



**COUNTY OF SAN LUIS OBISPO
BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector		(2) MEETING DATE 4/3/2018		(3) CONTACT/PHONE Kerry Bailey 788-2979 Jim Erb 781-5831	
(4) SUBJECT Submission of a Countywide Uniform Guidance Audit for FY 2016-17. All Districts.					
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the Countywide Uniform Guidance Audit for FY 2016-17.					
(6) FUNDING SOURCE(S) N/A		(7) CURRENT YEAR FINANCIAL IMPACT \$0.00		(8) ANNUAL FINANCIAL IMPACT \$0.00	
(9) BUDGETED? Yes					
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business (Time Est. _____)					
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A					
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A				(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A		(15) BUSINESS IMPACT STATEMENT? No		(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date _____	
(17) ADMINISTRATIVE OFFICE REVIEW Nikki J. Schmidt					
(18) SUPERVISOR DISTRICT(S) All Districts					



COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: James P. Erb, CPA, Auditor - Controller - Treasurer - Tax Collector

DATE: 4/3/2018

SUBJECT: Submittal of a Countywide Uniform Guidance Audit for FY 2016-17. All Districts.

RECOMMENDATION

It is recommended that the Board receive, review, and file the Countywide Uniform Guidance Audit for FY 2016-17.

DISCUSSION

In December 2013 the Federal Office of Management and Budget (OMB) issued the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, (Uniform Guidance) codified as 2 CFR Chapter I, Chapter II, Part 200, et al. The purpose of the Uniform Guidance was to streamline requirements and strengthen oversight of federal funds to increase government efficiency, effectiveness, and transparency.

The objective of our audit was to determine County departments' compliance with the Uniform Guidance regulations relating to internal controls and subrecipient risk assessment and monitoring:

- 200.207 – Specific conditions
- 200.302 – Financial management
- 200.303 – Internal controls
- 200.328 – Monitoring and reporting program performance
- 200.330 – Subrecipient and contractor determinations
- 200.331 – Requirements for pass-through entities
- 200.338 – Remedies for noncompliance

Our audit encompassed approximately \$84 million of federal funding and expenditures contained in 87 awards which are managed by 14 different departments. Details of the audit's scope, methodology and results are included in the attached report.

OTHER AGENCY INVOLVEMENT/IMPACT

Departments included in our audit were the: Administrative Office, Agricultural Commissioner/Sealer, Airport, Child Support Services, County Fire, District Attorney, Emergency Services, Health Agency, Parks and Recreation, Planning and Building, Probation, Public Works, Sheriff-Coroner, and Social Services.

FINANCIAL CONSIDERATIONS

The County expended \$83,916,640 of federal funds in FY 2016-17. \$5,187,411 of the federal funding was awarded to subrecipients.

RESULTS

Throughout the audit we made recommendations to address areas of noncompliance relating to incomplete documentation and nonperformance of risk assessments and monitoring. Our recommendations were implemented by the departments prior to the issuance of our audit report, resulting in no outstanding findings or recommendations.

ATTACHMENTS

1. San Luis Obispo Countywide Uniform Guidance Audit Report FY 2016-17



COUNTY OF SAN LUIS OBISPO
AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR

**San Luis Obispo Countywide
Uniform Guidance Audit
Fiscal Year 2016-17**

March 2018

JAMES P. ERB, CPA
Auditor-Controller • Treasurer-Tax Collector



COUNTY OF SAN LUIS OBISPO

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James P. Erb, CPA Auditor-Controller • Treasurer-Tax Collector

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TO: WADE HORTON, COUNTY ADMINISTRATIVE OFFICER
MARTIN SETTEVENDEMIE, AGRICULTURAL COMMISSIONER/SEALER
KEVIN BUMEN, AIRPORT DIRECTOR
JULIE PAIK, CHILD SUPPORT SERVICES DIRECTOR
SCOTT JALBERT, UNIT CHIEF COUNTY FIRE
DAN DOW, DISTRICT ATTORNEY
RON ALSOP, EMERGENCY SERVICES MANAGER
JEFF HAMM, HEALTH AGENCY DIRECTOR
NICK FRANCO, PARKS AND RECREATION DIRECTOR
MARVIN ROSE, PLANNING AND BUILDING INTERIM DIRECTOR
JIM SALIO, CHIEF PROBATION OFFICER
JOHN DIODATI, PUBLIC WORKS INTERIM DIRECTOR
IAN PARKINSON, SHERIFF-CORONER
DEVIN DRAKE, SOCIAL SERVICES DIRECTOR

FROM: JAMES P. ERB, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR

DATE: MARCH 20, 2018

SUBJECT: COUNTYWIDE UNIFORM GUIDANCE AUDIT FOR FISCAL YEAR 2016-17

The internal audit division recently completed an audit of countywide compliance with the federal code known as the Uniform Guidance for FY 2016-17. Throughout the audit we made recommendations to address noncompliance. Our recommendations were implemented by the departments prior to the issuance of our audit report, resulting in no outstanding findings or recommendations.

Background

In December 2013 the Federal Office of Management and Budget (OMB) issued the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance) codified as 2 CFR Chapter I, Chapter II, Part 200, et al.

The Uniform Guidance combined guidance contained in eight OMB Circulars detailing requirements for recipients of federal awards. The purpose of the Uniform Guidance was to streamline requirements and strengthen oversight of federal funds in order to increase government efficiency, effectiveness, and transparency. The Uniform Guidance became effective for federal awards made on or after December 26, 2014. Noncompliance with the Uniform Guidance can cause departments individually and the County as a whole to be



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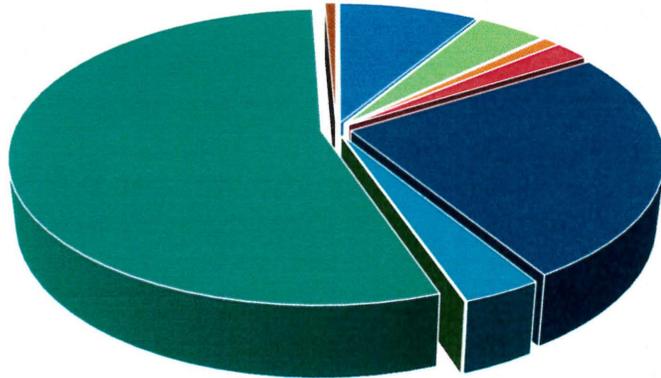
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classified as high-risk by the federal government and/or the County's external auditors, leading to the reduction or loss of federal funding and increased audit costs.

The County received funding from eleven federal agencies and expended a total of \$83,916,640 in FY 2016-17. Of this amount, \$5,187,411 was awarded to subrecipients.

**FY 2016-17 Federal Expenditures
by Awarding Agency**



- Dept of Agriculture
- Dept of Defense
- Dept of Housing & Urban Development
- Dept of the Interior
- Dept of Justice
- Dept of Labor
- Dept of Transportation
- Environmental Protection Agency
- Dept of Education
- Dept of Health and Human Services
- Dept of Homeland Security

In all, eighty-seven awards were managed by fourteen different departments. Each department expending federal funds is required to comply with the Uniform Guidance.



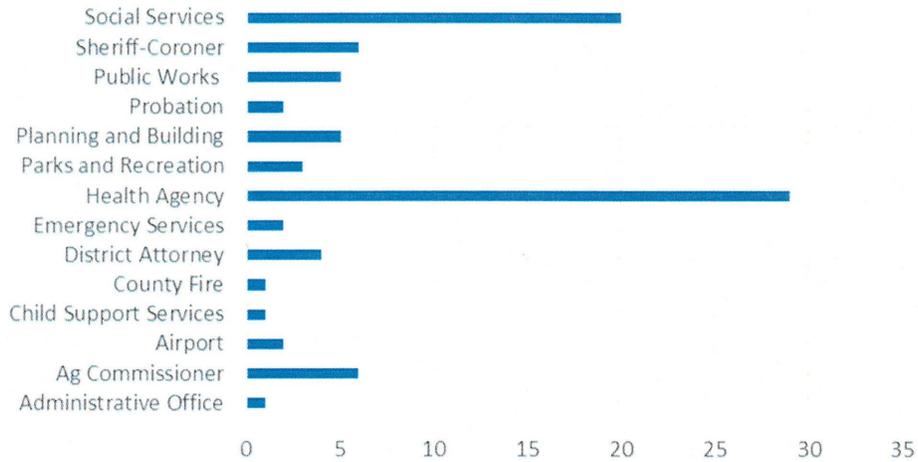
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of Awards by Department



Purpose

The purpose of our audit was to determine County departments' compliance with the Uniform Guidance regulations relating to internal controls and subrecipient risk assessment and monitoring:

- 200.207 – Specific conditions
- 200.302 – Financial management
- 200.303 – Internal controls
- 200.328 – Monitoring and reporting program performance
- 200.330 – Subrecipient and contractor determinations
- 200.331 – Requirements for pass-through entities
- 200.338 – Remedies for noncompliance

Scope

The audit encompassed federal funding and expenditures reported on the FY 2016-17 Schedule of Expenditures of Federal Awards (SEFA).

Methodology

We conducted our audit in conformance with the *International Standards for the Professional Practice of Internal Auditing*. *The International Standards for the Professional Practice of Internal Auditing* require that the internal audit activity be independent and internal auditors be objective in performing their work. The Standards also require that internal auditors



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perform their engagements with proficiency and due professional care; the internal audit function be subject to a program of quality assurance; and the results of engagements are communicated.

We reviewed documentation supporting each department's compliance with the internal controls, financial management, subrecipient determination, risk assessment and monitoring sections of the Uniform Guidance. We met with and interviewed staff as needed to gain an understanding of each department's internal controls over and monitoring of federal expenditures.

Results

Many departments initially struggled to demonstrate compliance with the requirements of the Uniform Guidance; however, throughout the audit we referred staff to earlier trainings that had been provided and to the Uniform Guidance itself. We also made several recommendations which were implemented by the departments and are detailed below. As of the date of this report, each department receiving and expending federal funds is generally in compliance with the Uniform Guidance sections relating to internal controls and subrecipient risk assessment and monitoring.

Findings with Recommendations Implemented

1. Incomplete Documentation of Compliance

8 of the 14 departments receiving federal funds did not initially submit documentation supporting compliance with various requirements of the Uniform Guidance. The departments were unaware of the need for documentation or unsure how to document conformance with the requirements. We recommended the departments complete their documentation for each requirement, and prior to the issuance of this report we received the required documentation with the exceptions noted in Items 2 and 3 below.

2. Limited Documentation of Required Subrecipient Agreement Elements

In one department, 18 of the 32 subrecipient agreements did not have documented acknowledgement of the required subrecipient agreement elements. Uniform Guidance section 200.331 requires all federal awardees to ensure every subaward is clearly identified and contains thirteen specific elements. Procedures had not been developed to document the presence of the required subrecipient agreement elements in the subrecipient agreements. We recommended staff enhance existing checklists to include all the required elements, and verified staff is in the process of updating the checklists.



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3. Risk Assessments and Monitoring Not Performed

In one department, required risk assessments and monitoring were not documented as having been performed:

- 10 of the 32 subrecipients did not have documented risk assessments
- 14 of the 32 subrecipients did not have evidence of monitoring
- 2 subrecipients had incomplete evidence of monitoring

Uniform Guidance section 200.331 requires the County to assess the risk of its subrecipients, develop specific monitoring plans, and complete monitoring. Staff believed that because they had complied with the federal granting agency's requirements, all risk assessment and monitoring requirements had been met. We recommended risk assessments and monitoring plans be documented for each subrecipient and monitoring be documented as it occurs. Staff agreed and is in the process of implementing procedures to ensure risk assessments and monitoring are documented and performed.

We very much appreciate the courteous attitude of all staff we worked with and the cooperation we received during the course of our audit.