



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: General Services
Department No.: 063
For Agenda Of: May 10, 2016
Placement: Administrative
Estimated Tme: N/A
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: General Services Matthew P. Pontes, Director (560-1011)
Contact Info: Karen L. Miles, CPFO, Assistant Director (568-2678)

SUBJECT: Audit Reports for the Northern Branch Jail Projects (AB900 and SB1022) for Fiscal Years ended 6/30/14 and 6/30/15; Third District

County Counsel Concurrence

As to form: Yes

Other Concurrence: Purchasing

As to form: N/A

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions: That the Board of Supervisors:

- a) Receive and file the County of Santa Barbara's AB900 North Branch Jail Construction Project Financial and Performance Audit from Inception (January 15, 2013) Through June 30, 2014;
- b) Receive and file Statement on Auditing Standards (SAS) 114 report (Auditor's Letter to the County's Governing Body) for AB900 for the period ending June 30, 2014
- c) Receive and file the County of Santa Barbara's AB900 North Branch Jail Construction Project Financial and Performance Audit from Inception (January 15, 2013) Through June 30, 2015;
- d) Receive and file the County of Santa Barbara's SB1022 Adult Local Criminal Justice Facilities Construction Project Financial and Performance Audit from Inception (October 21, 2014) Through June 30, 2015;
- e) Receive and file SAS 114 report for AB900 for period ending June 30, 2015 (Auditor's Management Letter);
- f) Receive and file SAS 114 report for SB1022 for period ending June 30, 2015 (Auditor's Management Letter); and
- g) Determine that acceptance of the annual report is not a "project" as defined by the California Environmental Quality Act (CEQA) Guidelines Section 15378(b)(5), as it is an administrative activity that will not result in direct or indirect changes in the environment, and approve and direct staff to file the attached Notice of Exemption on that basis.

Summary Text:

On January 15, 2013, the Board of Supervisors entered into the Board of State and Community Corrections (BSCC) Jail Construction Agreement for Santa Barbara County for the Northern Branch Jail (NBJ) AB900 project. On July 8, 2014, the Board of Supervisors accepted the conditional award from the Board of State and Community Corrections under Senate Bill 1022 for the Sheriff's Treatment and Re-entry Complex. Subsequently, on January 19, 2016, the Board of Supervisors voted to relinquish the SB1022 grant award and discontinue that project.

Both of these BSCC agreements require that within ninety (90) calendar days of project Final Completion, the County must obtain and submit a final program audit to the BSCC. These agreements require that the audit be prepared in accordance with generally accepted auditing standards, government auditing standards for financial and compliance audits, and the State of California, Board of State and Community Corrections (BSCC) Audit Guide. To ensure an accurate final program audit, annual audit reports were prepared and are now being filed with the Board of Supervisors. The results of reports are unmodified opinions, which indicate that financial schedules were presented fairly in all material aspects, and that there were no identified instances of non-compliance with respect to the grant requirements.

Background:

The first Financial and Program Audit was completed by Brown Armstrong Accountancy Corporation of Bakersfield, California (Brown Armstrong) on June 18, 2015 and covered inception-to-date (January 15, 2013 through June 30, 2014) activity for the NBJ AB900 project. During this period, the County expended approximately \$5.3 million including both State eligible and County funds. Brown Armstrong issued four reports with the following results:

- a) Report on Financial Schedules – Brown Armstrong issued an unmodified opinion for this audit period for the report on the financial schedules and related notes. An unmodified opinion is issued when the auditor has formed the opinion that the financial schedules contained in the report were presented fairly in all material respects.
- b) Report on Internal Control over Financial Reporting and on Compliance and Other Matters- Report was issued with a finding that from the results of the audit testing, there were no instances identified of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.
- c) Report on Compliance with Performance Requirements –The opinion for this report was an unmodified opinion that the County complied, in all material respects, with the performance requirements under the BSCC audit guide for the reporting period.
- d) Findings and Recommendations – none noted.

The second set of Financial and Program Audits (for NBJ AB900 and SB1022) were completed by Brown Armstrong on February 18, 2016 and covered inception-to-date (January 15, 2013 through June 30, 2015) activity for the NBJ AB900 project and inception-to-date (October 21, 2014 through June 30, 2015) for the SB1022 project. The inception-to-date expenditures for the AB900 project totaled \$6.8 million and the inception-to-date expenditures for the SB1022 project totaled \$0.8 million. The expenditures for both projects included both State reimbursable and County funds. Brown Armstrong issued four reports for each project with the following results:

- a) Report on Financial Schedules - Brown Armstrong issued an unmodified opinion for this audit period for the report on the financial schedules and related notes.
- b) Report on Internal Control over Financial Reporting and on Compliance and Other Matters- Report was issued with a finding that from the results of the audit testing, there were no instances identified of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.
- c) Report on Compliance with Performance Requirements –The opinion for this report was an unmodified opinion that the County complied, in all material respects, with the performance requirements under the BSCC audit guide for the reporting period.
- d) Findings and Recommendations – none noted.

The Financial and Performance Audit of the SB1022 Project lists a subsequent event on page 9, note 7. This note explains that subsequent to the Balance Sheet date of 6/30/15, the County Board of Supervisors voted to discontinue the BSCC SB1022 project and only continue with the AB900 project. As a result, the amount listed in the SB1022 audit report as being reimbursable by the State of \$549,987 will not be reimbursable since the project did not advance to the stage of eligibility for State disbursement.

Fiscal and Facilities Impacts: Yes (If yes, say how this audit has a fiscal or facilities impact)

The County is contracting for annual audits of these project funds is to ensure that the funds are spent in compliance with the BSCC requirements. This will help to ensure that there are no audit findings or disallowed costs at the end of the project when the BSCC audit is conducted.

Fiscal Analysis:

For FY 2013-14, the audit contract for the NBJ AB900 Project was \$9,000.

For FY2014-15, the audit contract for the NBJ AB900 Project was \$9,000.

For FY2014-15, the audit contract for the NBJ SB1022 Project was \$5,000.

These costs were included in the NBJ AB900 and SB1022 Project budgets.

Staffing Impacts: NONE

Attachments:

- 1) County of Santa Barbara's AB900 North Branch Jail Construction Project Financial and Performance Audit from Inception (January 15, 2013) Through June 30, 2014
- 2) SAS 114 report for AB900 for the period ending June 30, 2014 (Auditor's Management Letter)
- 3) County of Santa Barbara's AB900 North Branch Jail Construction Project Financial and Performance Audit from Inception (January 15, 2013) Through June 30, 2015
- 4) County of Santa Barbara's SB1022 Adult Local Criminal Justice Facilities Construction Project Financial and Performance Audit from Inception (October 21, 2014) Through June 30, 2015
- 5) SAS 114 report for AB900 for period ending June 30, 2015 (Auditor's Management Letter)
- 6) SAS 114 report for SB1022 for period ending June 30, 2015 (Auditor's Management Letter)
- 7) Notice of Exemption

Authored by:

Karen L. Miles, Assistant Director, Department of General Services