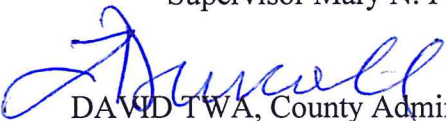


County of Contra Costa
Office of the County Administrator
MEMORANDUM

DATE: April 5, 2016

TO: FINANCE COMMITTEE:
Supervisor Federal D. Glover, Chair
Supervisor Mary N. Piepho, Vice Chair

FROM:  DAVID TWA, County Administrator
By LISA DRISCOLL, Finance Director

SUBJECT: **COUNTYWIDE SINGLE AUDIT FOR THE
FISCAL YEAR ENDING JUNE 30, 2015**

On November 8, 1999, the Board established a policy and procedure for addressing the annual findings and recommendations of the County's external auditors. The procedure directs that the Board refer the annual Single Audit findings to the Finance Committee, and that the County Administrator make a report to the Finance Committee on the current- and prior-year audit findings and recommendations that identifies what corrective action has been taken or is planned to be taken on each recommendation. Inasmuch as the current year Single Audit report encompasses all unresolved or pending audit issues from prior-year audits, this report responds directly to the current-year Single Audit report (FY ending June 30, 2015).

Internal Control Over Financial Reporting. Government Auditing standards require the external auditor to obtain reasonable assurance that the general-purpose financial statements are free of material misstatement. The external auditor found one instance of significant deficiency in internal control with 2015-001 "Schedule of Expenditures of Federal Awards Completeness". No instances of material weakness in internal control were identified.

Internal Control Over Compliance. Government Auditing Standards and OMB Circular A-133 (which is applicable to federal programs) require the external auditor to report on both compliance with and internal controls over the major federal programs carried out by the County. The external auditor found one instance of noncompliance with 2015-002 "Subrecipient Monitoring".

The reportable conditions are described in the following report:

◆ Finding 2015-001: Schedule of Expenditures of Federal Awards Completeness

Recommendation: The County should improve its review process by requiring department management to review and sign off program expenditures prior to being submitted to the Auditor-Controller. Additionally, the Auditor-Controller should reconcile the detailed listing

of expenditures to the SEFA for each significant federal program prior to the submission to the external auditors.

Background: The auditor noted several misstatements in the County's draft schedule of expenditures of federal awards (SEFA). The State Planning and Establishment Grants for the Affordable Care Act Exchange understated expenditures by \$9,999,762 in prior years due to management oversight. The Consolidated Health Centers overstated expenditures by 60,823 by using the federal fiscal year instead of the County fiscal year. Block Grants for Prevention and Treatment of Substance Abuse understated expenditures by \$159,812 by reporting projected amounts instead of actual expenditures. The County was able to correct the expenditure amounts reported in its SEFA prior to its issuance.

Corrective Action: The Auditor-Controller has already incorporated the recommended management signature line on all grant inventory listing sheets sent to the departments. The Auditor-Controller does not have the sufficient staffing necessary to reconcile the SEFA, however, implemented several additional review measures to promote the quality of the reported SEFA information. The Auditor-Controller has also organized multiple education sessions for departments in Single Audit reporting and compliance, including work sessions and webinars.

◆ Finding 2015-002: Subrecipient Monitoring

Recommendation: The County should implement policies to ensure that audit reports are received from subrecipients. In addition, the County should develop appropriate follow-up procedures to ensure that appropriate corrective actions are taken by subrecipients with regard to instances of non-compliance.

Background: The auditor noted that the Health Services, Behavioral Health Division had two subrecipients who did not submit audit reports.

Corrective Action: The Behavioral Health Finance Division will identify subrecipients whose federal award expenditures during the fiscal year equal or exceed the threshold set forth in the audit requirements. Finance will also develop a checklist and assign staff to monitor and review subrecipient compliance in submitting the Single Audit report and audited financial statements.

Prior Year Findings

◆ Finding 2014-01: Schedule of Expenditures of Federal Awards Completeness

Recommendation: The auditor recommended that the County improve its process for reviewing expenditures reported in the Schedule of Expenditures of Federal Awards (SEFA) prior to being submitted to the Auditor-Controller. Additionally, the auditor recommends that the Auditor-Controller's Office reconcile the detailed listing of expenditures to the SEFA

for each significant federal program prior to the submission to external auditors.

Background: During the Audit, the auditor found that the County overstated expenditures in the SEFA due to prior year expenditures being reported twice. The County was able to correct the expenditure amounts reported in the SEFA prior to its issuance.

Corrective Action: In progress – see Finding 2015-001. The Auditor-Controller revised the grant inventory listing sheets sent to departments to include a recommended management signature line in order to validate that the inventory sheets were reviewed and approved by management. The Auditor-Controller, however, does not have the resources available to reconcile the SEFA. The following measures have been put in place to promote the accuracy of the SEFA using available resources: Board of Supervisor’s agendas are reviewed to identify federal grants applied for during the fiscal year; current year SEFA is compared to the prior year SEFA to determine if any programs are missing; the information on the grant inventory sheets is compared to the department generated grant questionnaires and discrepancies are investigated; and departments are required to provide a schedule of any costs disallowed by grantors. Lastly, the County has set up several work sessions and webinars between the auditors and department program personnel to improve the accuracy of the SEFA.

Attachments

cc: Elizabeth Verigin, Assistant Auditor-Controller, Auditor-Controller’s Office
Joanne Bohren, Chief of Audit Services, Auditor-Controller’s Office
Dr. William Walker, Health Services Director
Kathy Gallagher, Director, Employment & Human Services