

SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors
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Santa Barbara, CA 93101
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Agenda Number:
Prepared on: 7/5/06
Department Name: Auditor-Controller
Department No.: 061
Agenda Date: 8/1/06
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Robert W. Geis, CPA
Auditor-Controller

STAFF CONTACT: Robilyn Eggertsen, CPA
Financial Reporting Division Chief (x2134)

SUBJECT: Single Audit Reports for fiscal year ended June 30, 2004

Recommendation(s):

That the Board of Supervisors receive and file the County of Santa Barbara's Single Audit Reports for fiscal year ending June 30, 2004 prepared in compliance with the OMB Circular A-133.

Alignment with Board Strategic Plan:

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

Executive Summary and Discussion: Entities that expend federal funds in excess of \$500,000 are subject to annual audit requirements that are commonly referred to as *single audits*. The County expended \$103,334,086 in federal funds during FY 03-04. Among other things, the Single Audit Act Amendments of 1996 (the Single Audit Act) 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. Single audits are carried out in compliance with the implementation standards of OMB Circular A-133. Those standards require the auditee to (1) maintain internal control for federal programs, (2) comply with the laws, regulations, and the 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. The A-133 standards promote consistency and uniformity among Federal agencies responsible for the audit of states, local governments and non-profit organizations expending Federal awards.

Our *single audit* for the year ended June 30, 2004 was conducted by KPMG LLP, the independent auditor for the County. The basic financial statements portion of the single audit was previously received and filed as the Comprehensive Annual Financial Report for the year ended June 30, 2004 by the Board of Supervisors on November 2, 2004.

The complete Single Audit reporting package is due nine months after the fiscal year end; the County is seventeen (17) months late. The reasons for the delay all stem from the County being designated as a *high-risk auditee*. Because the preceding year's Single Audit (FY 2002-03) was filed after the nine-month filing deadline and because of various findings (10), the County was designated as a high-risk auditee beginning with the 2003-04 fiscal year. In addition, the FY 2003-04 Single Audit uncovered 23 findings, 8 of which were considered reportable conditions (significant deficiencies in the design or operation of an internal control over compliance). The high-risk auditee designation subjects the County to additional programs being audited (i.e., in 02-03 three major programs audited, in 03-04 seven were audited.) The following programs are subject to audit for both fiscal years: Medicaid Cluster, Food Stamps Cluster, Temporary Assistance for Needy Families (TANF), Foster Care, Child Support Enforcement, and Highway Planning and Construction Grants. Additionally, large one-time grants such as the Violent Offender Incarceration and Truth in Sentencing Incentive Grant (FY 2003-04) used to build the north County Probation Facility and FEMA (FY 2004-05) storm damage grants are subject to audit.

The County will continue as a high-risk auditee until it has both submitted the Single Audit Report on time and without any qualifying findings. The reportable conditions and other findings identified are anticipated to be rectified during FY 2006-07. The plan for FY 05-06 is to start audit filed work in October and complete the audit by February 1, sixty days prior to the deadline. Timely filing of the FY 2005-06 and FY 2006-07 Single Audits and elimination of all significant findings will result in a lower risk assignment, and therefore a narrowing of the scope of the FY 2007-08 single audit. Fewer programs being audited should result in reductions to both the time required to complete the audit and in audit fees.

Mandates and Service Levels: N/A

Fiscal and Facilities Impacts: The expanded scope of the single audits significantly increases the work required by our outside auditors and translates into increased audit fees. Previously the Board approved single audit driven contract increases in the amounts of \$35,000 for the FY 2003-04 audit (contract total \$144,000), \$71,900 for the FY 2004-05 audit (contract total \$208,766), and \$62,700 for the FY 2005-06 audit (contract total \$180,000.) We anticipate that federal programs will reimburse the County for a significant portion of these additional costs.

Special Instructions: N/A

Concurrence: N/A