

**County of Contra Costa
Office of the County Administrator
MEMORANDUM**

DATE: April 19, 2017

TO: FINANCE COMMITTEE:
Supervisor Karen Mitchoff, Chair
Supervisor John Gioia, Vice Chair

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

SUBJECT: **COUNTYWIDE SINGLE AUDIT FOR THE
FISCAL YEAR ENDING JUNE 30, 2016**

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, 2016).

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 2016-001 "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 two instances of noncompliance with 2016-002 "Subrecipient Monitoring" and 2016-003 "Reporting".

The reportable conditions are described in the following report:

◆ Finding 2016-001: 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). Employment and Human Services' WIA Cluster expenditures were overstated by \$130,688 and expenditures of Trade Adjustment Assistance Community College and Career Training grants were understated by the same amount due to management oversight. WIA Cluster subrecipients expenditures were also understated by \$116,352 due to management oversight. The Sheriff's Homeland Security Grant Program expenditures were overstated by \$6,464 and subrecipient expenditures were overstated by \$230,447 due to misclassification of expenditures. Special Programs for the Aging Title III, Parts B & C, were overstated by \$258,497 and \$48,829 respectively, due to a misclassification of expenditures.

The County was able to correct the expenditure amounts reported in its SEFA prior to its issuance.

Corrective Action: 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.

◆ Finding 2016-002: Subrecipient Monitoring

Recommendation: The Health Services Department should ensure that policies and procedures are in place for timely responses to new federal award requirements and any implementation of changes resulting from the new requirements. The Department should document a formal process for performing risk assessments over its subrecipients of federal awards in order to determine the frequency and extent of monitoring activities to be performed.

Background: The auditor noted that the Health Services Department has not yet developed and documented a formal risk assessment process over its subrecipients of federal awards.

Corrective Action: The Health Services Department will draft a process to conduct risk assessments of subrecipients receiving federal awards and will finalize and implement this process by October, 2017.

◆ Finding 2016-003: Reporting

Recommendation: The Employment and Human Services Department should meet all mandated reporting deadlines.

Background: The Employment and Human Services Department did not submit two monthly reports for funding received from the California Department of Aging until after the due dates.

Corrective Action: Employment and Human Services reports that they implemented a corrective action plan as of April 1, 2017 which includes strengthening internal controls to insure California Department of Aging Reports are filed timely and the Fiscal Compliance Accountant will monitor submittals on a tracking worksheet. Deadlines will be communicated in staff meetings and documented in staff work plans.

Prior Year Findings

◆ 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: In progress – see Finding 2016-001. 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.

◆ 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: In progress – see Finding 2016-002. While there were no questioned costs and the Health Services Department does monitor its subrecipients, it has not yet developed and documented a formal risk assessment process over its subrecipients of federal awards by which to determine the frequency and extent of subrecipient monitoring to be performed annually.

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
David Livingston, Sheriff-Coroner*