



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: May 12, 2015
Placement: Departmental
Estimated Tme: 20 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Robert W. Geis, CPA, Auditor-Controller, 568-2100
Director(s)
Contact Info: Heather Fletcher, CPA, Audit Manager, 568-2456

SUBJECT: Single Audit Report for the fiscal year ended June 30, 2014

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence: N/A

As to form: No

Recommended Actions:

To receive and file the County of Santa Barbara's Single Audit Report for the fiscal year ended June 30, 2014.

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 13-14 the County expended approximately \$127.3M 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, 2014, was previously received and filed by your Board on October 7, 2014.

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 2012-13 and 2013-14.

<i>Criteria</i>	<i>Met by the County?</i>	
	<i>2013-14</i>	<i>2012-13</i>
<i>Single Audits performed on an annual basis</i>	<i>Yes</i>	<i>Yes</i>
<i>Auditor’s opinions were unmodified</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>No</i>

An **unmodified 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>2013-14</i>	<i>2012-13</i>
<i>Supplemental Nutrition Assistance Program (SNAP)</i>	Unmodified	Qualified
<i>Medicaid</i>	Qualified	Qualified
<i>Temporary Assistance for Needy Families (TANF)</i>	Unmodified	Qualified
<i>Foster Care</i>	Qualified	Qualified
<i>Adoption Assistance</i>	Unmodified	Qualified
<i>Workforce Investment Act (WIA)</i>	Unmodified	Qualified
<i>Community Development Block Grants/Entitlement (CDBG)</i>	Unmodified	Qualified
<i>Home Investment Partnerships Program (HOME)</i>	Unmodified	Qualified
<i>Special Supplemental Nutrition for Women, Infants, and Children (WIC)</i>	Unmodified	Unmodified
<i>Highway Planning and Construction</i>	Unmodified	Not Tested

As indicated in the chart above, of the 10 programs tested, eight of those were unmodified, six of which improved from qualified in the prior year. Significant improvements were noted in the Adoption Assistance program.

Material instances of noncompliance included in the report for the major Federal programs, fiscal year 2013-14, are listed below. Findings below are based on a sample size of **40 or 60** for each program. Findings predominately related to deficiencies in performing required procedures.

Foster Care – Social Services

- Four case files where the benefit amounts were calculated incorrectly.
- One case file whereby benefits were issued when the participant was ineligible.

Medicaid - Social Services

- One case file whereby the eligibility information provided by the client did not match the information entered into the system.
- Two case files whereby the County did not timely verify income and property documentation through a required system.
- One case file whereby a required report was not processed at the time of application.
- Six cases whereby redetermination was processed late.
- Four in-home supportive services case files whereby date of the signed application did not agree with the application date in the system.
- Seven in-home supportive services case files whereby the County failed to perform a client reassessment of needs within the 12 month renewal period.

- One in-home supportive services case file whereby the application was not signed under penalty of perjury.
- Two in-home supportive services case files whereby the County was unable to verify an application was completed at the time of benefit issuance.

SNAP - Social Services

- Two case files where the County inaccurately entered the participant's income and/or housing costs into the system.
- One case where the required quarterly report for re-determining the participant's eligibility was not processed timely.

Adoption Assistance – Social Services

- One case file whereby the benefit amount was calculated incorrectly, causing an underpayment of benefits paid.

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 unmodified opinion. However, we are pleased to communicate that significant improvement has been achieved during fiscal year 13-14 toward becoming a low-risk auditee.

We would like to note that county staffs of the programs involved have been cooperative and helpful with the audit.

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 unmodified opinion on the Federal Single Audit Report.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

For FY 13-14, the total audit contract is \$150,720 of which \$64,260 is attributed to the Single Audit. The Internal Audit Division of the Auditor-Controller's Office also contributed approximately \$5,000 toward the audit. The Auditor-Controller's Office reduced the hours its Internal Audit division contributes to this audit from 500 hours in FY 12-13 to 65 hours in FY 13-14. As a result, the cost for the external auditors to perform the single audit increased by \$25,000.

Attachments:

County of Santa Barbara Single Audit Report for the fiscal year ended June 30, 2014.
Agreed Upon Conditions Report for the fiscal year ended June 30, 2014.

Authored by:

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cc: Mona Miyasato, County Executive Officer
Daniel Nielson, Director, Social Services Department
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