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COUNTY OF SAN BERNARDINO

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December 1, 2010

Allan Rawland, Director

Department of Behavioral Health
268 W. Hospitality Lane, Suite 400
San Bernardino, CA 92415

SUBJECT: SINGLE AUDIT FOLLOW-UP AUDIT

Introductory Remarks

In compliance with Article V, Section 6, of the San Bernardino County Charter, the Board of Supervisor's Policy Statement on Internal Operational Auditing and OMB Circular A-133, we have completed a follow-up audit of the implementation of recommendations noted in the County of San Bernardino's Single Audit for the fiscal year ended June 30, 2009 (FY09) for the Department of Behavioral Health (DBH).

Executive Summary

During the FY09 Single Audit performed by Vavrinek, Trine, Day & Co., LLP (VTD), it was found that the Department of Behavioral Health did not meet subrecipient monitoring requirements prescribed by OMB Circular A-133. VTD recommended that the department strengthen its policies and procedures to ensure that 1) applicable compliance requirements are included in subrecipient agreements and 2) fiscal monitoring procedures are conducted in a timely manner. The department has taken steps to strengthen its policies and procedures over subrecipient monitoring, but had not fully implemented these steps as of June 30, 2010. We further recommend that the department immediately implement the new subrecipient monitoring policies and procedures for the current fiscal year, rather than concentrate on catching up on prior year reviews.

Background

The Single Audit Act Amendments of 1996 and OMB Circular A-133 require nonfederal entities that expend \$500,000 or more of federal awards in a fiscal year to have a single or program specific audit. The county's external auditors, Vavrinek, Trine, Day & Co., LLP (VTD), conducted the county's FY09 single audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133. VTD issued the report on March 19, 2010. In accordance with OMB Circular A-133, the auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the county must prepare a summary schedule of prior audit findings that include status of all audit findings included in the prior audit's schedule of findings relative to federal awards. Our schedule will be provided to VTD, the County Administrative Officer and the Board of Supervisors.

Objectives, Scope and Methodology

The objective of this follow-up audit was to determine whether DBH implemented the recommendations contained in the FY09 Single Audit report. To achieve this objective we:

- Interviewed DBH staff
- Reviewed implemented policies
- Reviewed subrecipient monitoring as of June 30, 2010

Prior Audit's Observations, Findings and Recommendations with Current Status

The details of the prior audit's observations, findings and recommendations and their implementation status are below:

FINDING 2009-06-Subrecipient monitoring was not completed.

Program: Mental Health Services Block Grant

Significant Deficiency-Instance of Non-compliance –As a result of our test work over subrecipient monitoring compliance, we noted that the pass-through agreements between the County and the subrecipients did not identify the CFDA title and number as required by OMB Circular A-133. In addition, it was noted that the County did not obtain single audit reports from any of the four subrecipients. In addition, the County did not perform subrecipient fiscal audits for expenditures incurred in the fiscal year. We noted the County is currently conducting subrecipient financial audits for FY2008.

Recommendation:

We recommend the County strengthen its policies and procedures to ensure that Federal award information (e.g., CFDA title and number, awards name, name of Federal agency) and applicable compliance requirements are included in subrecipient agreements. We also recommend the County strengthen its fiscal monitoring procedures to ensure that fiscal monitoring procedures are conducted in a timely manner.

View of Responsible Official and planned Corrective Actions:

Procedures are set in place to ensure all new contracts will contain CFDA information. Also, DBH will notify subrecipients with current contracts via memo of CFDA title and number as required by *OMB Circular A-133*.

We will implement procedures outlining a system to notify subrecipients of their requirement to obtain and submit single audit reports in compliance with *OMB Circular A-133*. We will also implement a tracking system to ensure all reports are collected in a timely basis.

Department of Behavioral Health Audits department will increase efforts in performing financial audits with the intent to become current over the next 12 months.

Current Status:

Partially implemented. DBH has communicated the CFDA information to the subrecipients. DBH did not obtain subrecipients' Single Audit reports as of the follow-up audit date. DBH has developed procedures to obtain the reports in FY11, but has not yet implemented these procedures. Limited subrecipient fiscal monitoring was performed from June 23, 2010 through June 30, 2010, but was not risk-based and included only a review of the itemized claim, not the supporting invoices. DBH subsequently implemented new risk assessment steps into their monitoring.

Further Recommendations:

We recommend that DBH:

- Obtain and review all required subrecipient Single Audit reports immediately.
- Perform during-the-award monitoring of subrecipients throughout the year to provide a greater coverage of Federal dollars and also to ensure that if problems are found with a subrecipient, they can be rectified immediately, since DBH has the responsibility to ensure that Federal funds are being expended as intended by funding agencies.
- Include a review of supporting documentation for expenditures in these reviews.

- Focus efforts on during-the-award monitoring for FY11, while catching up on past years as time allows.

FINDING 2009-07-Subrecipient monitoring was not completed.

Program: Block Grants for Prevention and Treatment of Substance Abuse

Significant Deficiency-Instance of Non-compliance –As a result of our test work over subrecipient monitoring compliance, we noted that the County is not current on its fiscal monitoring over subrecipients. Additionally it was noted that the County did not obtain current single audit reports from its subrecipients.

Recommendation:

We recommend the County strengthen its policies and procedures to ensure that monitoring of the Count's subrecipients are up-to-date.

View of Responsible Official and planned Corrective Actions:

We will implement procedures outlining a system to notify subrecipients of their requirement to obtain and submit single audit reports in compliance with *OMB Circular A-133*. We will also implement a tracking system to ensure all reports are collected in a timely basis.

Department of Behavioral Health Audits department will increase efforts in performing financial audits with the intent to become current over the next 12 months.

Current Status:

Partially implemented. Limited subrecipient fiscal monitoring was performed from June 24, 2010 through June 30, 2010, but was not risk-based and included only a review of the itemized claim, not the supporting invoices. DBH subsequently implemented new risk assessment steps into their monitoring. DBH did not obtain subrecipients' Single Audit reports as of the follow-up audit date. DBH has developed procedures to obtain the reports in FY11, but has not yet implemented these procedures.

Further Recommendations:

We recommend that DBH:

- Perform during-the-award monitoring of subrecipients throughout the year to provide a greater coverage of Federal dollars and also to ensure that if problems are found with a subrecipient, they can be rectified immediately, since DBH has

the responsibility to ensure that Federal funds are being expended as intended by funding agencies.

- Include a review of supporting documentation for expenditures in these reviews.
- Focus efforts on during-the-award monitoring for FY11, while catching up on past years as time allows.
- Obtain and review all required subrecipient Single Audit reports immediately.

FINDING 2009-08-Subrecipient monitoring was not completed.

Program: Medicaid Cluster – Medical Assistance Program (Alcohol)

Significant Deficiency-Instance of Non-compliance –As a result of our test work over subrecipient monitoring compliance, we noted that the County is not current on its fiscal monitoring over subrecipients. Additionally it was noted that the County did not obtain current single audit reports from its subrecipients.

Recommendation:

We recommend the County strengthen its policies and procedures to ensure that monitoring of the Count's subrecipients are up-to-date.

View of Responsible Official and planned Corrective Actions:

We will implement procedures outlining a system to notify subrecipients of their requirement to obtain and submit single audit reports in compliance with *OMB Circular A-133*. We will also implement a tracking system to ensure all reports are collected in a timely basis.

Department of Behavioral Health Audits department will increase efforts in performing financial audits with the intent to become current over the next 12 months.

Current Status:

Partially implemented. Limited subrecipient fiscal monitoring was performed from June 24, 2010 through June 30, 2010, but was not risk-based and included only a review of the itemized claim, not the supporting invoices. DBH subsequently implemented new risk assessment steps into their monitoring. DBH did not obtain subrecipients' Single Audit reports as of the follow-up audit date. DBH has developed procedures to obtain the reports in FY11, but has not yet implemented these procedures.

