

AUDITOR-CONTROLLER/ TREASURER/TAX COLLECTOR



COUNTY OF SAN BERNARDINO

- 222 West Hospitality Lane, Fourth Floor
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830
- 172 West Third Street, First Floor
San Bernardino, CA 92415-0360 • (909) 387-8308 • Fax (909) 387-6716

LARRY WALKER
Auditor-Controller/
Treasurer/Tax Collector

September 27, 2012

Mary Jane Olhasso, Agency Administrator
Community Development and Housing
350 N Arrowhead Avenue, Second Floor
San Bernardino, CA 92415-0040

SUBJECT: SINGLE AUDIT FOLLOW-UP

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, 2010 (FY 2010) for Community Development and Housing (Department).

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 FY 2010 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 31, 2011. 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 prepared a summary schedule of prior audit findings that included the status of all audit findings included in the prior audit's schedule of findings relative to federal awards. Our schedule was provided to VTD, the County Executive Officer and the Board of Supervisors.

Objectives, Scope and Methodology

The objective of this follow-up audit was to determine whether Community Development and Housing implemented the recommendations contained in the FY 2010 Single Audit report.

To achieve this objective we:

- Obtained the department 's ARRA payment documents
- Reviewed and tested a sample of payment documents to ensure the required ARRA information was properly documented

Conclusion

The procedure to ensure the required ARRA information is notated in the payment document's Comments Section was partially implemented. We noted eight of the ten transactions tested were missing some of the required ARRA information. There is room for additional improvement as described in the further recommendations section of this report.

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 2010-07 and 2010-09: ARRA information not communicated to subrecipients

Program: CDBG Cluster (Including ARRA)
CFDA: 14.218 and 14.253

Program: ARRA – Homelessness Prevention and Rapid Re-Housing
Program (HPRP)
CFDA: 14.257

Instance of Non-Compliance – It was noted that the ARRA information was not communicated to subrecipients at the time of disbursement of funds as required by *OMB Circular A-133*.

Recommendation:

We recommend the County enhance its procedures to ensure that ARRA award information is consistently included in the subrecipient communication at the time disbursements are made as required by *OMB Circular A-133*.

View of Responsible Official and planned Corrective Actions:

Based upon the Single Audit Observation, effective immediately the department will implement a procedure of notating in the Comment Section of all payment documents the appropriate ARRA information associated with the disbursement. It is the department's understanding that notations made in the Comments Section of payment documents sent to the County of San Bernardino Auditor-Controller/Treasurer/Tax Collector (ATC) for processing will appear on the warrant or ETF notification email subsequently issued by ATC.

Current Status: Partially Implemented

The Department created a procedure to notate the required ARRA information in the Comments Section of the payment document. However, we discovered all ten of the transactions tested had discrepancies. The presence of these compliance deficiencies is indicative of a need for improvement of the control environment, monitoring, and communication of information to staff. Our review of the Department's payment vouchers disclosed the following discrepancies:

- 1 of 10 did not have the CFDA number documented
- 1 of 10 did not have the Federal award number documented
- 8 of 10 did not identify the disbursements as ARRA

Further Recommendations

We recommend that management incorporate a formal process control framework into the Department's day-to-day operations by considering the following:

Strengthen the control environment

- Develop and implement adequate formal policies and procedures to specifically include compliance with federal grant programs.
- Ensure that persons with approving authority thoroughly review all payment documents to ascertain the required grant-related information is being communicated to the subrecipient.
- Establish periodic training for departmental staff responsible for carrying out federal grant functions, with specific recurring training for identified procedural deviations.
- Enhance accountability by modifying work performance evaluations (WPE) to include performance requirements for staff performing disbursement functions.

Establish methods to communicate information

- Cascade federal grant program information down to employees so they can effectively and efficiently perform their respective duties.
- Ensure that employees have a means in which to communicate throughout the Department areas for improvement encountered while performing their responsibilities.

Improve monitoring activities

- Establish regular monitoring of the department's operations by parties independent of the process to assure management that employees are complying with the established policies and procedures.

Management's Response

Effective at the date of this single audit follow-up exit conference on September 19, 2012, persons with approving authority will review and ascertain that the CFDA and Federal award numbers are included in the Comments Section of the few remaining payment documents. We will also note "ARRA" as instructed by the Auditor during the exit conference under the payment document Comments Section. Additionally, we will communicate to impacted staff the revised procedure related to ARRA payments. The last day to draw funds for both the CDBG-R and HPRP programs is September 28, 2012.

Auditor's Response

The corrective actions implemented by management adequately address the deficiencies noted during the audit.

Thank you for the cooperation extended by your staff during the course of this audit.

Respectfully submitted,

Larry Walker
Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

By:

Mark W. Cousineau, CPA, CIA, CFE, CGAP, CITP, CGFM
Chief Deputy Auditor
Internal Audits Section

Quarterly copies to:
County Executive Officer
Board of Supervisors (5)
Grand Jury (2)
Audit File (2)
Date Report Distributed: _____

LDW:MWC:PMG:oac