

COUNTY OF SAN DIEGO, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject

Audit Follow-up

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Purpose

To establish the Board of Supervisors Policy concerning the follow-up of audit recommendations, disallowances, and questioned costs.

Background

The audit function is an integral part of the County's management system. It provides the public, this Board, the Grand Jury and County management an independent review of operations, functions, and programs of interest. These examinations may cover financial and compliance, economy and efficiency, and program effectiveness.

An audit may result in recommendations, disallowances, and questioned costs. Timely action in response to these audit results by responsible officials is an integral part of our management system and is important to its effectiveness.

An audit may be performed pursuant to County Charter provisions or as required by the Grand Jury, legislation or County contract agreements. These audits may be performed by the Audits Division, independent CPA's employed by the Board of Supervisors, Grand Jury, or auditors employed by external agencies including the State and Federal Government. In view of the importance of audit findings and recommendations, it has been determined that a definitive statement of Board of Supervisors Policy establishing responsibility for the handling and disposition of each audit by all of these auditors is appropriate (Administrative Manual Section 0030-5).

Policy

It is the policy of the Board of Supervisors that:

Departmental Role

Primary responsibility for audit follow-up rests with department heads or other County officers responsible for managing programs which are audited. In carrying out this responsibility, these officers shall provide for a formal audit follow-up system which includes the following elements:

1. For all audits conducted on County operations or programs, within 10 days after a draft audit is delivered to the departments, departments will respond in writing to the Director, Audits Division (if the audit is done by other than County audit personnel, to that outside auditor also), regarding any audit recommendations, disallowances, and questioned costs (Section 72, Administrative Code). It should

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be noted that if a funding source or law creates a shorter response time requirement, such requirement should be met.

2. When an audit results in questioned costs, departments will determine the allowability. If necessary, the departments will obtain final resolution from funding sources. If questioned costs are determined to be disallowed, the departments will take the necessary actions as delineated in paragraph 3 below.
3. When an audit results in disallowance, the departments will:
 - a. Immediately establish Accounts Receivable and, when necessary, notify the Accounts Payable Division, Auditor and Controller, to hold any payments in process pending the execution of a formal repayment settlement agreement acceptable to the County. If the disallowance pertains to the County, as opposed to one of our contractors, establish an Accounts Payable.
 - b. Refer such amounts to the Revenue and Recovery Division, Auditor and Controller, or seek the assistance of County Counsel when it is no longer effective or feasible to conduct collection efforts. However, follow-up should be continued with regard to the progress and ultimate outcome of this assistance.
 - c. When disallowances are considered uncollectible, apply to the General Accounting Division, Auditor and Controller, for a discharge of accountability (Section 69 of the Administrative Code).

In all cases, departments should maintain adequate documentation relative to collection efforts and results. Departments should refer to paragraph 1 above for resolution of time frames.

4. On a quarterly basis, departments will provide to the Director, Audits Division, a summary listing on the status of audit recommendations.
5. Departments will ensure that fiscal impact statements submitted to the Board of Supervisors, for new contracts and contract renewals, reflect any outstanding audit problems of the subject department, as well as other departments for that contractor (Administrative Manual Section 0020-7).
6. Departments will maintain accurate records of all audit reports and related significant findings.
7. If deviation from above policy is considered necessary, departments will obtain approval from the Auditor and Controller and the Chief Administrative Officer.

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Audits Division Role

As part of the regular work program, the Director, Audits Division, will provide for a review of audit follow-up actions instituted by County officers. Unless otherwise directed (or when circumstances clearly indicate that some earlier review is warranted), the Audits Division's review will be made as part of any subsequently scheduled audit of the County Department or officer involved.

The Audits Division's function in the follow-up process is to ascertain that departments are in compliance with the Board Policy. On a quarterly basis, the Director, Audits Division, will provide the Board of Supervisors and the Chief Administrative Officer with a summary of the status of audit recommendations, disallowances, and questioned costs. In addition, whenever appropriate, the Auditor and Controller will inform the Board of Supervisors and the Chief Administrative Officer of any individual follow-up problem regarding audit recommendations, disallowances, and questioned costs.

Sunset Date

This policy will be reviewed for continuances by 12-31-18.

Board Actions

10-2-79 (27)

11-4-84 (17)

4-25-89 (34)

11-7-95 (34)

8-11-98 (33)

12-09-08 (33)

11-08-11 (24)

CAO Reference

1. Chief Financial Officer/Auditor and Controller