

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

868



FROM: County Auditor-Controller

SUBMITTAL DATE:
June 4, 2013

SUBJECT: County of Riverside Auditor-Controller's Office – Internal Audit Report #2013-002: Countywide Grant Management Audit – County Departments: Community Action Partnership of Riverside County, Community Health Agency – Public Health, Fire Department, Probation Department, and Transportation & Land Management Agency – Transportation Department

RECOMMENDED MOTION: Receive and file Internal Audit Report #2013-002: Countywide Grant Management Audit.

BACKGROUND: We have completed a countywide audit of grant management to provide management and the Board of Supervisors with an independent assessment of internal controls over the process. The audit covered the period July 1, 2010 through June 30, 2012. Our audit included five county departments: Community Action Partnership of Riverside County, Community Health Agency - Public Health, Fire Department, Probation Department, and Transportation & Land Management Agency - Transportation Department.

Based upon the results of our audit, we determined the Community Action Partnership of Riverside County, Probation Department, and Community Health Agency - Public Health Department have adequate internal controls over compliance with grant provisions, applicable laws and regulations, and timely reporting to grantors. However, we have identified opportunities for improvement in the following two areas:

- (1) Sub-recipient monitoring (Fire Department)
- (2) Evaluation of contractors' in good standing status (Transportation)

We will follow-up in one year to determine if actions were taken to correct the findings noted.

Paul Angulo

Paul Angulo, CPA, MA
County Auditor-Controller

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE

BY: *Karen L. Johnson*
Karen L. Johnson

County Executive Office Signature

Dept't Recomm.: Consent Policy
Per Exec. Ofc.: Consent Policy

JUN 11 11 30 AM '13
RECEIVED CLERK'S OFFICE
COUNTY OF RIVERSIDE, CALIFORNIA

2-12



County of Riverside

INTERNAL AUDIT REPORT

2013-002

Countywide Grant Management Audit

Community Action Partnership of Riverside County, Community Health Agency – Public Health, Fire Department, Probation Department, and Transportation & Land Management Agency – Transportation Department

June 4, 2013

Office of
Paul Angulo, CPA, MA
County Auditor-Controller

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P.O. Box 1326
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CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA
AUDITOR-CONTROLLER

June 4, 2013

Maria Y. Juarez, Executive Director, Community Action Partnership of Riverside County
Susan Harrington, Director, Community Health Agency - Public Health
John R. Hawkins, County Fire Chief, Fire Department
Alan M Crogan, Chief Probation Officer, Probation Department
Juan C. Perez, Director, Transportation & Land Management Agency - Transportation

Subject: Internal Audit Report 2013-002: Countywide Grant Management Audit

Dear Department Heads:

The Internal Audit Division of the Auditor-Controller's Office has completed a countywide grant management audit. The audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the grant management process. The audit covered the period July 1, 2010 through June 30, 2012. Our audit included five county departments: Community Action Partnership of Riverside County, Community Health Agency - Public Health, Fire Department, Probation Department, and Transportation & Land Management Agency - Transportation Department.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require we plan and perform the audit to obtain reasonable assurance our objective as described in the preceding paragraph is achieved. The audit included examining, on a test basis, evidence about the department's compliance with the applicable government codes, regulations and resolutions, and performing such other procedures as we considered necessary in the circumstances. We believe the audit provides a reasonable basis for our conclusions.

Internal controls are processes designed to provide management reasonable assurance of achieving operational efficiency, compliance with laws and regulations, reliability of financial information, and to safeguard county assets. Management is responsible for establishing and maintaining adequate internal controls; our responsibility is to assess the adequacy of internal controls based upon our audit.

Based upon the results of our audit, we determined the Community Action Partnership of Riverside County, Probation Department, and Community Health Agency - Public Health Department have adequate internal controls over compliance with grant provisions, applicable laws and regulations, and timely reporting to grantors.

However, we have identified opportunities for improvement in the following two areas:

- (1) Sub-recipient monitoring (Fire Department)
- (2) Evaluation of contractors' in good standing status (Transportation)

We will follow-up in one year to determine if actions were taken to correct the findings noted.

We discussed the results contained in this report, as well as comments and suggestions of lesser significance, with the appropriate level of management in the course of the audit. Management passed on submitting formal responses to the findings identified. We thank your department for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, MA
County Auditor-Controller



By: Rachelle Román, CRMA, MPA
Chief Internal Auditor

cc: Board of Supervisors
Executive Office

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Executive Summary

Overview

The County of Riverside receives grants from various sources: Federal and State agencies, local charitable organizations, and private foundations. The grant management process begins with the identification of available grants, the evaluation of whether the grant meets the identified needs of the department, and the submission of the grant application. Components of a grant application include, but are not limited to, the project abstract, statement of needs, goals and objectives of the grant, project designs, management and organizational capabilities, performance measurements, and budget narratives.

Board of Supervisors Policy A-30, *Coordination of Grants*, establishes guidelines for County departments administering or considering the submittal of an application for state, federal, or any other grants. Pre-authorization is required for grants that obligate County funds, which are not already specifically budgeted in the fiscal year. If a grant does not obligate County funds, Board of Supervisors approval is required when grant agreements and contracts are executed, provided County Counsel has reviewed and approved the documents.

Allowable costs and indirect costs for Federal grants are governed by (OMB) Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* and A-133, *Compliance Supplement*. OMB A-87 requires indirect costs to be supported by a cost allocation plan or an indirect cost rate. Most grants require fiscal programming and performance reporting either on a monthly, quarterly, and/or annual basis.

At the department level, program managers work with fiscal personnel to ensure grants are established in the financial system. This includes the creation of project account numbers for revenues and expenditures and the processing of budget adjustments. Separate accounts or project codes are created to track budgeted income and expenditures for each grant. Award letters, grant agreements, grant extensions, budget modification approvals, status reports, and reimbursement submissions are filed and maintained for availability of review by internal, external, state, or federal auditors.

Program managers authorize and approve purchases needed to implement and administer the grants through the County Purchasing Department. Departments are responsible for preparing financial reports to the granting agencies; ensuring fiscal reports are accurate, complete, supported by proper documentation, and in compliance with grant provisions. Program managers are also responsible for submission of progress and performance measurement reports to the granting agencies.

Table 1 is a summary of total grants awarded for the four departments under audit for fiscal years 2011 and 2012, the total award reviewed for this audit, and any findings or exceptions identified.

Table 1

Department	Total Grant Awarded FY2011 & FY2012	Total Amount Reviewed	Total % Reviewed	Findings
Community Action Partnership	\$14,886,953	\$2,804,110	18.8%	None Noted
CHA - Public Health	75,303,725	3,832,912	5.1%	None Noted
Fire Department	3,871,554	1,617,157	41.8%	Page 5
Probation Department	46,619,002	12,075,825	25.9%	None Noted
Transportation Department	58,026,276	3,662,490	6.3%	Page 9
Total Grants Awarded	\$198,707,510	\$23,992,494		

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over grant management.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies, applicable laws, codes, regulations, board ordinances
- Conducted interviews and performed walkthroughs with department personnel
- Obtained and analyzed grant agreements and other documents to obtain an understanding of grant provisions
- Verified awards are expended for allowable activities and allowable costs
- Selected samples of expenditures to perform detailed testing
- Verified reporting to grantors are timely and in compliance with grant provisions

Audit Conclusion

Based upon the results of our audit, we determined the Community Action Partnership of Riverside County, Probation Department, and Community Health Agency - Public Health Department have adequate internal controls over compliance with grant provisions, applicable laws and regulations, and timely reporting to grantors.

However, we have identified opportunities for improvement in the following two areas:

- (1) Sub-recipient monitoring (Fire Department)
- (2) Evaluation of contractors' in good standing status (Transportation)

Community Action Partnership of Riverside County

Background

Community Action Partnership (CAP) of Riverside County is involved in a network of over 1,100 agencies across the United States for the principal purpose of eliminating the barriers which replicate poverty in communities by empowering the poor through their diverse programs. In order to accomplish its purpose, CAP frequently applies for and was awarded nearly \$15 million in grant funding for the period July 1, 2010 through June 30, 2012.

The grants awarded assisted the community with the following types of services: weatherization of homes, utility assistance, peer mediation, tax preparation services, development of job skills for youth, job enhancement opportunities for the unemployed, and disaster preparedness.

For this audit, we reviewed the following grants: Citi Foundation Step Up to Assets, Community Service Block Grant, Community Service Block Grant Discretionary Funds Green Team Works, Dispute Resolution-Superior Court, and Southern California Gas Company.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the Community Action Partnership grant management.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies, applicable laws, codes, regulations, board ordinances
- Conducted interviews and performed walkthroughs with department personnel
- Obtained and analyzed grant agreements and other documents to obtain an understanding of grant provisions
- Verified awards are expended for allowable activities and allowable costs
- Selected samples of expenditures to perform detailed testing
- Verified reporting to grantors are timely and in compliance with grant provisions

Audit Results

Based upon the results of our audit, internal controls over grant management are adequate and effective. Terms of the grant agreements appeared to be adhered to in regards to expenditures for allowable activities and allowable costs and grant reporting requirements were timely and in compliance with grant provisions.

Community Health Agency – Public Health

Background

The Community Health Agency- Public Health provides services to residents throughout the County of Riverside. Grant funds have been awarded to the agency to assist qualifying individuals in the community with health care services. The Department provides access to family health, disease control, nutrition, (WIC) Women, Infants, and Children, HIV/AIDS, bioterrorism, children's medical, family planning, health education, injury prevention, emergency medical, industrial hygiene, laboratory, nursing, epidemiology, and medical marijuana identification cards information and services.

We reviewed the following Public Health grants for this audit: First Five Children Families as Partners in Health, (CVAG) Coachella Valley Association of Governments Roy's Resource Center, State Office of Aids HIV CARE Early Intervention, Lead-Based Paint Hazard Control, and the Ryan White HIV/AIDS programs.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the Community Health Agency grant management.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies, applicable laws, codes, regulations, board ordinances;
- Conducted interviews and performed walkthroughs with department personnel;
- Obtained and analyzed grant agreements and other documents to obtain an understanding of grant provisions;
- Verified awards are expended for allowable activities and allowable costs;
- Selected samples of expenditures to perform detailed testing; and
- Verified reporting to grantors are timely and in compliance with grant provisions.

Audit Results

Based upon the results of our audit, internal controls over grant management are adequate and effective. Terms of the grant agreements appeared to be adhered to in regards to expenditures for allowable activities and allowable costs and grant reporting requirements were timely and in compliance with grant provisions.

Fire Department

Background

The Riverside County Fire Department operates 95 fire stations in 17 battalions, providing fire suppression, emergency medical, rescue, and fire prevention services. The department's service area is organized into six divisions. The equipment used by the department has the versatility to respond to both urban and wild land emergency conditions. It is the Operational Area Coordinator for the California Fire and Rescue Mutual Aid System for all fire service jurisdictions in the County of Riverside and it also has several automatic aid agreements with other city jurisdictions as well as the adjacent National Forests.

Within the department is the (OES) Office of Emergency Services, which is focused around the four primary phases of emergency management: Mitigation, Preparedness, Response, and Recovery. OES manages the Riverside County-Operational Area (EOC) Emergency Operations Center during major emergencies. The primary EOC is located in the County Administrative Center in downtown Riverside with the alternate EOC located in the County Administration Center in Indio. OES also operates a Mobile Emergency Operations Center for incident support to emergencies throughout the County. It employs a staff of 25 people who collectively cover the two EOC's, all field activities, and related administrative responsibilities. As part of their responsibilities, they manage grant funding; which includes applying for available grants, gathering related application information for its sub-recipients, ensuring compliance with grant requirements, processing refund requests, and collecting and disbursing the payments received from the grants.

OES receives grants from both federal and state agencies. We reviewed the following grants: State Homeland Security Grant Program (FY2009 & FY2010), Cal Volunteers (FY2010), Buffer Zone Protection Program (FY2009), and Emergency Management Performance Grant (FY2010).

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the Fire Department grant management.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies, applicable laws, codes, regulations, board ordinances
- Conducted interviews and performed walkthroughs with department personnel
- Obtained and analyzed grant agreements and other documents to obtain an understanding of grant provisions
- Verified awards are expended for allowable activities and allowable costs
- Selected samples of expenditures to perform detailed testing
- Verified reporting to grantors are timely and in compliance with grant provisions

Finding 1

Sub-recipient monitoring site visits were not completed for four of the five grant awards reviewed. Cal-EMA guidance handbook states, "It is the responsibility of all sub-grantees to monitor and audit

the grant activities of their sub-recipients. The requirement includes, but is not limited to, on site verification of grant activities as required." OES has two staff members managing the grants and have not been able to perform the monitoring site visits of the sub-recipients as required in the grant agreement. Non-compliance to the grant requirements may lead to the termination or suspension of grant funding received from the State.

Recommendation

Perform monitoring site visits to ensure compliance with grant requirements. Site visits should be performed prior to the ending date of the grant awarded.

Probation Department

Background

The Probation Department is one of the most diversified law enforcement agencies in the county with a budget of \$100.2 million and 1,043 sworn and non-sworn allocated permanent and temporary positions. The department enjoys an excellent reputation for working in a collaborative manner with law enforcement, public and private social services agencies, mental health, schools, and other county departments. The major functions of the department include conducting investigation on adult and juvenile criminal offenders, providing intensive supervision, early intervention and treatment services in the community to both adult and juvenile offenders, participating in high profile task force assignments (Drug, Gang, Sex Offender) countywide and providing juvenile institutional detention and treatment programs for males and females throughout the county.

In 2011, the department assumed responsibility for supervising specified lower level parolees from the California Department of Corrections and Rehabilitation as a result of the Public Safety Realignment Act (Assembly Bill 109). Probation supervises these offenders and is part of the Community Corrections Partnership Executive Committee along with the Courts, Public Defender, District Attorney, Mental Health, local police, and the Sheriff's Department, which is charged with the development of an annual plan to implement realignment.

The department has a designated grant manager who is responsible for researching and applying for grants, coordinating the application process, and ensuring reporting requirements are met. The Fiscal Division maintains monthly and quarterly claim schedules and back-up documentation to support claim submissions and claim calculations.

The department receives grant funding from three sources; grants, Memorandum of Agreements (MOA), and Memorandum of Understandings (MOUs). For the period under review there was a total of 22 funding sources (12 grants, 1 MOA and 9 MOUs) of which we selected 4 for review (2 grants, 1 MOA, and 1 MOU).

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the Probation Department grant management.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies, applicable laws, codes, regulations, board ordinances
- Conducted interviews and performed walkthroughs with department personnel
- Obtained and analyzed grant agreements and other documents to obtain an understanding of grant provisions
- Verified awards are expended for allowable activities and allowable costs
- Selected samples of expenditures to perform detailed testing
- Verified reporting to grantors are timely and in compliance with grant provisions

Audit Results

Based upon the results of our audit, internal controls over grant management are adequate and effective. Terms of the grant agreements appeared to be adhered to in regards to expenditures for allowable activities and allowable costs and grant reporting requirements were timely and in compliance with grant provisions.

Transportation & Land Management Agency – Transportation Department

Background

The Transportation Department is responsible for planning, designing, funding, building, operating and maintaining roads, bridges, and transportation facilities within an area of approximately 7,300 square miles. The Transportation Department is also responsible for the maintenance of 138 bridges, 445 traffic signals and the County maintained road system that exceeds 2,100 miles. There are 12 Transportation maintenance yards located throughout the County, which puts in context the diverse challenges the Transportation Department faces in providing service to over 2 million residents in Riverside County. The Transportation Department has focused its priorities of improving safety, maintaining existing roads and bridges, and enhancing roadway capacity to keep up with population growth.

The department has approximately \$210 million worth of projects in progress, including several large bridge and interchange projects. At present, the department has approximately 200 identified fund sources including General Highway Funds, Special Districts, State and Federal Funds, special programs and other agencies.

We were provided with a list of projects which used Federal and private grant funds and we selected five projects that consisted of one Federal and four privately funded grants to test for compliance with grant rules and regulations and contract agreements.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the Community Health Agency grant management.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies, applicable laws, codes, regulations, board ordinances
- Conducted interviews and performed walkthroughs with department personnel
- Obtained and analyzed grant agreements and other documents to obtain an understanding of grant provisions
- Verified awards are expended for allowable activities and allowable costs
- Selected samples of expenditures to perform detailed testing
- Verified reporting to grantors are timely and in compliance with grant provisions

Finding 1: Evaluation of Contractors' in Good Standing Status

We reviewed five transportation project contracts for compliance with the suspension and disbarment requirements that ensure contractors and their sub-contractors are not presently disbarred, suspended, proposed for disbarment, or declared ineligible for the award of contracts. Our analysis determined the Transportation Department did not have adequate procedures in place to ensure contractors and their sub-contractors were not suspended or disbarred for design and engineering service contracts. In discussions with the department, staff have solely concentrated on compliance with the Brooks Act, which deals with the quality of a contractors work

instead of contractors compliance requirements, which is found in most governmental regulations. Failure to ensure contractors and their sub-contractors are not suspended or disbarred may result in the Transportation Department doing business with companies that may practice unethical, illegal, or fraudulent activities.

Subsequent to our completion of fieldwork, the Transportation Department, in conjunction with County Purchasing Department, has developed a clause to the design and engineering contract agreement that requires the contractor to certify that they have not been suspended or disbarred as required per OMB Circular - Part 3. Based on this implementation and change in procedures, we have deemed the finding has been corrected; hence, no recommendation is required.