

OFFICE OF AUDITS & ADVISORY SERVICES



FEDERAL UNIFORM GUIDELINES – IMPLEMENTATION AUDIT

FINAL REPORT

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County of San Diego

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JUAN R. PEREZ
CHIEF OF AUDITS

June 21, 2017

TO: Nick Macchione, Agency Director
Health and Human Services Agency

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: FEDERAL UNIFORM GUIDELINES – IMPLEMENTATION AUDIT

Enclosed is our report on the Federal Uniform Guidelines – Implementation Audit. We have reviewed your response to our recommendations and have attached it to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report. As required under Board of Supervisors Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. You or your designee will receive email notifications when these quarterly updates are due, and these notifications will continue until all actions have been implemented.

If you have any questions, please contact me at (858) 495-5661.

A handwritten signature in blue ink, appearing to read "JRM R-8".

JUAN R. PEREZ
Chief of Audits

AUD:WA:nb

Enclosure

c: Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller
Dean Arabatzis, Chief Operations Officer, Health and Human Services Agency
Andrew Pease, Executive Finance Director, Health and Human Services Agency
Jim Lardy, Revenue & Budget Manager, Health and Human Services Agency



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JUAN R. PEREZ
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June 21, 2017

TO: Adolfo Gonzales, Chief Probation Officer
Probation Department

FROM: Juan R. Perez
Chief of Audits

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JUAN R. PEREZ
Chief of Audits

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Enclosure

c: Ronald Lane, Deputy Chief Administrative Officer, Public Safety Group
Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller
Rosemarie Degracia, Group Finance Director, Public Safety Group



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JUAN R. PEREZ
CHIEF OF AUDITS

June 21, 2017

TO: John Pellegrino, Director
Department of Purchasing and Contracting

FROM: Juan R. Perez
Chief of Audits

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JUAN R. PEREZ
Chief of Audits

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Enclosure

c: April Heinze, Deputy Chief Administrative Officer, Community Services Group
Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller
Brian Hagerty, Group Finance Director, Community Services Group



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JUAN R. PEREZ
CHIEF OF AUDITS

June 21, 2017

TO: Richard E. Crompton, Director
Department of Public Works

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: FEDERAL UNIFORM GUIDELINES – IMPLEMENTATION AUDIT

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If you have any questions, please contact me at (858) 495-5661.

A handwritten signature in blue ink, appearing to read "jrperez", written in a cursive style.

JUAN R. PEREZ
Chief of Audits

AUD:WA:nb

Enclosure

c: Sarah Aghassi, Deputy Chief Administrative Officer, Land Use and Environment Group
Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller
Yuliya Leina, Group Finance Director, Land Use and Environment Group

INTRODUCTION

Audit Objective The Office of Audits & Advisory Services (OAAS) completed an audit of the implementation of the Federal Uniform Guidelines. The objective of the audit was to assess the adequacy of steps taken to ensure compliance with the Federal Uniform Guidelines.

Background On December 26, 2013, the Office of Management and Budget (OMB) issued Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidelines) which are documented in the Code of Federal Regulations (CFR), Title 2, Part 200. The Uniform Guidelines is a government-wide framework for Federal grants management which streamlined and superseded eight OMB circulars. It combined the former circulars into one common set of guidance that standardizes definitions and requirements, streamlines rules, and homogenizes requirements across non-Federal entity types.

The Uniform Guidelines made broad revisions to audit requirements, grant administration requirements, and cost principles. The goal of the Uniform Guidelines is to increase the efficiency and effectiveness of Federal programs and eliminate unnecessary and duplicative requirements. The Uniform Guidelines aimed to reduce the administrative burden on award recipients and, at the same time, guard against the risk of waste and misuse of Federal funds.

Non-Federal entities, including the County of San Diego (County), were required to implement grant administration requirements and cost principles for all new Federal awards received after December 26, 2014, and for additional funding to existing awards made on or after that date.

Several departments within the County receive Federal awards. In FY 2015-16, County departments expended \$795,088,259 in Federal awards.¹

Audit Scope & Limitations The scope of the audit covered FY 2015-16 data and included a review of the Uniform Guidelines requirements for grant administration and cost principles with significant changes applicable to the specific programs selected for testing.

OAAS selected the following five County departments for review:

- Housing and Community Development Services (HCDS)
- Child Welfare Services (CWS)
- Probation Department (Probation)
- Department of Public Works (DPW)

¹ The amount is based on preliminary data as of August 1, 2016.

- Department of Purchasing and Contracting (DPC).

Within each department that received Federal awards, OAAS judgmentally selected a Federal program for detail testing, as illustrated in Table 1:

Table 1. Federal Programs Selected for Testing

Department	Selected Program	Federal Grantor and Pass-Through Grantor	FY 2015-16 Total Program Expenditures	FY 2015-16 Selected Program Expenditures
HCDS	Community Development Block Grants (CDBG)	U.S. Department of Housing and Urban Development (HUD)	\$122,401,310	\$1,152,242
Probation	Edward Byrne Memorial Justice Assistance Grant (JAG)	U.S. Department of Justice passed through the Board of State and Community Corrections (BSCC)	\$16,069,015	\$1,320,055
DPW	Airport Improvement	U.S. Department of Transportation	\$3,014,414	\$3,014,414
CWS	Promoting Safe and Stable Families (PSSF)	U.S. Department of Health and Human Services passed through the California Department of Social Services (CDSS)	\$139,568,760	\$2,178,088
Total Expenditures			\$281,053,499	\$7,664,799

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.

Methodology

OAAS performed the audit using the following methods:

- Reviewed the Uniform Guidelines requirements.
- Reviewed applicable department policies and procedures related to the Uniform Guidelines requirements.
- Interviewed personnel in each selected department regarding implementation status of the Uniform Guidelines.
- At each selected department, obtained an understanding of the internal controls over Federal awards.
- On a sample basis, conducted limited testing to verify compliance with the following Uniform Guidelines requirements:
 - Internal controls over Federal awards
 - Financial management

- Cash management
- Program income
- Procurement
- Sub-recipient monitoring
- Cost allowability
- Indirect cost
- Direct cost allocation
- Compensation – personal services

AUDIT RESULTS

Summary

Within the scope of the audit, there is reasonable assurance that County departments selected for review have taken adequate steps to ensure general compliance with the Federal Uniform Guidelines. However, OAAS identified a few areas of non-compliance specific to the administration of Federal awards. In addition, opportunities for improvements related to internal controls over Federal awards were noted.

Summary of noted exceptions by department is presented in the Table 2 below:

Table 2. Summary of Results

Sampled Departments	Number of Compliance Exceptions	Number of Internal Controls Exceptions
HCDS	4	3
CWS	2	1
Probation	3	1
DPW	0	2
DPC	1	0

Finding I:

Housing and Community Development Services

OAAS has the following findings and related recommendations for HCDS:

Lack of Written Procedures for Allowable Cost Determination

Title 2 of CFR § 200.302(b)(7) requires that non-Federal entities develop written procedures for determining whether a cost is allowable in accordance with 2 CFR, Part 200, Subpart E and the terms and conditions of the Federal award.

OAAS found that, in FY 2015-16 HCDS did not have internal written procedures in place to determine allowability of program costs. According to HCDS, HUD guidance was used as reference to determine whether a cost was allowable.

Lack of written procedures to determine allowable costs results in non-compliance with 2 CFR § 200.302(b)(7) requirement.

Recommendation: To ensure HCDS is in full compliance with the Uniform Guidelines, HCDS management should:

1. Develop a written policy to determine allowable costs.
2. Provide training to staff in charge of approving and monitoring costs to ensure they are fully aware of their responsibilities and program compliance requirements.

Finding II:**Insufficient Sub-award Information Provided to Sub-recipients**

According to 2 CFR § 200.331(a), all pass-through entities must ensure that every sub-award is clearly identified to the sub-recipient as a sub-award and that it provides certain information at the time of the sub-award. Further, if any of the data elements change, the pass-through entity must include the changes in subsequent sub-award modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and sub-award.²

OAAS found that, while some of the information required by 2 CFR § 200.331(a) is included in the contract with the sub-recipient, not all information is provided at the time of the sub-award. Specifically, HCDS did not provide the following information:

- Sub-recipient unique entity identifier.
- Federal Award Identification Number.
- Federal award date of award to the recipient by the Federal agency.
- Identification of whether the award is Research & Development.
- Appropriate terms and conditions concerning closeout of the sub-award.

According to HCDS, sub-recipients can obtain this information from the HUD website, the funding agreement with HUD, and the sub-recipients' application for funding.

Not providing required information to sub-recipients at the time of the sub-award results in non-compliance with 2 CFR § 200.331(a) requirement.

Recommendation: To ensure full compliance with the Uniform Guidelines, HCDS management should:

1. Identify if any additional information required by 2 CFR § 200.331(a) can be included in the contract template and, in coordination with DPC make necessary enhancements to the template.

² See Appendix for required sub-award information.

2. Ensure if any required information can't be included in the contract template, this information is provided to sub-recipients through an alternative method at the time of the sub-award.

Finding III:**Single Audit Report Verifications Not Always Conducted**

According to 2 CFR § 200.331(f), all pass-through entities must verify that every sub-recipient that expends \$750,000 or more in a year in Federal awards has an audit conducted in accordance with 2 CFR, Part 200, Subpart F requirements (Single Audit).

During the award application period for CDBG projects, HCDS obtains a copy of the Single Audit report for sub-recipients subject to the audit requirement. Also, once funds have been awarded, if the sub-recipient is selected for in-depth review, HCDS verifies that a Single Audit was conducted by the certified public accountant.

However, since not all CDBG sub-recipients are selected for in-depth review, HCDS does not consistently verify that all sub-recipients subject to 2 CFR Part 200 conduct a Single Audit for the year on which the Federal funds are expended. As a result, HCDS did not fully comply with 2 CFR § 200.331(f) requirement.

Recommendation:

To ensure full compliance with the Uniform Guidelines, HCDS management should establish a process to verify whether every CDBG sub-recipient subject to the Single Audit requirement conducts an audit for the year in which Federal funds are expended.

Finding IV:**Cost Allocation Methodology Not Sufficiently Documented**

According to 2 CFR § 200.405(d), if a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.

OAAS found that HCDS did not retain sufficient documentation for the allocation of remodeling costs benefiting multiple projects. Audit detailed testing found the following:

Remodeling Cost – HCDS remodeling cost for one month totaling \$9,693 was allocated among nine projects, including \$679 to CDBG. According to HCDS staff, the allocation was done based on an approved staffing distribution analysis conducted in the past. However, only the final approved distribution rates were maintained, and not the analysis to substantiate the methodology used. As such, OAAS was unable to validate that the approved distribution rates were based on a reasonable allocation basis.

According to HCDS, maintained documentation supports the allocation of the cost based on a reasonable basis.

Insufficient documentation to substantiate cost distribution to multiple projects results in non-compliance with 2 CFR § 200.405(d) requirement.

Recommendation: To ensure full compliance with the Uniform Guidelines, HCDS management should ensure that the methodology used to distribute costs benefiting multiple projects is sufficiently documented to substantiate the reasonableness of the allocation basis used.

Finding V: Annual Project Monitoring Plan Not Aligned with Available Resources

Contracting Officer Representatives (CORs) conduct limited monitoring activities for all HCDS sub-recipients. This is done through a review of projects, including an evaluation of the sub-recipient's compliance with contract requirements, review of sub-recipients' invoices and performance reports. In addition, HCDS' monitoring unit has staff dedicated to conduct in-depth reviews for high risk projects identified in the annual monitoring plan. An in-depth review is a more thorough review of the projects and sub-recipient's activities; it includes on-site visits, a review of the internal control system, and an examination of financial records.

OAAS found that HCDS' monitoring unit did not complete an in-depth review for all projects identified in the FY 2015-16 monitoring plan as high risk projects. Specifically, out of 91 projects included in the monitoring plan requiring an in-depth review:

- 62 were completed
- 11 were in progress
- 18 had not been started.

According to HCDS staff, the monitoring plan was not completed due to limited resources and available funding for monitoring activities as only a certain percentage of Federal funds can be allocated to administrative tasks.

HUD guidebook for CDBG Grantees on Sub-recipient Oversight, Chapter 5, states that a grantee should develop a monitoring plan at the beginning of the program year that is able to match available resources with the needs and capacity of sub-recipients. As limited staff and funding are available, the grantee should assess the risk of each sub-recipient and develop a plan that is appropriate to the grantee's performance tracking capabilities.

Inability to complete in-depth reviews for all selected projects, increases the risk of sub-recipients' errors or inappropriate activities going undetected.

Recommendation: To ensure best practices are followed, HCDS management should re-evaluate the risk assessment process and develop a more feasible monitoring plan that better matches available resources and available funding.

Finding VI:

Insufficient Documentation of Internal Control Activities

OAAS found that HCDS does not have sufficient documentation to demonstrate implementation of certain control activities. Specifically, the following was noted:

- **Project Monitoring** – It is the CORs responsibility to monitor all projects and conduct basic procedures to ensure contract compliance. OAAS reviewed CDBG project files and found no direct evidence (e.g., checklist with completed procedures, reviewer's name and date of review) to demonstrate that monitoring procedures were conducted. As such, OAAS was unable to verify whether established monitoring procedures were performed by the CORs.
- **Management Oversight** – According to HCDS staff, management reviews project files and monitoring activities conducted by the CORs and by the monitoring unit to assess the quality of these activities. While HCDS maintains a log used to discuss the status of monitoring activities and related issues with management, there is no evidence (e.g., reviewer's name and date of review) to demonstrate that management performs an actual review of monitoring activities and related files. As such, OAAS was unable to verify whether management provides sufficient and adequate oversight of project monitoring.

Inadequate project monitoring increases the risk of errors or inappropriate activities going undetected.

Best practices outlined in Principle 16 of "Standards for Internal Control in the Federal Government" (Green Book) issued by the Comptroller General of the United States, require management to establish and operate monitoring activities to monitor the internal control system and evaluate the results. According to Appendix I of the Green Book, documentation is a necessary part of an effective internal control system. Documentation is required to demonstrate the design, implementation, and operating effectiveness of an entity's internal control system.

Recommendation: To ensure best practices are followed, HCDS management should:

1. Develop a checklist for project monitoring performed by CORs to document specific procedures conducted, completion dates, and the name of the staff conducting the review. Ensure checklists include necessary procedures in conformance with the Uniform Guidelines requirements.
2. Establish a process to document management oversight of project

monitoring; including the name of reviewer, date of review, and the results of the review.

Finding VII:**Child Welfare Services**

OAAS has the following findings and related recommendations for CWS:

Insufficient Sub-award Information Provided to Sub-recipients

According to 2 CFR § 200.331(a), all pass-through entities must ensure that every sub-award is clearly identified to the sub-recipient as a sub-award and that it provides certain information at the time of the sub-award. Further, if any of the data elements change, the pass-through entity must include the changes in subsequent sub-award modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and sub-award.³

OAAS found that, while some of the information required by 2 CFR § 200.331(a) is included either in the contract with the sub-recipient or in the annual Notification of Federal Funding Letters (Notification Letter), not all information is provided at the time of the sub-award. Specifically, CWS did not provide the following information:

- Sub-recipient unique entity identifier.
- Federal Award Identification Number.
- Federal award date.
- Total amount of Federal funds obligated to the sub-recipient by the pass-through entity including the current obligation.
- Total amount of Federal award committed to the sub-recipient by the pass-through entity.
- Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act.
- Identification of whether the award is Research & Development.
- Indirect cost rate for the Federal award.
- Appropriate terms and conditions concerning the closeout of the sub-award.

³ See Appendix for required sub-award information.

Further, OAAS noted that Notification Letters do not always include required information for all sub-awards granted to sub-recipients. For instance, OAAS found one Notification Letter sent to a sub-recipient that was missing information for one of the sub-awards granted.

According to CWS, at the time of the sub-award, they did not fully understand the specific requirements of the Uniform Guidelines. Not providing required information at the time of the sub-award to sub-recipients results in non-compliance with 2 CFR § 200.331(a) requirement.

Recommendation: To enhance compliance with the Uniform Guidelines, CWS management should:

1. Identify if any additional information required by 2 CFR § 200.331(a) can be included in the contract template and in coordination with DPC, make necessary enhancements to the template.
2. Ensure if any required information can't be included in the contract template, this information is provided to sub-recipients through Notification Letters at the time of the sub-award.
3. Ensure Notification Letters are sent to sub-recipients for all sub-awards.

Finding VIII:

Cost Allocation Methodology Not Sufficiently Documented

According to 2 CFR § 200.405(d), if a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.

CWS's sub-recipients provide blended services to families where a counseling session can include services under different programs. As such, CWS allocates the cost for blended services to multiple programs.

OAAS tested 10 expenditures allocated to the PSSF program and found that cost for blended services was allocated to this program without adequate documentation to justify the distribution. Further research found that from July 2015 to October 2015 cost was allocated to benefitting programs based on available funding from each program in order to maximize funding.

Beginning November 2015, CWS developed a template to help them determine the cost allocation among multiple programs. The template contains formulas that calculate cost distribution based on the

contracted amount with each sub-recipient. However, CWS does not have written documentation to substantiate the allocation basis used to develop the formulas.

Insufficient documentation to substantiate cost distribution to multiple programs, results in non-compliance with 2 CFR § 200.405(d) requirement.

Recommendation: To enhance compliance with the Uniform Guidelines, CWS management should:

1. Evaluate whether the revised allocation methodology affects expenses allocated to programs from July 2015 to October 2015 and whether expense adjustment is needed.
2. Develop written documentation to demonstrate allocation basis for services benefitting multiple programs. Ensure allocation basis are reasonable and taking into consideration restriction requirements of funding sources.

Finding IX:

Probation Department

OAAS has the following findings and related recommendations for Probation:

Insufficient Sub-award Information Provided to Sub-recipients

According to 2 CFR § 200.331(a), all pass-through entities must ensure that every sub-award is clearly identified to the sub-recipient as a sub-award and that it provides certain information at the time of the sub-award. Further, if any of the data elements change, the pass-through entity must include the changes in subsequent sub-award modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and sub-award.⁴

OAAS found that, while some of the information required by 2 CFR § 200.331(a) is included in the contract with the sub-recipient, not all the required information is provided at the time of the sub-award. Specifically, Probation did not provide the following information:

- Sub-recipient unique entity identifier.
- Federal Award Identification Number.
- Federal award date.
- Name of the Federal awarding agency.
- CFDA Number and name.

⁴ See Appendix for required sub-award information.

- Identification of whether the award is Research & Development.
- Appropriate terms and conditions concerning the closeout of the sub-award.

According to Probation staff, after a thorough evaluation, SBCS was categorized as a contractor not subject to the Uniform Guidelines sub-award requirements. However, based on criteria outlined in the Uniform Guidelines that differentiates sub-recipients from contractors, OAAS determined that SBCS is a sub-recipient subject to sub-award requirements.⁵

Not providing required information at the time of the sub-award to sub-recipients results in non-compliance with 2 CFR § 200.331(a) requirement.

Recommendation: To ensure compliance with the Uniform Guidelines, Probation management should:

1. Establish and document procedures to adequately identify sub-recipients based on the Uniform Guidelines criteria.
2. Identify if any information required by 2 CFR § 200.331(a) can be included in the contract template and, in coordination with DPC make necessary enhancements to the template.
3. Ensure if any required information can't be included in the contract template, this information is provided to sub-recipients through an alternative method at the time of the sub-award.

Finding X:

Procedures for Monitoring Sub-recipients Need Improvement

Probation receives Federal funding for multiple programs; however, JAG is the only program receiving Federal funds that are passed to a sub-recipient, the South Bay Community Services (SBCS).

Based on the audit work conducted, OAAS determined that Probation did not properly monitor SBCS as required by the Uniform Guidelines. Specifically, the following issues were noted:

- **Sub-recipient Risk Assessment Was Not Performed –** According to 2 CFR § 200.331(b), all pass-through entities must evaluate each sub-recipient's risk of non-compliance with Federal statutes, regulations, and the terms and conditions of the sub-award for purposes of determining the appropriate sub-recipient monitoring. Probation did not evaluate SBCS's risk of non-compliance with Federal regulations to determine appropriate level of monitoring.
- **Insufficient Monitoring Procedures – Title 2 of CFR §**

⁵ See Appendix for a definition of sub-recipient and classification requirements, as outlined in the Uniform Guidelines.

200.331(e) outlines specific monitoring procedures, including on-site reviews that should be performed by the pass-through entity.⁶

Monitoring procedures established by Probation do not include on-site reviews of the sub-recipient's program operations to verify accuracy of submitted reports and compliance with program requirements. According to Probation staff, instead, program participants are monitored on a daily basis by Probation Officers to ensure participants receive services in accordance with the case management plan. Therefore, site visits are not considered necessary.

- **Single Audit Report Verification** – According to 2 CFR § 200.331(f), all pass-through entities must verify that every sub-recipient that expends \$750,000 or more in a year in Federal awards has an audit conducted in accordance with 2 CFR, Part 200, Subpart F requirements (Single Audit).

Probation does not have a process in place to actively verify that sub-recipients subject to the Single Audit requirement conduct an audit for the year on which the Federal funds are expended. Although a copy of the Single Audit report for SBCS was obtained through a review of a non-Federal program for which SBCS also provides services to, such verification was not done as part of the Federal sub-recipient monitoring procedures.

According to Probation staff, after a thorough evaluation, SBCS was categorized as a contractor not subject to the Uniform Guidelines monitoring requirements. However, based on criteria outlined in the Uniform Guidelines that differentiates sub-recipients from contractors, OAAS determined that SBCS is a sub-recipient subject to monitoring requirements⁷.

Insufficient and inadequate monitoring practices for sub-recipients of Federal funds results in non-compliance with the Uniform Guidelines.

Recommendation: To ensure compliance with the Uniform Guidelines, Probation management should:

1. Ensure that an annual risk assessment is performed for sub-recipients.
2. Conduct on-site reviews based on the performed risk assessment (at least once a year). Ensure site visit include procedures to verify program requirements, including eligibility, that are not

⁶ See Appendix for recommended monitoring procedures.

⁷ See Appendix for a definition of sub-recipient and classification requirements, as outlined in the Uniform Guidelines.

monitored by Probation Officers.

3. Ensure sub-recipient monitoring procedures include verification of the Single Audit according to 2 CFR, Part 200, Subpart F requirements.

Finding XI:

Lack of Written Procedures for Allowable Cost Determination

Title 2 of CFR § 200.302(b)(7) requires that non-Federal entities develop written procedures for determining whether a cost is allowable in accordance with 2 CFR, Part 200, Subpart E and the terms and conditions of the Federal award.

OAAS found that Probation did not develop written procedures to determine allowable costs. As a result, Probation did not comply with 2 CFR § 200.302(b)(7) requirement.

According to Probation staff, JAG funds were not considered Federal dollars since they were passed through the BSCC, a State agency. As such, 2 CFR § 200.302(b)(7) requirement was not deemed applicable.

Recommendation:

To ensure compliance with the Uniform Guidelines, Probation management should:

1. Develop a written policy to determine allowable costs.
2. Provide training to staff in charge of approving and monitoring costs to ensure they are fully aware of their responsibilities and program compliance requirements.

Finding XII:

Department of Purchasing and Contracting

OAAS has the following finding and related recommendation for DPC:

Department's Decision on Implementation of Uniform Guidelines Not Documented

According to 2 CFR § 200.110, for the procurement standards in §§ 200.317-200.326, non-Federal entities may continue to comply with the procurement standards in previous OMB guidance for two additional fiscal years after the Uniform Guidelines goes into effect. If a non-Federal entity chooses to use the previous procurement standards for an additional two fiscal years before adopting the procurement standards in the Uniform Guidelines, the non-Federal entity must document this decision in their internal procurement policies.

As the entity responsible for developing and implementing procurement standards for the County, DPC opted to continue using previous procurement standards for an additional two years; however, such decision was not documented in their internal procurement policies.

According to DPC staff, they were unaware of this specific requirement. As a result, DPC was not in full compliance with 2 CFR § 200.110 requirement.

Recommendation: To ensure full compliance with the Uniform Guidelines, DPC management should document the decision to follow previous OMB guidance for two additional fiscal years in their internal procurement policies.

Finding XIII:

Department of Public Works

OAAS has the following finding and related recommendations for DPW:

Insufficient Documentation of Internal Control Activities

DPW reconciles annual Federal report with supporting accounting records in Oracle System (Oracle) which is reviewed and approved by the appropriate staff. However, audit work found that the reconciliation process does not include direct evidence (e.g., reviewer's name and date of review) to demonstrate that reviews were conducted.

According to DPW staff, the reconciliation review could be verified indirectly through monthly journal entries for accrued expenditures in Oracle and through the completed Single Audit Questionnaire. Lack of direct evidence on the annual reconciliation prevents other potential users of information to easily verify control effectiveness and rely on the control activity.

Best practices outlined in the Appendix I of the Green Book, state that documentation is a necessary part of an effective internal control system. Documentation is required to demonstrate the design, implementation, and operating effectiveness of an entity's internal control system.

Recommendation: To ensure best practices are followed, DPW management should establish a process to ensure that the name of staff reviewing and approving reconciliations is clearly documented; as well as the date and the results of the review.

Finding XIV:

Various Departments

OAAS has the following findings and related recommendations for HCDS, CWS, Probation, and DPW:

Risk Assessment for Compliance with Federal Requirements

While HCDS, CWS, Probation, and DPW have established internal control procedures that, when present and operating effectively, might ensure compliance with Federal program requirements; there was no documentation to demonstrate that a risk assessment for compliance with Federal requirements has been performed. As such, there is a risk that effective controls over compliance with Federal requirements may not have been developed.

According to HCDS, CWS, and Probation completing Financial Risk Assessment and Controls (FRAC) documentation that describe general risks and internal controls over their grant administration process is one of the tools used in the evaluation of risk. However, FRAC documentation is only designed to identify and document risks related to financial reporting, and does not assess and identify all risks and controls related to compliance with specific Federal requirements.

HCDS and CWS also indicated that they perform additional assessments of risk through a variety of documented programmatic tools including, but not limited to, contract risk review, quality assurance reviews, financial audits, funding reconciliations. Merging the outputs from the established tools into an additional singular document would not provide the additional value to justify the increased workload.

According to DPW, they followed Federal Aviation Administration guidance issued by the U.S. Department of Transportation which does not require agencies to conduct a risk assessment.

According to 2 CFR § 200.303(a), the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. The internal control system should be in compliance with guidance included in the Green Book or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Best practices outlined in the Green Book require the performance of a risk assessment and its documentation. Specifically, according to Principle 7, management should identify, analyze, and respond to risks related to achieving the defined objectives. According to Green Book Appendix I, documentation is a necessary part of an effective internal control system. Documentation is required to demonstrate the design, implementation, and operating effectiveness of an entity's internal control system.

Recommendation: To ensure best practices are followed, HCDS, CWS, Probation, and DPW management should consider documenting the risk assessments conducted to evaluate compliance with Federal requirements.

Office of Audits & Advisory Services

Compliance Reliability Effectiveness Accountability Transparency Efficiency

VALUE

APPENDIX**I. Required Sub-award Information**

Per 2 CFR § 200.331(a), all pass-through entities must ensure that every sub-award is clearly identified to the sub-recipient as a sub-award and includes the following information at the time of the sub-award and if any of these data elements change, include the changes in subsequent sub-award modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and sub-award. Required information includes:

(1) Federal Award Identification.

- (i) Sub-recipient name (which must match the name associated with its unique entity identifier);
- (ii) Sub-recipient's unique entity identifier;
- (iii) Federal Award Identification Number (FAIN);
- (iv) Federal Award Date (see §200.39 Federal award date) of award to the recipient by the Federal agency;
- (v) Sub-award Period of Performance Start and End Date;
- (vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the sub-recipient;
- (vii) Total Amount of Federal Funds Obligated to the sub-recipient by the pass-through entity including the current obligation;
- (viii) Total Amount of the Federal Award committed to the sub-recipient by the pass-through entity;
- (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- (x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
- (xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
- (xii) Identification of whether the award is R&D; and
- (xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs).

(2) All requirements imposed by the pass-through entity on the sub-recipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;

- (3) Any additional requirements that the pass-through entity imposes on the sub-recipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
- (4) An approved federally recognized indirect cost rate negotiated between the sub-recipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the sub-recipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f);
- (5) A requirement that the sub-recipient permit the pass-through entity and auditors to have access to the sub-recipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and
- (6) Appropriate terms and conditions concerning closeout of the sub-award.

II. Recommended Monitoring Procedures

Per 2 CFR § 200.331(e), depending upon the pass-through entity's assessment of risk posed by the sub-recipient, the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

- (1) Providing sub-recipients with training and technical assistance on program-related matters; and
- (2) Performing on-site reviews of the sub-recipient's program operations;
- (3) Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services.

III. Sub-recipient Definition and Classification

Per 2 CFR § 200.93, sub-recipient means a non-Federal entity that receives a sub-award from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program.

Per 2 CFR § 200.330(a), characteristics which support the classification of the non-Federal entity as a sub-recipient include when the non-Federal entity:

- (1) Determines who is eligible to receive what Federal assistance;
- (2) Has its performance measured in relation to whether objectives of a Federal program were met;
- (3) Has responsibility for programmatic decision making;
- (4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
- (5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

DEPARTMENT'S RESPONSE
(HOUSING AND COMMUNITY DEVELOPMENT SERVICES
CHILD WELFARE SERVICES)



County of San Diego

NICK MACCHIONE, FACHE
AGENCY DIRECTOR

HEALTH AND HUMAN SERVICES AGENCY
FINANCIAL AND SUPPORT SERVICES DIVISION
1800 PACIFIC HIGHWAY ROOM 206, MAIL STOP P-501
SAN DIEGO, CA 92101-2417
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ANDREW PEASE
EXECUTIVE FINANCE DIRECTOR

June 9, 2017

RECEIVED

JUN 19 2017

OFFICE OF AUDITS &
ADVISORY SERVICES

TO: Juan R. Perez
Chief of Audits

FROM: Andrew Pease, Executive Finance Director
Health and Human Services Agency

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: FEDERAL UNIFORM GUIDELINES – IMPLEMENTATION AUDIT

Finding I: HCDS - Lack of Written Procedures for Allowable Cost Determination

OAAS Recommendation 1: HCDS management should develop a written policy to determine allowable costs.

Action Plan: HCDS agrees that written policies should provide guidance on determination of allowable costs. As communicated to Office of Audits and Advisory Services during the course of the audit, HCDS primary source of funding is the U.S. Department of Housing and Urban Development (HUD) and as such, HUD policies and procedures are the source documents for determining allowable costs. Effective July 1, 2017, HCDS integrated with HHSA and as a result, HCDS adopted the agency wide procedure on *How to Determine Allowable Cost*. To eliminate the risk associated with updating desk procedures whenever there is a revision to current HUD policies and regulations and to ensure compliance to HUD policies and regulations, web links to applicable HUD policies and procedures were added to the HHSA desk procedures.

Attachment 1 – Procedures on How to Determine Allowable Cost

Planned Completion Date: Implemented

Contact Information for Implementation:

Debbie Ordonez, Principal Accountant and Beth Baroy Strahm, Principal Accountant

OAAS Recommendation 2: HCDS management should provide training to staff in charge of approving and monitoring costs to ensure they are fully aware of their responsibilities and program compliance requirements.

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June 9, 2017
Page 2 of 6

Action Plan: HCDS program and fiscal staff have previously, and will continue to, complete trainings on Uniform Guidance and other federal grant regulations trainings.

Planned Completion Date: Implemented.

Contact Information for Implementation:

Beth Strahm, Principal Accountant

Kelly Salmons, Acting Chief of Operations – HCDS Community Development Unit

Finding II: HCDS - Insufficient Sub-award Information Provided to Sub-recipients

OAAS Recommendation 1: HCDS management should identify if any additional information required by 2 CFR § 200.331(a) can be included in the contract template and, in coordination with DPC make necessary enhancements to the template.

Action Plan: HCDS and HHSA management have reviewed the contract template and conclude that the appropriate communication mechanism for detailed information specified by 2 CFR § 200.331(a) is through notification letters rather than additional contract template language.

Planned Completion Date: N/A

Contact Information for Implementation:

Kelly Salmons, Acting Chief of Operations – HCDS Community Development Unit N/A

OAAS Recommendation 2: HCDS management should ensure if any required information can't be included in the contract template, this information is provided to sub-recipients through an alternative method at the time of the sub-award.

Action Plan: HCDS will ensure that the information specified by 2 CFR § 200.331 will be provided to sub-recipients. It should be noted that the guidance allows for some flexibility in the information communicated at the time of the sub-award, specifically, in accordance to 2 CFR § 200.331, "when some of the required information is not available, the pass-through entity must provide the **best information available** to describe the Federal award and subaward."

Planned Completion Date: Implemented

Contact Information for Implementation: Kelly Salmons, Acting Chief of Operations – HCDS Community Development Unit

Finding III: HCDS - Single Audit Report Verifications Not Always Conducted

OAAS Recommendation 1: HCDS management should establish a process to verify whether every CDBG sub-recipient subject to the Single Audit requirement conducts an audit for the year in which Federal funds are expended.

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Action Plan: HCDS is currently working with HHSA ACS to align with the agency wide approved practices. As part of the alignment, processes regarding the verification of the Single Audit Report are being reviewed for consistency and efficiency.

Planned Completion Date: July 1, 2017

Contact Information for Implementation: Kelly Salmons, Acting Chief of Operations – HCDS Community Development Unit

Finding IV: HCDS - Cost Allocation Methodology Not Sufficiently Documented

OAAS Recommendation 1: HCDS management should ensure that the methodology used to distribute costs benefiting multiple projects is sufficiently documented to substantiate the reasonableness of the allocation basis used.

Action Plan: While the cost allocation for the remodeling was both previously approved by HUD, as well as vetted through annual financial audit, HCDS and HHSA management agree with a process that maintains the allocation methodology. HCDS and HHSA management will establish procedure to memorialize cost allocation methodologies for items that are in excess of an established threshold, and maintain as per records retention policy.

The cost allocation methodology currently utilized by HCDS is approved by the U.S. Department of Housing and Urban Development (HUD) agency.

Planned Completion Date: August 1, 2017

Contact Information for Implementation Beth Strahm, HCDS Principal Accountant

Finding V: HCDS - Annual Project Monitoring Plan Not Aligned with Available Resources

OAAS Recommendation 1: HCDS management should re-evaluate the risk assessment process and develop a more feasible monitoring plan that better matches available resources and available funding.

Action Plan: HCDS current monitoring plan allows flexibility based on risk assessment and resources available. Like other audit plans, a project that is not completed during the current year is rolled over to the next year for monitoring. The 91 projects listed in analysis above constitute a full inventory list of projects. Those projects that have greater risk are prioritized in each annual plan for monitoring. Due to the unknown timeframe for completing each review, HCDS finds that continuing to list all projects as potential for monitoring allows for flexibility, while adhering to monitoring requirements of the HUD guidance.

Additionally, HCDS is currently working with HHSA ACS in aligning its monitoring plans and processes as appropriate.

Planned Completion Date: July 1, 2017

Contact Information for Implementation: Kelly Salmons, Acting Chief of Operations – HCDS Community Development Unit

Mr. Juan Perez
June 9, 2017
Page 4 of 6

Finding VI: HCDS - Insufficient Documentation of Internal Control Activities

OAAS Recommendation 1: HCDS management should develop a checklist for project monitoring performed by CORs to document specific procedures conducted, completion dates, and the name of the staff conducting the review. Ensure checklists include necessary procedures in conformance with the Uniform Guidelines requirements.

Action Plan: A contract checklist has been developed and is being utilized for all CDBG projects. The checklist is maintained in the project folder.

Planned Completion Date: Implemented

Contact Information for Implementation: Kelly Salmons, Acting Chief of Operations – HCDS Community Development Unit

OAAS Recommendation 2: HCDS management should establish a process to document management oversight of project monitoring; including the name of reviewer, date of review, and the results of the review.

Action Plan:

HCDS is currently working with HHSA ACS to add all HCDS active contracts information in Cobblestone system to HCDS with HHSA ACS monitoring plans. Management oversight of project monitoring will be part of this alignment process.

Planned Completion Date: July 1, 2017

Contact Information for Implementation: Kelly Salmons, Acting Chief of Operations - Community Development Unit

Finding VII: CWS - Insufficient Sub-award Information Provided to Sub-recipients

OAAS Recommendation 1: CWS management should identify if any additional information required by 2 CFR § 200.331(a) can be included in the contract template and in coordination with DPC, make necessary enhancements to the template.

Action Plan:

CWS and HHSA management have reviewed the contract template and conclude that the appropriate communication mechanism for detailed information specified by 2 CFR § 200.331(a) is through notification letters rather than additional contract template language.

Planned Completion Date: N/A

Contact Information for Implementation:
Mike Weissenburger, Departmental Budget Manager

Mr. Juan Perez
June 9, 2017
Page 5 of 6

OAAS Recommendation 2: CWS management should ensure if any required information can't be included in the contract template, this information is provided to sub-recipients through Notification Letters at the time of the sub-award.

Action Plan: CWS will ensure that the information specified by 2 CFR § 200.331 will be provided to sub-recipients. It should be noted that the guidance allows for some flexibility in the information communicated at the time of the sub-award, specifically, in accordance to 2 CFR § 200.331, "when some of the required information is not available, the pass-through entity must provide the **best information available** to describe the Federal award and subaward."

Planned Completion Date: Implemented

Contact Information for Implementation:
Mike Weissenburger, Departmental Budget Manager

OAAS Recommendation 3: CWS management should ensure Notification Letters are sent to sub-recipients for all sub-awards.

Action Plan:
CWS will ensure Notification Letters are sent to sub-recipients for all sub-awards.

Planned Completion Date: Implemented

Contact Information for Implementation:
Mike Weissenburger, Departmental Budget Manager

Finding VIII: CWS - Cost Allocation Methodology Not Sufficiently Documented

OAAS Recommendation 1: CWS management should evaluate whether the revised allocation methodology affects expenses allocated to programs from July 2015 to October 2015 and whether expense adjustment is needed.

Action Plan:
Expense allocations were reviewed. No expense adjustments are needed.

Planned Completion Date: Completed

Contact Information for Implementation:
Mike Weissenburger, Departmental Budget Manager

OAAS Recommendation 2: CWS management should develop written documentation to demonstrate allocation basis for services benefitting multiple programs. Ensure allocation basis are reasonable and taking into consideration restriction requirements of funding sources.

Action Plan:
CWS will ensure the allocation bases are reasonable, appropriate and are supported by written documentation.

Planned Completion Date: March 31, 2017

Mr. Juan Perez
June 9, 2017
Page 6 of 6

Contact Information for Implementation:
Mike Weissenburger, Departmental Budget Manager

Finding XV: HCDS and CWS - Risk Assessment for Compliance with Federal Requirements

OAAS Recommendation 1: HCDS and CWS management should consider documenting the risk assessments conducted to evaluate compliance with Federal requirements.

Action Plan: HHSA management has reviewed the many control processes currently in place to provide assurance that Federal awards are administered and monitored in compliance with all Federal statutes, regulations and award terms and conditions. While these controls are not incorporated into a single risk assessment document, the totality of the control mechanisms provides a robust and flexible risk assessment environment and allows the County to align resources efficiently.

Additionally, HHSA participates in the County of San Diego Single Annual Audit process as required by the Uniform Guidance. A part of that process is for the Accounting and Program personnel to fill out a single audit questionnaire for each federal award and submit it for review to the Auditor and Controller, and then the Certified Auditors. These Single Audit questionnaires go through each federal award and lists the compliance steps taken for each award.

HHSA management does not find that additional workload to compile the controls into a single document would provide additional compliance benefit to support the additional costs that would be associated with such.

Planned Completion Date: Completed

Contact Information for Implementation:

Kelly Salmons, Acting Chief of Operations – HCDS Community Development Unit
Mike Weissenburger, Departmental Budget Manager

If you have any questions, please contact Jim Lardy at (619) 338-2278.

Cordially yours,



ANDREW PEASE, Executive Finance Director
Health and Human Services Agency

DEPARTMENT'S RESPONSE
(PROBATION DEPARTMENT)



San Diego County Probation Department

Post Office Box 23597 • San Diego, California 92193-3597
www.sandiegocounty.gov/probation



Adolfo Gonzales, Chief Probation Officer

May 8, 2017

RECEIVED

MAY 09 2017

OFFICE OF AUDITS &
ADVISORY SERVICES

TO: Juan R. Perez
Chief of Audits

FROM: Adolfo Gonzales
Chief Probation Officer

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: FEDERAL UNIFORM GUIDELINES

Finding 1: Insufficient Sub-award Information provided to Sub-recipients

OAAS Recommendations:

To ensure compliance with the Uniform Guidelines, Probation management should:

1. Establish and document procedures to adequately identify sub-recipients based on the Uniform Guidelines criteria.
2. Identify if any information required by 2 CFR § 200.331(a) can be included in the contract template and, in coordination with DPC make necessary enhancements to the template.
3. Ensure if any required information can't be included in the contract template, this information is provided to sub-recipients through an alternative method at the time of the sub-award.

Action Plan: The Probation Department agrees to establish and document procedures to adequately identify sub-recipients based on the Uniform Guidelines criteria, to coordinate with DPC in revising the county services contract template to include any information required by 2 CFR § 200.331 (a), and to ensure all sub-recipients receive any required information.

Planned Completion Date: June 30, 2017

Contact Information for Implementation: Sean Behan, Contracts Manager at (858) 514-3255

Finding 2: Procedures for Monitoring Sub-recipients Need Improvement

OAAS Recommendations:

Protect community safety, reduce crime and assist victims through offender accountability and rehabilitation.

To ensure compliance with the Uniform Guidelines, Probation management should:

1. Ensure that an annual risk assessment is performed for subrecipients.
2. Conduct on-site reviews based on the performed risk assessment (at least once a year). Ensure site visit include procedures to verify program requirements, including eligibility, that are not monitored by Probation Officers.
3. Ensure sub-recipient monitoring procedures include verification of the Single Audit according to 2 CFR, Part 200, Subpart F requirements.

Action Plan: The Probation Department agrees to ensure that an annual risk assessment is performed for each subrecipient, to conduct on-site reviews based on the performed risk assessment at least once a year, to ensure site visits include procedures to verify program requirements, including eligibility, that are not monitored by Probation Officers, and to ensure sub-recipient monitoring procedures include verification of the Single Audit according to 2 CFR, Part 200, Subpart F requirements.

Planned Completion Date: June 30, 2017

Contact Information for Implementation: Sean Behan, Contracts Manager at (858) 514-3255

Finding 3: Lack of Written Procedures for Allowable Cost Determination

OAAS Recommendations:

To ensure compliance with the Uniform Guidelines, Probation management should:

1. Develop a written policy to determine allowable costs.
2. Provide training to staff in charge of approving and monitoring costs to ensure they are fully aware of their responsibilities and program compliance requirements.

Action Plan: The Probation Department agrees to develop a written policy to determine allowable costs and provide training to staff in charge of approving and monitoring costs to ensure they are fully aware of their responsibilities and program compliance requirements.

Planned Completion Date: June 30, 2017

Contact Information for Implementation: Sean Behan, Contracts Manager at (858) 514-3255

Finding 4: Risk Assessment for Compliance with Federal Requirements

OAAS Recommendations:

To ensure best practices are followed, Probation management should consider documenting the risk assessments conducted to evaluate compliance with Federal requirements.



San Diego County Probation Department

Post Office Box 23597 • San Diego, California 92193-3597
www.sandiegocounty.gov/probation



Adolfo Gonzales, Chief Probation Officer

Action Plan: The Probation Department agrees to document the risk assessments conducted to evaluate compliance with Federal requirements.

Planned Completion Date: June 30, 2017

Contact Information for Implementation: Sean Behan, Contracts Manager at (858) 514-3255

If you have any questions, please contact Sean Behan at (858) 514-3255 and/or Veronica Allen at (858) 514-3135.

Sincerely,

Adolfo Gonzales
Chief Probation Officer

AG:ad

DEPARTMENT'S RESPONSE
(DEPARTMENT OF PURCHASING AND CONTRACTING)



County of San Diego

JOHN M. PELLEGRINO
DIRECTOR

DEPARTMENT OF PURCHASING AND CONTRACTING
5560 OVERLAND AVENUE, SUITE 270, SAN DIEGO, CALIFORNIA 92123-1204
Phone (858) 505-6367 Fax (858) 715-8452

ALLEN R. HUNSBERGER
ASSISTANT DIRECTOR

February 8, 2017

RECEIVED

FEB 09 2017

TO: Juan R. Perez
Chief of Audits

OFFICE OF AUDITS &
ADVISORY SERVICES

FROM: John Pellegrino, Director
Department of Purchasing and Contracting

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: FEDERAL UNIFORM GUIDELINES – IMPLEMENTATION AUDIT

Finding XIII: Department's Decision on Implementation of Uniform Guidelines Not Documented

OAAS Recommendation 1: DPC management should document the decision to follow previous OMB guidance for two additional fiscal years in their internal procurement policies.

Action Plan: DPC agreed with this recommendation and has documented its decision to follow previous OMB guidance by issuing a Procurement Bulletin dated August 2016 (attached).

Planned Completion Date: Completed on August 31, 2016.

Contact Information for Implementation: John M Pellegrino, Director, Purchasing and Contracting

If you have any questions, please contact me at (858) 505-6562, or by email at JackPellegrino@sdcounty.ca.gov.

JOHN PELLEGRINO, Director
Department of Purchasing and Contracting

cc: DPC Correspondence File

DEPARTMENT'S RESPONSE
(DEPARTMENT OF PUBLIC WORKS)



County of San Diego

RICHARD E. CROMPTON
DIRECTOR

DEPARTMENT OF PUBLIC WORKS
5510 OVERLAND AVE, SUITE 410
SAN DIEGO, CALIFORNIA 92123-1237
(858) 694-2212 FAX: (858) 694-3597
Web Site: www.sdcountry.ca.gov/dpw/

February 16, 2017

RECEIVED

FEB 17 2017

TO: Juan R. Perez, Chief of Audits
Auditor and Controller (O-305)

OFFICE OF AUDITS &
ADVISORY SERVICES

FROM: Richard E. Crompton, Director
Department of Public Works (O-332)

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: FEDERAL UNIFORM GUIDELINES – IMPLEMENTATION AUDIT

Below is a status update of outstanding recommendations included in the audit report.

Finding XIV: Insufficient Documentation of Internal Control Activities

OAAS Recommendation 1: DPW management should establish a process to ensure that the name of staff reviewing and approving reconciliations is clearly documented; as well as the date and the results of the review.

Action Plan: A process to ensure the name of staff reviewing and approving reconciliations is documented was implemented on October 21, 2016. Each grant accrual journal will require an attachment showing a signature, printed name, title and date approving accrual amount or an email response approving said amount and that the grant accrual has been reviewed and reconciled by someone other than the grant claim preparer.

Planned Completion Date: Completed October 21, 2016

Contact Information for Implementation: Cynthia Cole, Admin Analyst III

Mr. Juan R. Perez
February 16, 2017
Page 2 of 2

Finding XV: Risk Assessment for Compliance with Federal Requirements

OAAS Recommendation 1: DPW management should consider documenting the risk assessments conducted to evaluate compliance with Federal requirements.

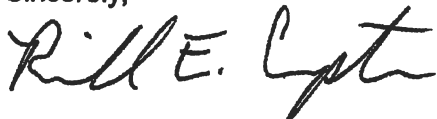
Action Plan: DPW has initiated the process to document the Airport Improvement Program risk assessment. We attended a Risks and Controls Basics training given by Office of Audits and Advisory Services on January 20, 2017. Implementing risk assessment documentation will be an arduous and time consuming task requiring the involvement of various staff for input and feedback to assemble and document our high priority risks and controls. Our plan is to address this task on a monthly basis, coordinate with other DPW divisions, and continually add to improve on the documentation of risks and controls on the Airport Improvement Program's applicable Compliance Requirements.

Planned Completion Date: A risk assessment is currently in progress and will be completed by October 31, 2017

Contact Information for Implementation: Cynthia Cole, Admin Analyst III

If you have any questions, please contact Cynthia Cole at (619) 956-4838.

Sincerely,

A handwritten signature in black ink, appearing to read "R. E. Crompton".

RICHARD E. CROMPTON, Director
Department of Public Works