



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 2, 2023
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, 2022

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, 2022.
- 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 2021-22, the County expended approximately \$175 million in reimbursable Federal funds excluding loans, fee for service Medicaid and other vendor type transactions.

Brown Armstrong Accounting Corporation (Brown Armstrong) performed the County's Single Audit. The County received unmodified "clean" opinions on nine of the nine Federal programs selected for the Single Audit.

Brown Armstrong also performed the County's annual financial statement audit. As a required part of performing both audits in accordance with *Government Auditing Standards*, Brown Armstrong 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, 2022, was previously received and filed by your Board on February 28, 2023.

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, all nine of the programs testes for FY 2021-22 received an unmodified opinion, while 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>2021-22</i>	<i>2020-21</i>	<i>2019-20</i>
COVID-19 Coronavirus Relief Fund	N/A	Qualified	N/A
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (ARPA)	Unmodified	N/A	N/A
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases	N/A	Unmodified	N/A
Workplace Innovation and Opportunity Act Cluster	N/A	Unmodified	N/A
Adoption Assistance	N/A	Unmodified	N/A
Child Support Enforcement	N/A	Unmodified	N/A
Block Grants for Prevention & Treatment of Substance Abuse	N/A	Unmodified	Qualified
Health Center Program Cluster	N/A	N/A	Unmodified
Temporary Assistance for Needy Families	N/A	N/A	Unmodified
Special Supplemental Nutrition Program for Women, Infants, and Children	N/A	N/A	Unmodified
Supplemental Nutrition Assistance Program	Unmodified	N/A	N/A
Medicaid	Unmodified	N/A	N/A
Disaster Grants Public Assistance	Unmodified	N/A	N/A
Foster Care	Unmodified	N/A	N/A
Hazard Mitigation Grant (HMGP)	Unmodified	N/A	N/A
Emergency Shelter Grants Program	Unmodified	N/A	N/A
Emergency Rental Assistance Program	Unmodified	N/A	N/A
Highway Planning and Construction	Unmodified	N/A	N/A

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. 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 prior year 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 unmodified opinions on the FY 2021-22 Federal Single Audit Report.

Contract Renewals and Performance Outcomes:

N/A

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

Narrative: For FY 2021-22, the total audit contract with independent outside auditors was \$157,000 of which \$62,000 was attributed to the Single Audit.

Attachments: County of Santa Barbara, Single Audit Reports for the fiscal year ended June 30, 2022

Authored by:

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

cc:

Mona Miyasato, County Executive Officer

Department Directors