



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: 2/04/2014
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Robert W. Geis, CPA (x2100)
Director(s)
Contact Info: Heather Fletcher, CPA (x2456)

SUBJECT: Single Audit Report for the fiscal year ended June 30, 2013

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence: N/A

As to form: N/A

Recommended Actions:

To receive and file the County of Santa Barbara's Single Audit Report for the fiscal year ended June 30, 2013.

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 12-13 the County expended approximately \$98.2M 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, 2013, was previously received and filed by your Board on October 8, 2013.

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 11-12 and 12-13.

<i>Criteria</i>	<i>Met by the County? 12-13</i>	<i>11-12</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>No</i>	<i>No</i>

An **unmodified** (previously termed **unqualified**) **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>12-13</i>	<i>11-12</i>
<i>Supplemental Nutrition Assistance Program (SNAP)</i>	Qualified	Qualified
<i>Medicaid</i>	Qualified	Qualified
<i>Temporary Assistance for Needy Families (TANF)</i>	Qualified	Qualified
<i>Child Support</i>	Not Tested in Audit	Unqualified
<i>Foster Care</i>	Qualified	Qualified
<i>Adoption Assistance</i>	Qualified	Qualified
<i>Workforce Investment Act (WIA)</i>	Qualified	Qualified
<i>Community Development Block Grants/Entitlement (CDBG)</i>	Qualified	Qualified
<i>Home Investment Partnerships Program (HOME)</i>	Qualified	Qualified
<i>Special Supplemental Nutrition for Women, Infants, and Children (WIC)</i>	Unmodified	Not Tested in Audit
<i>Energy Efficiency and Conservation Block Grant Program (EECGB)</i>	Not Tested in Audit	Unqualified

Material instances of noncompliance included in the report for the major Federal programs, fiscal year 12-13, 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 Title IV-E – Social Services

- Two case files where initiation of a state-level fingerprint check within 10 calendar days after the background check did not occur.
- Four case files where the benefit amounts were calculated incorrectly.

Medicaid - Social Services

- Six case files whereby the eligibility information provided by the client did not match the information entered into the system.
- Five case files whereby the County did not timely verify income and property documentation through a required system.
- One case file whereby benefits were not terminated when eligibility requirements were not met.
- Two case files whereby the County failed to send out the required notices of termination when discontinuing benefits.
- Eight in-home supportive services case files whereby the County was unable to verify an application was completed at the time of benefit issuance.

- Twenty-four in-home supportive services case files whereby the County failed to perform a client reassessment of needs within the 12 month renewal period and/or failed to retain the system report from the reassessment date documenting verification of eligibility.

SNAP - Social Services

- Nine case files whereby the County inaccurately entered the participant's income into the CalWin System.
- Eight cases whereby the required quarterly eligibility/status report was not processed timely.

TANF- Social Services

- One case file whereby the redetermination was received and processed late.
- One case file whereby the County inaccurately entered the participant's income into the CalWin System as the income data did not match the information provided by the client.
- One case file whereby the benefit amount was incorrectly calculated.
- Five case files whereby the County did not timely verify income and property documentation through a required system.

Adoption Assistance – Social Services

- Twenty-two case files whereby forms lacked one of the required signatures from the authorized official of public adoption agency or the adoptive parents.
- Twenty-four case files whereby the eligibility certification form was not completed and/or the eligibility was not determined by the case worker.
- One participant reached the age 18 during the fiscal year and continued to receive benefit payments.

WIA – Social Services

- Three case files whereby the case manager/supervisor review was not performed in a timely manner.
- Three case files whereby the applicant and staff signatures on the application were back-dated to a date prior to the print date indicated on the application.
- One case file whereby the original application was not retained in file.
- One case file whereby the documentation evidencing the applicant attended a WIA orientation was not retained in the file.

Community Development Block Grant – Community Services

- No sub recipient monitoring procures had been performed for the fiscal year 12-13.

HOME Investment Partnerships Program – Community Services

- No sub recipient monitoring procedures had been performed for the fiscal year 12-13.
- Twenty-nine properties with 26 or more units did not have an annual inspection as required.

WIC – Public Health

- Two case files whereby the County's verification of participant residence could not be audited as the information was not retained by the system.
- One case whereby the County did not perform and/or document a measurement of participant's height and weight as required by federal law.

- One case whereby the County's performance of the required nutritional risk assessments could not be audited because the participant's records were not retained by the system upon participant discontinuance.
- One case whereby the hematological test for anemia required as part of the nutritional risk assessment was not received within 90 days of the certification date and the County did not place a hold on the participant's account.

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. We would like to note that county staffs of the programs involved have been cooperative and helpful with the audit. However we note that many programs continue to have repeat findings.

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 12-13, the total audit contract is \$128,000 of which \$39,260 is attributed to the Single Audit. The Internal Audit Division of the Auditor-Controller's Office also contributed approximately \$36,000 toward the audit. In fiscal year 13-14, the Auditor-Controller's Office will reduce the hours Internal Audit contributes to this audit. As a result, the external audit contract will increase by \$25,000.

Attachments:

County of Santa Barbara Single Audit Report for the fiscal year ended June 30, 2013.

Agreed Upon Conditions Report for the fiscal year ended June 30, 2013.

Authored by:

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CC: Mona Miyasoto, County Executive Officer
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