



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: December 5, 2017
Placement: Administrative
Estimated Time: N/A
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Theodore A. Fallati, CPA, CPFO, Auditor-Controller, 568-2100
Director(s)
Contact Info: Kyle Slattery, CPA, CPFO, Financial Reporting Division Chief,
568-2134

SUBJECT: Single Audit Reports for the fiscal year ended June 30, 2017

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 ended June 30, 2017.
- 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 *Single Audit Act*, 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 the U.S. Office of Management and Budget (OMB) CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. During fiscal year 2016-17 the County expended approximately \$137.8 million in federal funds excluding fee for service Medicaid and other vendor type transactions.

Brown Armstrong Accountancy Corporation of Bakersfield, California (Brown Armstrong) performed the County's Single Audit. The County received unmodified "clean" opinions on all 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 *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 whether the County's financial statements are presented fairly in all material respects. The County's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2017, was previously received and filed by your Board on September 19, 2017.

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 five programs tested for fiscal year 2016-17 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>2016-17</i>	<i>2015-16</i>	<i>2014-15</i>
Supplemental Nutrition Assistance Program	Unmodified	Unmodified	Unmodified
Medicaid	Unmodified	Unmodified	Unmodified
Temporary Assistance for Needy Families	Unmodified	Unmodified	Unmodified
Highway Planning and Construction	Unmodified	N/A	N/A
Special Supplemental Nutrition Program for Women, Infants, and Children	Unmodified	N/A	N/A
Foster Care	N/A	Unmodified	Unmodified
Community Development Block Grants / Entitlement Grants	N/A	Unmodified	N/A
HOME Investment Partnership Program	N/A	Unmodified	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. Beginning in fiscal year 2016-17, the County was considered a low-risk auditee, which should continue if the County continues to receive unmodified opinions for all major programs selecting for testing by the auditors in the future.

All of the Single Audit findings are listed below and are based on a sample size of 40 for each program:

Supplemental Nutrition Assistance Program - Social Services

- Two cases whereby the County inaccurately issued benefit payments causing an overpayment.
- One case whereby the County inaccurately issued benefit payments causing an underpayment.

Medicaid - Social Services

- Two case files whereby the County failed to perform a client reassessment of needs within the 12 month renewal period.

Temporary Assistance for Needy Families - Social Services

- One case whereby the County inaccurately issued benefit payments causing an underpayment.

In addition to the Single Audit findings listed above, Brown Armstrong identified the following findings related to the County's internal control over financial reporting:

General Ledger Access – Auditor-Controller

- The ability to administer permissions and add/remove access within the County's Financial Information Network (FIN) system is afforded to various individuals located throughout the County's various departments, and some of these individuals are responsible for performing activities involving financial transactions.
- No examination of valid user accounts within Active Directory or FIN is being performed to determine whether users have been assigned the appropriate roles/permissions and/or placed within the appropriate groups within these systems.
- No standard procedure for removing terminated employees' access to FIN has been developed.

The views of responsible officials and planned corrective actions for the above findings are presented in the Corrective Action Plan beginning on page 22 of the attached Single Audit Reports.

Performance Measure:

Receive unmodified opinions on the Federal Single Audit Report.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

For fiscal year 2016-17, the total audit contract with independent outside auditors was \$147,000 of which \$50,700 was attributed to the Single Audit.

Attachments:

County of Santa Barbara, California Single Audit Reports for the year ended June 30, 2017.

Authored by:

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CC:

Mona Miyasato, County Executive Officer

Department Directors