nutrition Program for Women, Infants, and Children	N/A	Unmodified	N/A
Supplemental Nutrition Assistance Program	N/A	N/A	Unmodified
Medicaid	N/A	N/A	Unmodified
Disaster Grants Public Assistance	N/A	N/A	Unmodified
Foster Care	N/A	N/A	Unmodified
Community Development Block Grants / Entitlement Grants	N/A	N/A	Unmodified
HOME Investment Partnership Program	N/A	N/A	Unmodified

N/A - Program Not Audited

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. In FY 2019-20, the County was considered a low-risk auditee. However, as a result of a qualified opinion related to noncompliance regarding requirements for subrecipient monitoring of the Block Grants for Prevention and Treatment of Substance Abuse (SAPT) program in FY 2019-20, the County was considered a high-risk auditee for the FY 2020-21 and FY 2021-22 Single Audits. Although Behavioral Wellness does not anticipate there to be any negative financial implications or additional monitoring procedures implemented by the United States Department of Health & Human Services due to the qualified opinion, the impact on audit procedures at the County level required the County’s independent auditor to select major programs encompassing at least 40% of the County’s total Federal awards expended as a high-risk auditee versus selecting major programs that encompass at least 20% of the County’s total Federal awards expended as a low-risk auditee.

All of the Single Audit findings are listed below:

COVID-19 Coronavirus Relief Fund

- Several payroll and non-payroll program expenditures were also reported for reimbursement through other grants and thus not eligible to be covered under the Coronavirus Relief Fund.
- An instance of payroll program expenditures was found to be out of compliance with the County’s policy requiring supervisor approval of timecards.

Block Grants for Prevention and Treatment of Substance Abuse – Behavioral Wellness

- All subrecipient agreements did not clearly identify CFDA number and name; subrecipients unique entity identifier; Federal Award Identification Number (FAIN); or, Federal award date. However, the County contends that the aforementioned information was directly provided to the subrecipients by incorporating reference to the County’s federal award agreement with the State in the various provider contracts.

The views of responsible officials and planned corrective actions for the above findings are presented in the ‘Corrective Action Plan and Schedule of Prior Audit Findings’ of the attached Single Audit Reports.

Performance Measure:

Receive qualified and unmodified opinions on the FY 2020-21 Federal Single Audit Report.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

For FY 2020-21, the total audit contract with independent outside auditors was \$145,000 of which \$53,000 was attributed to the Single Audit.

Attachments:

County of Santa Barbara, Single Audit Reports for the fiscal year ended June 30, 2021

Authored by:

Juan Izquierdo, CPA, Financial Reporting Division Chief, Office of the Auditor-Controller

cc:

Mona Miyasato, County Executive Officer

Department Directors