



MINUTES
Southern Nevada District Board of Health
Audit Committee Meeting
330 Valley View Boulevard, Las Vegas, Nevada 89107
Administrative Conference Room #1

Thursday, November 14, 2013 - 2:00 p.m.

Chair Beers called the meeting to order at 2:07 pm. Annette Bradley, Esq., confirmed the meeting had been noticed in accordance with Nevada's Open Meeting Law and that a quorum was present.

Committee Members Present:

Bob Beers	Chair, Councilman, City of Las Vegas
Allan Litman	Councilman, Mesquite (by telephone)
John Marz	Councilman, Henderson
Rod Woodbury	Councilman, Boulder City (by telephone)

Committee Members Absent:

Susan Crowley	At-Large Member, Environmental Specialist
Lori Winchell	At-Large Member, Registered Nurse

Executive Secretary: Joseph Iser, MD, DrPH, MSc

Legal Counsel: Annette L. Bradley, Esq.

Board of Health Members: Douglas Dobyne, At-Large Alternate, Regulated Business/Industry
(By telephone)

Staff: Heather Anderson-Fintak, Richard Cichy, Tom Coleman, MD, Paul Klouse, Kieawa Mason, Shirley Oakley, Jim Osti, Mars Patricio, Jr., Bonnie Sorenson and Valery Klaric, Recording Secretary.

Public:	Thomas Donohue	Piercy Bowler Taylor & Kern
	Shannon Fredrickson	Piercy Bowler Taylor & Kern

II. PUBLIC COMMENT

Public comment is a period devoted to comments by the general public on items listed on the agenda. All comments are limited to five (5) minutes.

Chair Beers asked if any members of the public wished to address the Committee regarding items appearing on the agenda. Seeing no one, he closed the Public Comment section.

III. ADOPTION OF THE NOVEMBER 14, 2013 AGENDA

Chair Beers asked for a motion to adopt the meeting agenda as presented.

A motion was made by Member Marz, seconded by Member Woodbury and carried unanimously to adopt the agenda as presented.

IV. REPORT / DISCUSSION / ACTION

A. Approval of Audit Committee Meeting Minutes – March 14, 2013

Chair Beers asked for a motion to approve the minutes as presented.

A motion was made by Member Woodbury, seconded by Member Litman and carried unanimously to approve the Minutes of the March 14, 2013 Audit Committee meeting as presented.

B. Receive, Review and Discuss Audit Report Presentation by Piercy Bowler Taylor & Kern on the FY13 Audit

Mars Patricio, Financial Services Manager, introduced Tom Donohue, principal and Shannon Fredrickson, audit manager, who completed the FY13 Audit:

Tom Donohue referred to the handout provided to the Board (**attachment #1**) which summarized the audit report. He clarified that as part of the audit, those charged with governance receive a required communications letter which formally summarizes the audit. The information provided today is a more detailed overview what will be included in the letter. He reported the audit would be finalized on November 18, 2013.

Report To The Audit Committee Regarding The FY 13 Annual Audit:

Status of audit procedures and open items:

Except as noted below, all procedures are substantially complete and there are no remaining open items:

- Subsequent events review / updating procedures
- Management representation letter
- Final CAFR Review – Target date 11-18-13

Major funds tested:

- General Fund (governmental)
- Capital Projects Funds (Governmental)
- Bond Reserve Fund (Governmental)
- Public Health Laboratory Fund (Enterprise)

Major federal grant programs tested (A-133 single audit):

- CFDA #93.069 - Public Health Emergency Preparedness
- CFDA #93.217 - Family Planning Services
- CFDA #93.724 - ARRA - Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement
- CFDA #93.520 - Centers for Disease Control and Prevention-Affordable Care Act (ACA) Communities Putting Prevention to Work
- CFDA #93.940 - HIV Prevention Activities - Health Department Based
- CFDA #97.067 - Homeland Security Grant Program

Focus of audit and/or significant events or transactions:

- Cash and equivalents (primarily in the custody of Clark County's Investment Pool)
- Grant revenues, expenditures and related receivables (including grant compliance)
- Inventory (vaccine)
- Capital assets
- Liabilities for compensated absences and other post-employment benefits (OPEB)
- Fund balance classifications
- Revenue, expenditure/expense (primarily payroll and related) and journal entry control testing

Summary of audit results: An official letter will be forthcoming.

- **Difficulties in Performing the Audit:**
Auditors believe that management cooperated fully during the audit. However, due to numerous grant compliance issues, the audit required substantially more hours complete than originally estimated.

- **Significant Audit Adjustments:**

- **Unrecorded vaccine inventory:** An audit adjustment was required to record approximately \$575,000 of state-supplied inventory, which is disclosed in the District's basic financial statements. This entry did not affect reported fund balance, net position or the changes therein; however, it did materially impact the financial statement disclosure regarding the amount of state-owned vaccines in the possession of the District.

The adjusted number that will appear in the CAFR is approximately \$1.3 million and would have been \$575,000 less if the adjustment was not made. Chair Beers asked if this was the result of the combination of not recording changes over the course of the year to the prior inventory or not keeping track of current activity. Mr. Donahue concurred and reported there was a question of whether inventory results were being routed to the accounting department to adjust the general ledger for the physical counts and noted it is a repeat finding similar to the prior year. A systemic failure occurred where those counting the inventory did not count what they were supposed to in certain situations and count sheets sent to accounting were sometimes difficult to interpret. Vaccine count is reported to the state on a monthly basis and count discrepancies between the auditors, nursing staff and finance were noted. Part of the count was missed by nursing staff believed to be a one-time error and he noted vaccines are counted manually. Inventory was to be counted on a specific date, but different areas did not comply and performed counts on other dates. Mr. Patricio reported establishing a Materials Management Supervisor position responsible for oversight of inventory management, contract management and procurement.

- **Legal settlement income:** An audit adjustment was required to properly classify proceeds from a legal settlement as settlement income, as opposed to a reduction of legal expenses. This entry did not affect reported fund balance, net position or the changes therein; however, it reduced current expenditures and increased other revenues by \$330,000 in the District's general fund.

Mr. Donahue explained the \$330,000 Hepatitis C settlement was mistakenly recorded as a reduction of current year legal fees instead of settlement income. The entry changed composition of the income statement, but did not change any fund balance or position.

- **Capital outlay expenditures:** Audit adjustments were required to record approximately \$114,000 of capital assets recorded as non-capital expenditures in the District's general fund. These entries increased entity-wide capital assets and net position, and also increased the change in entity-wide change in net position.

Mr. Donahue explained SNHD's capitalization policy stating that items or group of items costing \$3,000 or more with an expected useful life of one year or more meet the criteria to be capitalized. Audit review of repairs and maintenance expenses and charges showed approximately \$114,000 of expenditures meeting that definition. This entry reversed expenditures instead of assets. Kieawa Mason, Accounting Supervisor, noted the two entries were for cubicles and carpeting that collectively exceed the threshold.

- **Waived audit adjustments**

- **Legal settlement revenue:** An audit adjustment was proposed to reverse \$230,000 of settlement income recorded in fiscal year 2013, which should have been recorded in fiscal year 2012. If not waived by management, this entry would have increased beginning fund balance and decreased miscellaneous income by \$230,000 in the general fund.

Mr. Mason reported the funds are part of the Hepatitis C settlement and noted that SNHD received a legal notice that the district would receive the funds in May. Funds were actually received in July, which falls in a different fiscal year. Annette Bradley stated these funds represent settlement for reimbursement of attorney fees from the court for compliance with discovery and do not represent settlement. Mr. Donahue noted that nomenclature might be wrong, but the accounting is the same. Ms. Bradley asked how this should be characterized in the future to avoid a reoccurrence. Chair Beers responded that it would be recorded the way it ends up after the audit adjustments and is basically other income.

- **PERS contribution expenditures:** An audit adjustment was proposed to reverse approximately \$39,500 of PERS contribution expense that should have been recorded in fiscal year 2012. If not waived by management, this entry would have decreased beginning fund balance and employee benefit expenditures in the general fund.

These adjustments were considered by management to be immaterial, both individually and in the aggregate. Accordingly, they were not posted to the District's financial statements.

- **Weaknesses in internal controls over financial reporting and compliance.**

Financial reporting:

1. **Vaccine inventory (material weakness):** The controls designed to provide management with reasonable assurance that recorded vaccine inventory balances are complete and accurate did not function as intended, due to ineffective monitoring for compliance. As a result, during fiscal 2013, inventory counts from the District's satellite locations were not communicated to the finance department to accurately record inventory on hand at year-end.

Auditors recommend that the month-end and year-end financial reporting processes should be modified to require the finance department to obtain the monthly physical inventory count sheets from all locations, which should be used as the basis for the monthly entry to adjust inventory.

2. **Accounting for contracts and agreements (material weakness):** The policies and procedures designed to ensure that contracts and agreements with provisions that could have a financial impact on the District are properly accounted for did not function as intended, due to ineffective monitoring for compliance therewith. As a result, a \$330,000 legal settlement was misclassified as a reduction of legal fees, as opposed to settlement income, and a \$230,000 legal settlement was recorded in the wrong fiscal year.

Auditors recommend that as part of the month-end and year-end financial reporting process, all contracts and agreements executed during the period should be reviewed by the finance department to ensure they are properly accounted for and disclosed in the District's financial statements.

Chair Beers stated the way this is written it appears to be a total of the \$330,000 and \$230,000 and asked for clarification. Kieawa Mason reported the \$230,000 is part of the \$330,000 and Mr. Donahue noted he would clarify that information and also change the nomenclature (settlement income).

3. **Capitalization policy (significant deficiency):** The District has established and documented a policy to capitalize assets with a cost of at least \$3,000, with an estimated useful life of at least one year. The policies and procedures designed to ensure that expenditures related to capital assets are accounted for in accordance with the District's capitalization policy did not function as intended, due to ineffective monitoring for compliance therewith. As a result, capital outlay expenditures of approximately \$114,000 in the general fund were classified and services and supplies.

Auditors recommend that as part of the month-end and year-end financial reporting process, expenditures related to capital assets should be reviewed to ensure they are accounted for in accordance with the District's capitalization policy.

Grant compliance:

Mr. Donahue reported auditors tested four new grants this year and noted items 1, 2 and 5 were the most serious and were repeat findings reported last year related to time and effort reporting for grant reimbursements. These items require the most time to remediate and provide the most exposure to the district by not resolving them. He reported that Circular A 87 prescribes how time is tracked/reported for grant reimbursement purposes. During both FY12 and FY 13 actual time was not always reported and budgeted time is being recorded. There is not a good mechanism for tracking grant and non-grant activity time, which also impacts fringe benefits allocated on payroll.

1. **Time and effort reporting (material weakness):** There is no formal policy requiring employees to accurately track time between grant and non-grant related activities. Accordingly, auditors noted that employees eligible to charge time to grants are doing so based on budgeted grant hours rather than actual hours.
2. **Allocation of fringe benefits (material weakness):** There is no formal policy documenting how fringe benefits should be allocated between grant and non-grant activities. Accordingly, these costs are not being consistently and equitably allocated to all related activities, including those activities involving federal grant programs.
3. **Monitoring of program income (significant deficiency):** There are no policies and procedures in place requiring that analyses be performed to verify that program income is being used to finance the non-federal share of the scope of the project or to further program objectives.
4. **Transparency Act reporting (significant deficiency):** Management was not aware of the additional reporting requirements required by the Transparency Act and accordingly, there are no policies and procedures in place requiring monitoring for compliance therewith.
5. **Sub-recipient monitoring (material weakness):** There is no formal sub-recipient monitoring policy in place to guide those charged with the monitoring and oversight function. Accordingly, compliance findings were noted that relate to ineffective sub-recipient monitoring.
6. **Federal Financial Reporting (significant deficiency):** The review and approval process related to Federal Financial Reporting did not detect that FFR's were not complete and accurate with respect to reporting matching, cash receipts and cash disbursements. (Mr. Donahue expects this finding to be removed due to earlier discussions today with the Department of Health and Human Services as the agency may allow deviation from the rules on the FFR).
7. **Special grant reporting (significant deficiency):** The review and approval process related to special reporting did not detect that the end of year progress reports were not complete and accurate. In this case, the expenditure numbers were not finalized until after the submission deadline for the end of year progress report, and therefore, no expenditures were reported.
8. **ARRA 1512 reporting (significant deficiency):** There is no formal review and approval process related to ARRA 1512 reports. Accordingly, compliance findings were noted that relate to inaccurate and *non-timely* filed 1512 reports. (The word, *non-timely*, will be removed as there was an unwritten arbitrary fourteen day extension period that was not written into the rules of the grant).
9. **Grant accountant review of expenditures (significant deficiency):** The policies and procedures requiring grant accountants to review documentation supporting grant expenditures did not function as intended, due to ineffective monitoring for compliance therewith. As a result, the supporting documentation for several grant-related expenditures lacked evidence that they were reviewed by applicable the grant accountant. (Mr. Patricio and Mason both reviewed the documents; however, policy revision to include signatures by the Financial Services Manager or Accounting Supervisor will be added to the policies and procedures).
10. **Property records (significant deficiency):** The policies and procedures requiring property records to include all information required by the grant agreement did not function as intended, due to ineffective monitoring for compliance therewith. As a result, property records for six of 24 pieces of equipment acquired with funding from this program do not delineate who holds title, the

percentage of Federal participation in the cost, or the condition of the equipment in accordance with the requirements of the grant agreement.

- 11. Vendor vs. sub-recipient determinations (significant deficiency):** Controls designed to provide reasonable assurance that vendor / sub-recipient determinations are accurate did not function as intended, due to ineffective monitoring for compliance therewith. As a result, two sub-recipients were improperly omitted and five vendors were improperly treated and disclosed as sub-recipients in the notes to the SEFA.
- 12. SEFA preparation (material weakness):** Controls designed to provide reasonable assurance that the SEFA is complete and accurate did not function as intended, due to ineffective monitoring for compliance therewith. As a result, material audit adjustments were required to correct amounts reported in the SEFA.

Due to the nature and extent of grant compliance issues noted during the audit, the report on compliance for fiscal 2013 will be qualified.

- Management override of internal controls. None noted
- Changes in significant accounting policies / practices / estimates during the year. None
- Scope limitations. None
- Illegal acts or fraudulent activity. None noted
- Disagreements with management regarding:
 - Application of significant accounting principles. None
 - Significant estimates. None
 - Financial statement disclosures. None

Significant accounting policies:

- The significant accounting policies are disclosed in the notes to the basic financial statements and are essentially as prescribed, recommended or permitted under applicable authoritative literature for and consistent with other governmental entities. The accounting policies have been consistently applied and are not controversial. During the current fiscal year, there were no significant changes to the District's accounting policies.

Reaffirmation of independence:

- Independence threats:
 - Preparation of the District's financial statements – Although PBTK compiles the CAFR; this threat is mitigated by the oversight provided by management personnel that possess the necessary knowledge and ability to properly oversee the CAFR preparation process.

Mr. Donahue summarized stating that the information presented in this memo is intended to supplant the Schedule of Findings and Questioned Costs. A more formal presentation will be forthcoming.

**Schedule of Findings And Questioned Costs:
Section I – Summary of Auditors' Results**

Financial Statements	
Type of auditors' report issued	Unqualified
Internal control over financial reporting	
Material weaknesses identified	Yes
Significant deficiencies identified that are not considered to be material weaknesses	Yes
Noncompliance material to financial statements	No
Federal Awards	
Internal Control over major programs	
Material weaknesses identified	Yes
Significant deficiencies identified that are no considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Qualified
Audit findings required to be reported in accordance with Circular A-133, Section .510(a)	Yes

Identification of Major Programs	
CFDA number Name of federal program or cluster	93.069 Public Health Emergency Preparedness
CFDA number Name of federal program or cluster	93.217 Family Planning Services
CFDA number Name of federal program or cluster	93.724 ARRA – Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement
CFDA number Name of federal program or cluster	93.940 HIV Prevention Activities – Health Department Based
CFDA number Name of federal program or cluster	93.520 Centers for Disease Control and Prevention-Affordable Care Act (ACA) Communities Putting Prevention to Work
CFDA number Name of federal program or cluster	97.067 Homeland Security Grant Program
Dollar threshold used to distinguish between Type A and Type B programs.	\$486,218
Auditee qualified as a low-risk auditee	No

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*: 2013-001:

Criteria	Physical inventories including perpetual, are summarized and reconciled to the general ledger and adjusted to physical counts.
Condition	Vaccine and medical supply inventory counts are performed on a monthly basis at the District's satellite clinic locations. However, the inventory count information is not communicated to the finance department to be used in the calculation of ending inventory balances per the general ledger.
Effect	An adjusting journal entry was proposed during the audit to increase recorded inventory balances. Specifically, general fund vaccine inventory reported in the general fund was increased by \$27,927, and the state-supplied vaccine inventory (which is only disclosed in the financial statements) was increased by \$575,695.
Cause	The controls designed to provide management with reasonable assurance that recorded vaccine inventory balances are complete and accurate did not function as intended, due to ineffective monitoring to evaluate the degree of compliance or noncompliance therewith. As a result, during fiscal 2013 inventory counts from the district's satellite locations were not communicated to the finance department to accurately record inventory on hand at year end.
Recommendation	The month-end and year-end financial reporting processes should be modified to require the finance department to obtain the monthly physical inventory count sheets from all locations, which should be used as the basis for the monthly entry to adjust inventory.
Management's Response	Management informed us that a policy will be developed which will include periodic inventory counts and Financial Services will reconcile and ensure that correct count totals are uploaded to the system.

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and Government Auditing Standards: 2013-002:	
Criteria	Contracts and agreements with provisions that could have a financial impact on the district are communicated to and reviewed by the finance department to ensure that they are accounted for properly and timely in the District's financial statements.
Condition	A \$330,000 legal settlement was misclassified as a reduction of legal fees as opposed to settlement income.
Effect	An adjusting journal entry was proposed during the audit to reclassify the settlement income to be appropriately presented in the district's financial statements (i.e., as a component of general revenues).
Cause	The policies and procedures designed to ensure that contracts and agreements with provisions that could have a financial impact on the district are properly accounted for did not function as intended due to ineffective monitoring for compliance therewith.
Recommendation	As part of the month-end and year end finance reporting process, all contracts and agreements executed during the period should be reviewed by the finance department to ensure they are properly accounted for and disclosed in the district's financial statements.
Management's Response	Management informed us that all settlements will be reviewed for proper classification and proper accounting treatment prior to being posted.

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and Government Auditing Standards: 2013-003:	
Criteria	Expenditures related to capital assets are reviewed to ensure they are accounted for in accordance with the district's capitalization policy (i.e., expenditures over \$3,000 for assets with a useful life of greater than one year are required to be capitalized).
Condition	Approximately \$114,000 of repairs is maintenance expenditures that should have been capitalized according to the district's capitalization policy were expensed as incurred.
Effect	An adjusting journal entry was proposed during the audit to record capital assets in accordance with the district's capitalization policy.
Cause	The policies and procedures designed to ensure that expenditures related to capital assets are accounted for in accordance with the district's capitalization policy did not function as intended due to ineffective monitoring for compliance therewith.
Recommendation	As part of the month-end and year end finance reporting process, expenditures related to capital assets should be reviewed by the finance department to ensure they are properly accounted for and disclosed in the district's capitalization policy.
Management's Response	Management informed us that all invoices will be reviewed for proper classification and proper accounting treatment prior to being posted.

Section III – Findings and questioned costs for federal awards including audit findings as defined in Circular A-133 Section.510(a) 2013-004:	
Program	CFDA #93.069: Public Health Emergency Preparedness CFDA #93.217: Family Planning Services CFDA #93.520: Centers for Disease Control and Prevention-Affordable Care Act (ACA) Communities Putting Prevention to Work CFDA #93.724: ARRA - Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement (FOA) CFDA #93.940: HIV Prevention Activities CFDA #97.067: Homeland Security Grant Program
Specific requirements	OMB Circular A-87, Attachment B, Paragraph 8h: (5) Personnel activity reports or equivalent documentation must meet the following standards: (a) They must reflect an after-the-fact distribution of the actual activity of each employee.
Condition and context	We interviewed five different employees regarding the process and method for recording time and effort on grant-related activities. Each employee interviewed

	indicated that time and effort reporting is based on the budgeted hours in the grant document rather than actual time spent on grant related activities.
Questioned costs	Since records of actual time are not maintained we are unable to quantify the amount of questioned costs (if any) related to this finding.
Effect	Grant expenditures reported to granting agencies related to payroll, fringe benefits and indirect costs may be misstated.
Cause	There is no formal policy requiring employees to accurately track time between grant and non-grant related activities. Accordingly, auditors noted that employees eligible to charge time to grants are doing so based on budgeted grant hours rather than actual hours.
Recommendation	As required by OMB Circular A-87, employees that charge time to grants should do so based on actual hours spent working on grant-related activities
Management's response	Management informed us that current timekeeping policies and procedures will be modified to address the proper recording of time for grant-related activities are required by OMB Circular A-87

**Section III – Findings and questioned costs for federal awards including audit findings as defined in Circular A-133 Section.510(a)
2013-005:**

Program	CFDA #93.069: Public Health Emergency Preparedness CFDA #93.217: Family Planning Services CFDA #93.520: Centers for Disease Control and Prevention-Affordable Care Act (ACA) Communities Putting Prevention to Work CFDA #93.724: ARRA - Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement (FOA) CFDA #93.940: HIV Prevention Activities CFDA #97.067: Homeland Security Grant Program
Specific requirements	OMB Circular A-87, Attachment B, Paragraph 8d: The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave and other similar benefits are allowable if: (b) the costs are equitably allocated to all related activities including federal awards.
Condition and context	Per examination of time cards and discussions with grant employees we noted that each employee interviewed is recording budgeted hours instead of actual hours worked on the grant-related activities. Additionally, we noted there is not a formal procedure in place to determine how to allocate the cost. Our understanding is that such benefits are charged to grant-related activities based on budgeted amounts as opposed to actual amounts. This methodology does not constitute an equitable allocation of these costs to all related activities, including federal awards. The time charged to grants also serves as the basis for allocating certain other indirect costs based on the application of an indirect cost charge rate (typically 9.9% for the grants tested). Accordingly, the indirect cost of allocation may be misstated since the indirect cost charge rate is being applied to a base that may not be accurate due to the current process of charging time and compensated absences to grant activities.
Questioned costs	Since records of actual time are not maintained we are unable to quantify the amount of questioned costs (if any) related to this finding.
Effect	Grant expenditures reported to granting agencies related to fringe benefits and indirect costs may be misstated.
Cause	There is no formal policy documenting how fringe benefits should be allocated between grant and non-grant related activities. Accordingly, these costs are not being consistently and equitably allocated to all related activities including those activities involving federal grant programs.
Recommendation	We recommend that a formal procedure be put in place to determine and document how certain benefits should be allocated and that the methodology developed equitably allocate the cost of compensated absences such as annual leave, sick leave, holidays

	and other similar benefits to all related actives including activities related to federal grant programs.
Management's response	Management informed us that current timekeeping will be modified to address the proper recording of time for grant-related activities as required by OMB Circular A-87. The compensated absences portion of the fringe benefits, such as annual leave, sick leave and holiday pay will be allocated in the same proportion as the actual time that is spent in the grant.

**Section III – Findings and questioned costs for federal awards including audit findings as defined in Circular A-133 Section.510(a)
2013-006:**

Program	CFDA #93.217: Family Planning Services
Specific requirements	Program income (fees, premiums, third-party reimbursements which the project may reasonably expect to receive, as well as State, local and other operational funding, will be used to finance the non-federal share of the scope of project as sidelined in the approved grant application and reflected in the approved budget. Program income and the level projected in the approved budget will be used to further program objective.
Condition and context	Grant program administrators do not verify that program income is used to finance the non-federal share of the scope of the project or to further program objectives as delineated in the grant agreement. However, during the audit we were able to verify that sufficient funds were expended to fulfill the program income requirement delineated in the grant agreement.
Questioned costs	None
Effect	Program income may not be used to finance the non-federal share of the scope of the project or to further program objectives.
Cause	There are no policies and procedures in place requiring that analyses be performed to verify that program income is being used to finance the non-federal share of the scope of the project or to further program objectives.
Recommendation	We recommend that policies and procedures be designed and implemented requiring that analyses be prepared and reviewed periodically (no less frequently than annually) to verify that program income is used to finance the non-federal share of the scope of the project or to further program objectives.
Management's response	Management informed us that although there is no written policy the district's practice has been that all program income is used to further program objectives. Going forward policies and procedures will be implemented to require that analysis are performed on a monthly basis to verify that program income is used to finance the non-federal share of the scope of the project or to further program objectives.

**Section III – Findings and questioned costs for federal awards including audit findings as defined in Circular A-133 Section.510(a)
2013-007:**

Program	CFDA #93.217: Family Planning Services
Specific requirements	The Federal Funding Accountability and Transparency Act (Transparency Act) requires specific information to be reported using the OMB website (www.USAspending.gov) for "first-tier" sub-awards. First-tier sub-awards are defined as Non-Recovery Act funding received directly from a federal agency in excess of \$25,000 that is passed through to a sub-recipient.
Condition and context	Information regarding one sub-award that was subject to the reporting requirements of the Transparency Act was not reported to http://www.fsr.gov .
Questioned costs	None
Effect	The District is not in compliance with the requirements of the Transparency Act.
Cause	Management was not aware of the additional reporting requirements required by the Transparency Act and accordingly, there are no policies and procedures in place requiring monitoring for compliance therewith.
Recommendation	We recommend that policies and procedures be designed and implemented requiring

	that all sub-awards be reviewed to determine whether the Transparency Act is applicable, and if so, that the required information is submitted timely.
Management's response	Management informed us that policies and procedures will be implemented to require that all sub-awards subject to the Transparency Act are reported to http://www.fsr.gov , in accordance with the reporting requirements of the Transparency Act.

**Section III – Findings and questioned costs for federal awards including audit findings as defined in Circular A-133 Section.510(a)
2013-008:**

Program	CFDA #93.217: Family Planning Services CFDA #93.940: HIV Prevention Activities CFDA #93.520: Centers for Disease Control and Prevention-Affordable Care Act (ACA) Communities Putting Prevention to Work CFDA #93.724: ARRA - Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)
Specific requirements	<p>2CFR § 25.200 Requirements for program announcements, regulations and application instructions.</p> <p>(a) Each agency that awards types of federal financial assistance included in the definition of “award” in §25.305 must include the requirements described in paragraph (b) of this section in each program announcement, regulation or other issuance containing instructions for applicants that either:</p> <ol style="list-style-type: none"> (1) Is issued on or after the effective date of this part; or (2) Has application or plan due dates after October 1, 2010. <p>(b) The program announcement, regulation or other issuance must require each entity that applies and does not have an exemption under § 25.110 to:</p> <ol style="list-style-type: none"> (1) Be registered in the CCR prior to submitting an application or plan; (2) Maintain an active CCR registration with current information at all times during which is has an active Federal award or an application or plan under consideration by agency; and (3) Provide its DUNS number in each application or plan it submits to the agency. <p>OMB Circular A-133, Subpart D – Federal Agencies and Pass-Through Entities, §,400 Responsibilities</p> <p>(d) Pass-through entity responsibilities. A pass-through entity shall perform the following for the federal awards it makes</p> <ol style="list-style-type: none"> (1) Identify federal awards made by informing each sub-recipient of the CFDA title and number, award name and number, award year, if the award is R&D and name of federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award. (3) Monitor the activities of sub-recipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contract or grant agreements and that performance goals are achieved. (4) Ensure that sub-recipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in federal awards during the sub-recipient’s fiscal year have met the audit requirements of this part for that fiscal year. (5) Issue a management decision on audit findings within six months after receipt of the sub-recipient’s audit report and ensure that the sub-recipient takes appropriate and timely corrective action. (6) Consider whether sub-recipient audits necessitate adjustment of the pass-through entity’s own records.
Condition and context	CFDA #93.217: We noted that the only sub-award agreement with was executed with a

	<p>sub-recipient that has never applied for a DUNS number. In addition, the CFDA number and the Central Contractor Registration (CCR) requirements were not disclosed in the sub-award agreement. Lastly, procedures were not performed to monitor the sub-recipient's treatment of program income or to verify the accuracy of the sub-recipient's performance reports.</p> <p>CFDA #93.940: We noted that the award number was not disclosed in the sub-award agreement selected for testing. In addition, procedures were not performed to monitor allowability of costs, level of effort and period of availability at the sub-recipient level.</p> <p>CFDA #93.724: The two sub-award agreements tested did not disclose the CFDA title and number. In addition, single audit reports were not reviewed for the two sub-recipients tested. As a result, findings that were noted in one of the sub-recipient's single audit report were not identified. Lastly, procedures were no performed to monitor the sub-recipients' compliance with allowable cost principles, procurement requirement and reported progress.</p> <p>CFDA #93.520: For the three sub-awards tested, the sub-recipients' DUNS number was not obtained at the time the sub-award agreements were executed and have not been obtained to date. In addition, the sub-award agreements do not disclose the CFDA number. Furthermore, single audit reports were not reviewed and as a result, findings that were noted in one of the sub-recipient's single audit report were not identified. Lastly, procedures were not performed to monitor two of the sub-recipients' compliance with allowable cost principles, procurement requirements and reported progress.</p>
Questioned costs	None
Effect	The District is not in compliance with the federal grant requirements pertaining to the issuance of sub-awards, sub-award disclosure and sub-recipient monitoring.
Cause	There is no form sub-recipient monitoring policy in place to guide those charged with the monitoring and oversight function.
Recommendation	We recommend that a formal sub-recipient monitoring policy be drafted and adopted. The policies should include risk-based guidance on which sub-recipients should be tested and the various procedures to be performed to provide reasonable assurance that sub-award documentation and sub-recipient activities are in compliance with the requirements of the applicable grants.
Management's response	Management informed us that a formal sub-recipient monitoring policy will be drafted and adopted. The policies would include risk-based guidance on which sub-recipients would be tested and the various procedures to be performed to provide reasonable assurance that sub-recipients are maintaining compliance with the requirements of the various grants.

**Section III – Findings and questioned costs for federal awards including audit findings as defined in Circular A-133 Section.510(a)
2013-009:**

Program	CFDA #93.217: Family Planning Services
Specific requirements	Federal Financial Reports (FFR's) are prepared and submitted in accordance with the applicable requirements below: <i>Matching.</i> FFR instructions indicate that the actual amount of matching expenditures are required to be reported even if the exceed the required matching amount.
Condition and context	The matching amount reported on FFR's was based on the required amounts as opposed to the actual amount expended for matching.
Questioned costs	None
Effect	Federal Financial Reports filed during fiscal 2013 were not complete and accurate.
Cause	The review and approval process related to Federal Financial Reporting did not detect that matching amounts reported on FRFR's were not complete and accurate.
Recommendation	The preparer and reviewed of FFR's should carefully review the applicable reporting instructions and verify that FFR's have been prepared in accordance therewith.
Management's	Management informed us that preparers and reviewers of the Federal Financial

response	Reports will review the report instructions to verify that Federal Financial Reports are prepared in accordance with Federal Financial Report instructions.
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Section III – Findings and questioned costs for federal awards including audit findings as defined in Circular A-133 Section.510(a)

2013-010:

Program	CFDA #93.069: Public Health Emergency Preparedness.
Specific requirements	Performance and special reports are complete and accurate.
Condition and context	End of year progress reports submitted were not complete and accurate.
Questioned costs	None.
Effect	The end of year progress reports submitted were not complete and accurate.
Cause	The review and approval process related to special reporting did not detect that the end of year progress reports were not complete and accurate. IN this case, the expenditure number were not finalized until after the submission deadline for the end of year progress report and therefore, no expenditures were reported.
Recommendation	End of year progress reports should be submitted timely and report the most up to date expenditure numbers available at the time of submission is required to be filed.
Management's response	Management informed us that the District will use the most up to date expenditure numbers for the report at the time of submission if the expenditures for the program are not finalized by the report deadline.

Section III – Findings and questioned costs for federal awards including audit findings as defined in Circular A-133 Section.510(a)

2013-011:

Program	CFDA #93.724: ARRA – Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)
Specific requirements	American Recovery And Reinvestment Act Sec. 1512 Reports On Use Of Funds. (c) Recipient Reports – Not later than 10 days after the end of each calendar quarter, each recipient that received recovery funds from a federal agency shall submit a report to that agency that contains. (1) The total amount of recovery funds received from that agency. (2) The amount of recovery funds received that were expended or obligated to projects or activities; and (3) A detailed list of all projects or activities for which recovery funds were expended or obligated, including – (A) The name of the project or activity; (B) A description of the project or activity; (C) An evaluation of the completion status of the project or activity; (D) An estimate of the number of jobs created and the number of jobs retained by the project or activity; and (E) For infrastructure investments made by the state and local governments, the purpose, total cost and rationale of the agency for funding the infrastructure investment with funds made available under this Act, and name of the person to contact at the agency if there are concerns with the infrastructure investment. (4) Detailed information on any sub-contracts or sub-grants awarded by the recipient to include the date elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282), allowing aggregate reporting on awards below \$25,000 or to individuals, as prescribed by the Director of the Office of Management and Budget.
Condition and context	The ARRA 1512 report for the quarter ended June 2013 was mistakenly submitted to www.recovery.gov for the quarter ended March 2013. As a result, per examination of the recovery.gov website, the ARRA 1512 report for the quarter ended March 2013 is no longer listed, while the ARRA 1512 report for the quarter ended June 2013 is listed under the caption of January through March 2013. Additionally, we noted that sub-award expenditures were incorrectly reported for one

	sub-award on one ARRA 1512 report.
Questioned costs	None.
Effect	The District is not in compliance with the ARRA 1512 reporting requirements.
Cause	There is no formal review and approval process related to ARRA 1512 reports.
Recommendation	A formal review and approval process should be designed and implemented related to ARRA 1512 reports, assigning at least one individual the responsibility of reviewing and approving ARRA 1512 reports and requiring review and approval to be documented in the form of signature.
Management's response	Management informed us that there was a formal review and approval process implemented related to ARRA 1512 reports and a Project Coordinator had the responsibility of reviewing and approving ARRA 1512 reports. Due to the ending of CPPW grant, the services of the Project Coordinator were terminated effective April 30, 2013. In the event that similar grants will be received by SNHD in the future, a formal review and approval process will be put in place and a Project Coordinator will be assigned the responsibility of reviewing and approving ARRA 1512 as well as documenting the process performed in the form of a signature.

**Section III – Findings and questioned costs for federal awards including audit findings as defined in Circular A-133 Section.510(a)
2013-012:**

Program	CFDA #93.069: Public Health Emergency Preparedness CFDA #93.520: Centers for Disease Control and Prevention-Affordable Care Act (ACA) Communities Putting Prevention to Work CFDA #93.724: ARRA - Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement (FOA) CFDA #93.940: HIV Prevention Activities
Specific requirements	The District's policies and procedures require grant accountants to review documentation supporting grant expenditures and initial the grant general ledger code on the face of the payment voucher, face of the purchase order (if applicable) or supporting documentation as evidence of their review.
Condition and context	The documentation for several grant expenditures did not include evidence of grant accountant review. Specifically, the following is a summary of the expenditures noted that lacked evidence of grant accountant review ,along with the total number of items tested: CFDA #93.069: 7 exceptions out of 53 expenditures tested. CFDA #93.520: 6 exceptions out of 41 expenditures tested. CFDA #93.724: 3 exceptions out of 39 expenditures tested. CFDA #93.940: 4 exceptions out of 42 expenditures tested.
Questioned costs	None.
Effect	Grant expenditures may not have been properly reviewed for allowability and period of availability resulting in potentially unallowable costs or items incurred outside the period of availability.
Cause	The policies and procedures requiring grant accountants to review documentation supporting grant expenditures did not function as intended due to ineffective monitoring for compliance therewith.
Recommendation	We recommend grant accountants follow current policy and that management reviews grant accountant sign-off in their review of disbursements.
Management's response	Management informed us that it will make sure Grant Accountants follow current policy and sign-off their review of disbursements.

**Section III – Findings and questioned costs for federal awards including audit findings as defined in Circular A-133 Section.510(a)
2013-013:**

Program	CFDA #97.067: Homeland Security Grant Program
Specific requirements	The grant agreement specifies that property records must contain description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of federal participation in the cost or the

	condition of the equipment in accordance with the requirements of the grant agreement.
Condition and context	Property records for six of 24 pieces of equipment acquired with funds from this program do not delineate who holds title, the percentage of federal participation in the cost or the condition of the equipment in accordance with the requirements of the grant agreement.
Questioned costs	None.
Effect	Property records for the aforementioned equipment are not in compliance with the grant requirements and the equipment may not be distinguishable from other equipment acquired with non-federal funds.
Cause	The policies and procedures requiring property records to contain the information required by the grant agreement did not function as intended due to ineffective monitoring for compliance therewith.
Recommendation	Property records should be reviewed at least quarterly by those charged with compliance to verify that the required information has been documented and that the documented information is up to date (e.g., the condition of the equipment).
Management's response	Management informed us that property records shall reflect all information required by the grant agreement.

**Section III – Findings and questioned costs for federal awards including audit findings as defined in Circular A-133 Section.510(a)
2013-014:**

Program	CFDA #93.520: Centers for Disease Control and Prevention-Affordable Care Act (ACA) Communities Putting Prevention to Work CFDA #93.724: ARRA - Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)
Specific requirements	Circular A-133 § __.210 Sub-recipient and vendor determination (b) Federal award. Characteristics indicative of a federal award received by a sub-recipient are when the organization: (1) Determine who is eligible to receive what federal financial assistance; (2) Has its performance measured against whether the objectives of the federal program are met, (3) Has responsibility for programmatic decision making (4) Has responsibility for adherence to applicable Federal program compliance requirements; and (5) Uses the federal funds to carry out a program of the organization as compared to providing goods or services for a program of the past-through entity. (c) Payment for goods and services. Characteristics indicative of a payment for goods and services received by a vendor are when the organization; (1) Provides the goods and services within normal business operations; (2) Provides similar goods or services to many different purchasers; (3) Operates in a competitive environment; (4) Provides good or services that are ancillary to the operation of the federal program; and (5) Is not subject to compliance requirements of the federal program. The notes to the schedule of expenditures of federal awards (SEFA) appropriately identifies awards given to sub-recipients during the fiscal year.
Condition and context	Two sub-recipients were improperly omitted and five vendors were improperly treated and disclosed as sub-recipients in the notes to the SEFA.
Questioned costs	None.
Effect	The notes to the schedule of expenditures of federal awards inappropriately listed vendors as sub-recipients. In addition, vendors could potentially be subjected to sub-recipient monitoring procedures, which are unnecessary in the circumstances.
Cause	Controls designed to provide reasonable assurance that vendor/sub-recipient determinations are accurate did not function as intended due to ineffective monitoring for compliance herewith.

Recommendation	We recommend that a checklist be developed using the criteria delineated in Circular A-133 §____.210 and implemented to assist in the determination of vendors versus sub-recipients.
Management's response	Management informed us that a checklist has been developed using the criteria delineated in Circular A-133 §____.210 and implemented to assist in the determination of vendors versus sub-recipients.

**Section III – Findings and questioned costs for federal awards including audit findings as defined in Circular A-133 Section.510(a)
2013-015:**

Program	CFDA #93.067: Homeland Security Grant Program
Specific requirements	The schedule of expenditures of federal awards (SEFA) is complete and accurate.
Condition and context	Approximately \$230,000 of non-federal expenditures related to were incorrectly reporting in the fiscal 2013 SEFA and approximately \$22,000 of non-reimbursable expenditures were incorrectly included in the SEFA. In addition, approximately \$67,000 of expenditures were incorrectly excluded from the fiscal 2013 SEFA, due to cut-off errors.
Questioned costs	None.
Effect	The SEFA was not complete and accurate and as a result, adjustments to the SEFA were proposed during the audit to correct the errors noted.
Cause	Controls designed to provide reasonable assurance that the SEFA is complete and accurate did not function as intended due to ineffective monitoring for compliance therewith.
Recommendation	The review and approval process related to the prepared of the SEFA should be redesigned to provide better assurance that the SEFA is complete and accurate.
Management's response	Management informed us that the SEFA will be prepared by Grant Accountant, reviewed by Accounting Supervisor and approved by Financial Services Manager before submission to the requesting party.

**Schedule of Prior Findings and Questioned Costs
For The Year Ended June 30, 2012**

2012 Findings:

2012-001:

Criteria: Physical inventories including perpetual, are summarized and reconciled to the general ledger and adjusted to physical counts.

Condition: Vaccine and medical supply inventory counts are performed on al monthly basis at the District's satellite clinic locations. However, the inventory count information is not communicated to the finance department to be used in the calculation of ending inventory balances per the general ledger.

Effect: As of and for the Year-ended June 30, 2011 inventory in the general fund was understated and expenditures were overstated by \$1,717,608, which resulted in a prior period adjustment. As of and for the Year-ended June 30, 20123, inventory in the general fund was understated and expenditures were overstated by \$441,518, which resulted in a current year audit adjustment.

Cause: Inventory counts from the district's satellite locations are not communicated to the accounting department to accurately record inventory on hand at Year-end. Rather, inventory transferred to satellite locations is immediately recorded as expenditure in the general fund, regardless of whether amounts may still be on hand at the satellite locations at Year-end.

Current Status: Not corrected. See finding 2013-001.

2012-002:

Criteria: Year-end journal entries are necessary to properly allocate payroll liabilities between governmental and business-type activities.

Condition: The required entry to allocate payroll liabilities between funds was not recorded at year-end.

Effect: A \$628,610 adjusting journal entry was required to properly locate payroll liabilities between governmental and business-type activities.

Cause: The control designed to ensure that the Year-end payroll allocation entries are properly posted did not function as intended due to ineffective monitoring for compliance therewith.

Current Status: Not corrected. An audit adjustment of \$35,474 to properly allocate payroll and related liabilities between governmental and business-type activities. This adjustment was considered immaterial and is not therefore included in the schedule of findings and questioned costs.

2012-003:

Program: CFDA #93.297 – Teenage Pregnancy Prevention Program
CFDA #93.520 - Centers for Disease Control and Prevention-Affordable Care Act (ACA) Communities Putting Prevention to Work
CFDA#93.724 - ARRA - Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)
CFDA #93.914 - HIV Emergency Relief Project Grants
CFDA #97.268 and #93.712: Immunization Grants

Specific requirements: OMB Circular A-87, Attachment B, Paragraph 8h:
(5) Personnel activity reports or equivalent documentation must meet the following standards:
(a) They must reflect an after-the-fact distribution of the actual activity of each employee.

Condition and context: We interviewed five different employees regarding the process and method for recording time and effort on grant-related activities. Each employee interviewed indicated that time and effort reporting is based on the budgeted hours in the grant document rather than actual time spent on grant related activities.

Questioned costs: Since records of actual time are not maintained we are unable to quantify the amount of questioned costs (if any) related to this finding.

Effect: Grant expenditures reported to granting agencies related to payroll, fringe benefits and indirect costs may be misstated.

Cause: There is no formal policy requiring employees to accurately track time between grant and non-grant related activities. Accordingly, auditors noted that employees eligible to charge time to grants are doing so based on budgeted grant hours rather than actual hours.

Current Status: Not corrected. See finding 2013-004.

2012-004

Program: CFDA #93.297 – Teenage Pregnancy Prevention Program
CFDA #93.520 - Centers for Disease Control and Prevention-Affordable Care Act (ACA) Communities Putting Prevention to Work
CFDA#93.724 - ARRA - Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)

CFDA #93.914 - HIV Emergency Relief Project Grants
CFDA #97.268 and #93.712: Immunization Grants

- Specific requirements: OMB Circular A-87, Attachment B, Paragraph 8d:
The Cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave and other similar benefits are allowable if:
(b) the costs are equitably allocated to all related activities, including Federal awards.
- Condition and context: Per examination of timecards and discussion with grant employees we noted that each employee interviewed is recording budgeted hours instead of actual hours worked on the grant-related activities. Additionally, we noted there is not a formal procedure in place to determine how to allocate the cost. Our understanding is that such benefits are charged to grant-related activities based on budgeted amounts as opposed to actual amounts. This methodology does not constitute an equitable allocation of these costs to all related activities, including Federal awards.
- The time charged to grants also serves as the basis for allocating certain other indirect costs based on the application of an indirect cost charge rate (typically 9.9% for the grants tested). Accordingly, the indirect cost allocation may be misstated since the indirect cost charge rate is being applied to a base that may not be accurate due to the current process of charging time and compensated absences to grant activities.
- Questioned costs: Since records of actual time are not maintained we are unable to quantify the amount of questioned costs (if any) related to this finding.
- Effect: Grant expenditures reported to granting agencies related to payroll, fringe benefits and indirect costs may be misstated.
- Cause: There is no formal policy documenting how fringe benefits should be allocated between grant and non-grant activities. Accordingly, these costs are not being consistently and equitably allocated to all related activities, including those activities involving federal grant programs.
- Current Status: Not corrected. See finding 2013-005.
- 2012-005**
Program: CFDA #93.914 - HIV Emergency Relief Project Grants
- Specific requirements: Procedures are in place to ensure the accuracy and completeness of data used to determine eligibility requirements.
- Condition and context: On two different occasions, the District had incorrect EIS eligibility dates for a patient. The EIS eligibility date is the initial six month period of receiving services prior to completing formal eligibility documentation. In both cases, the incorrect EIS date was later than the true end date of EIS eligibility and therefore, these patients were incorrectly listed as being eligible for additional services. Although we did not note any ineligible patients that received services during our testing, it is a control deficiency that could have resulted in noncompliance with the eligibility provisions of the grant.
- This finding was also reported in 2011.
- Questioned costs: Questioned costs are undeterminable but would be limited to a portion of the hourly wages of the employees who provide the services to ineligible patients, the supplies consumed and a percentage of the overhead allocated to the grant program for ineligible patients.
- Effect: Patients could have received care beyond their EIS eligibility date.

Cause: Controls over the determination of participant eligibility did not function as intended due to ineffective monitoring for compliance therewith.

Current status: Corrected.

2012-006

Program: CFDA #93.520 - Centers for Disease Control and Prevention-Affordable Care Act (ACA) Communities Putting Prevention to Work
CFDA #93.724- ARRA - Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)

Specific requirements: OMB Circular A-133, Subpart B-Audits, §___210 Sub-recipient and Vendor Determinations
(e) For-profit sub-recipient. Since this part does not apply to for-profit sub-recipients, the pass-through entity is responsible for establishing requirements, as necessary, to ensure compliance by for-profit sub-recipients. The contract with the for-profit sub-recipient should describe applicable compliance requirements and the for-profit sub-recipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit sub-recipients may include pre-award audits, monitoring during the contract and post-award audits.

OMB Circular A-133, Subpart D – Federal Agencies and Pass-Through Entities, §___400 Responsibilities.

(d) Pass-through entity responsibilities. A pass-through entity shall perform the following for the Federal awards it makes:

(1) Identify Federal awards made by informing each sub-recipient of the CFDA title and number, award name and number, award year, if the award is R & D, and name of the Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.

(3) Monitor the activities of sub-recipients as necessary to ensure that Federal awards are used for authorize purposed in compliance with laws, regulations and the provisions of the contracts or grant agreements and that performance goals are achieved.

(4) Ensure that sub-recipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the sub-recipient's fiscal year have met the audit requirements of this part for that fiscal year.

(5) Issue a management decision on audit findings within six months after receipt of the sub-recipient's audit report and ensure that the sub-recipient takes appropriate and timely corrective action.

(6) Consider whether sub-recipient audits necessitate adjustment of the pass-through entity's own records.

Condition and context: We noted that there is no formal sub-recipient monitoring policy in place at the District and that sub-recipient monitoring is performed on a discretionary basis. Because of this, the extent and timing of sub-recipient monitoring is inconsistent, not well documented and is often insufficient. Sub-recipient monitoring at the District is typically performed through review of reimbursement requests and additional detail testing, which is performed through site visits or through electronic transmission of detailed supporting documentation. Only summary-level information is provided by sub-recipients as supporting documentation for reimbursement requests, which we believe is not sufficient to determine that federal awards are being used by the sub-recipient for authorized purposes in compliance with laws, regulations and the provisions of contacts or grant agreements.

Our Auditor testing of sub-recipients revealed the following:

Sub-award agreements do not disclose the CFDA title and number of the related federal program; Although the single audit compliance report was obtained for the Clark County School District (CCSD), the District did not review the report to determine if their sub-award was listed (it was not). Accordingly, the District's sub-award was not subject to compliance testing as part of the CCSD annual A-133 compliance audit.

The single audit compliance report was not requested for the City of Henderson. Although the sub-award to the City of Henderson was less than \$500,000, the City is still subject to an annual A-133 compliance audit.

We examined a sample of sub-recipient agreements for CFDA #93.520 and CFDA #93.724 and noted various issues with the monitoring process for each.

Questioned costs: None.

Effect: Sub-recipients may not be aware that they may be subject to the federal grant compliance requirements, which many result in noncompliance with such requirements. In addition, the district may not detect circumstances in which federal awards passed through to sub-recipients are not used for authorized purposes in compliance with applicable laws, regulations and the provisions of contracts or grant agreements.

Cause: There is no formal sub-recipient monitoring policy in place to guide those charged with the monitoring and oversight function.

Current status: Not corrected. See finding 2013-014

2012-007

Program: CFDA #93.914: HIV Emergency Relief Project Grants

Specific requirements: Circular A-133 §___.210 Sub-recipient and vendor determinations.
(b) Federal award. Characteristics indicative of a Federal award received by a sub-recipient are when the organization:
(1) Determines who is eligible to receive what Federal financial assistance;
(2) Has its performance measured against whether the objectives of the Federal program are met;
(3) Has responsibility for programmatic decision making;
(4) Has responsibility for adherence to applicable federal program compliance requirements; and
(5) Uses the Federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.
(c) Payment for goods and services. Characteristics indicative of a payment for goods and services received by a vendor are when the organization:
(1) Provides the goods and services within normal business operations;
(2) Provides similar goods or services to many different purchasers;
(3) Operates in a competitive environment;
(4) Provides goods or services that are ancillary to the operation of the Federal program; and
(5) Is not subject to compliance requirements of the federal program.

Condition and context: We noted that four vendors were misclassified as sub-recipients for CFDA #93.914. They examined all contractors related to CFDA #93.914 for proper classification as a sub-recipient or vendor.

Questioned costs: None.

Effect: The notes to the schedule of expenditures of federal awards inappropriately listed vendors as sub-recipients. In addition, vendors could potentially be subjected to sub-recipient monitoring procedures, which are unnecessary in the circumstances.

Cause: Controls designed to provide reasonable assurance that vendor/sub-recipient determinations are accurate did not function as intended, due to ineffective monitoring for compliance therewith.

Current status: Not corrected. See finding 2013-104.

Questions from the Audit Committee / Management:

Chair Beers asked Dr. Iser if he lead an agency with a qualified grant compliance opinion before and with the same findings as the previous year. Dr. Iser responded that he did not and added that there are ways that the district can and will resolve these issues, but SNHD will be through half of this fiscal year without taking care of them. He noted SNHD is looking at instituting policies and procedures to resolve items 1 and 2, and reported that Shirley Oakley, Human Resources Administrator, is looking at policies and procedures to implement by sometime near the beginning of 2014. Another alternative is transferring staff to grants on a full-time basis.

Mr. Donahue stated that tests of internal controls are reviewed at a "point in time" and if all of the problems are resolved by the end of FY 2014, tests of compliance are for the controls affected at the end and not during the entire fiscal year.

Dr. Iser and Ms. Bradley left the meeting at 2:59 am and Dr. Coleman and Heather Anderson-Fintak will act of their behalf respectively.

Chair Beers stated a more robust plan of attack from management may be required due to the repeat findings and the circumstance in Accounting and Administration is comparable to twelve months ago.

Chair Beers asked committee members for questions; there were none. Mr. Donahue stated the information provided is a draft and will be contained in a different format in the CAFR report. Mr. Beers asked for a motion to receive the preliminary report.

Motion made by Member Litman, seconded by Member Woodbury and unanimously carried to receive the draft audit report presented by Piercy Bowler Taylor & Kern.

C. Discuss and Approve Recommendation to the Southern Nevada District Board of Health on November 26.2-13 Regarding the FY13 Audit.

Chair Beers suggested a motion to table agenda Item C. *Discuss and Approve Recommendation to the Southern Nevada District Board of Health on November 26.2-13 Regarding the FY13 Audit* to recommend Board of Health approval until the next meeting of the Audit Committee.

Motion made by Member Marz, seconded by Member Litman and carried unanimously carried to table Item C. Discuss and Approve Recommendation to the Southern Nevada District Board of Health on November 26.2-13 Regarding the FY13 Audit until the next Audit Committee Meeting.

Heather Anderson-Fintak, Associate Attorney, clarified that Item C. *Discuss and Approve Recommendation to the Southern Nevada District Board of Health on November 26.2-13 Regarding the FY13 Audit* was to be tabled. Chair Beers stated there was no one present to provide a response to the audit and therefore cannot accept the presentation and suggested holding another meeting given the disarray experienced with management on many fronts within the organization. He expects a more robust plan of attack is needed given the repeat issues and attempts to prevent them from repeating last year failed.

Member Woodbury stated the district's response to the audit is a different issue than the audit itself and inquired if the committee is going to wait for the actual completed audit before recommending acceptance to the board. Chair Beers responded that he is unclear what Item C. *Discuss and Approve*

Recommendation to the Southern Nevada District Board of Health on November 26.2-13 Regarding the FY13 Audit means. He stated the committee received a preliminary report from the auditor who will be issuing a final draft of that document to the board of their opinion on the fiscal year, which is unqualified on the financial statements and qualified on grant compliance. He believes the next step would be management's detailed plan on how the district is going to make it stop happening and he stated it is hard to tell if 4.C. on the agenda tried to describe that or not.

Member Woodbury was in agreement to hold staff accountable, which is a different issue from meeting deadlines to submit the audit. One issue is accepting the audit and getting it filed properly and the other issue is what the district going to do about it. Chair Beers stated that his interpretation of 4.B. is what Member Woodbury described in the first part of his statement and 4.C. with the second part of his statement and 4.B. would be the audit itself and 4.C. Discuss and Approve Recommendation to the Southern Nevada District Board of Health on November 26, 2013 Regarding the FY13 Audit; or take other action deemed appropriate (**for possible action**), would be the district's staff response to the audit findings. Member Woodbury stated that he interpreted them differently.

Mars Patricio reported the comprehensive annual report due to the board at the November 26, 2013 Board of Health meeting includes single audit information that contains the Schedule of Findings and Questioned Costs and questioned if it should be removed from the CAFR since it has not been approved. Chair Beers stated that nothing has been approved and the committee received the audit report to the board from the auditors; nothing has been approved. Mr. Patricio stated the Schedule of Findings and Questioned Costs could be included with the CAFR that would be presented to the board and Mr. Donahue responded that he did not see the need to do that and he believed the Chair wanted to hold another Audit Committee meeting before the Board of Health meeting to discuss the remediation plan for the findings and presentation of the CAFR and remediation plan to the board. Member Marz asked if there was time to hold another meeting prior to the Board of Health meeting and it was determined there was probably not enough turn-around time. Chair Beers stated that there is no requirement to have it in place for the next board meeting; it may be agendized, but he is not aware of any external deadline regarding the preparation of the staff response to the findings. Mr. Donahue stated the advantage to dealing with this in another Audit Committee meeting as the committee could make a recommendation to the board to accept the results of the audit will make the presentation of the CAFR including the Schedule of Findings and Questioned Costs much more short order in the public Board of Health Meeting. Ms. Anderson-Fintak stated the Audit Committee Meeting *is a public meeting* and stated that her interpretation of the 4.C. is to discuss and approved the recommendations from the auditors regarding what changes are needed, not necessarily what the internal changes the district needs to make.

Mr. Donahue stated the statutory deadline is the CAFR has to be presented to the board on or before November 30, 2013. Ms. Anderson-Fintak stated that SNHD was fined last year regarding the audit and Mr. Patricio reported that one entity required the financial statement due to them 120 days after the close of the fiscal year, but the NRS requires 180 days, but the self-insured insurance plan (PPO) requires the audited financial statements within 120 days. Last year the fine was negotiated. Chair Beers stated that the committee has done what has to be done for the CAFR to be published. Mr. Patricio noted the CAFR completion deadline is November 18, 2013. Mr. Mason noted the auditors provide recommendations on the findings on the Schedule of Findings and Questioned Costs. Chair Beers stated SNHD will come back with an internal plan to correct the situation and noted that it will take two year and the staff has to acknowledge and agree and have a well developed specific plan for resolution. He expressed concern on who was going to lead the correction plan.

Dr. Coleman stated Grant Compliance items 1 and 2 have been a percolating issues for the last 1-1-1/2 years. He stated that what he heard from the Chief Health Officer today was diametrically different from the Interim Chief Health Officer and it is not fair to put this on Mr. Patricio and Mr. Mason. Chair Beers stated that a specialist in internal controls and grant compliance may be available on a consulting basis for a six month. A written plan is needed to communicate to team members.

Dr. Coleman stated that Dr. Iser said he has tracked thirteen grants and his expectation is the district will rectify at least these two very germane grant findings. Chair Beers stated development of the compliance plan will take a few months and said Dr. Iser should be able to stated that the district recognizes it is a problem to have the same findings again and is developing a remedial plan and present it. Dr. Coleman stated that Dr. Middaugh attempted to talk to federal people in San Francisco and considered traveling there; everyone involved wants to do the right thing, but it seemed the right thing was grayer than SNHD might want it to be. Dr. Coleman said they have heard what Dr. Iser said and he is sure they will be tasked with a plan to rectify the findings and will be written, if appropriate. Member Woodbury asked what the Board has to do before November 30, 2013 and if board approval of the auditor's report is required. Chair Beers noted the committee reviewed the draft that will have some changes. In response to Member Woodbury's question asking what was needed from the committee, Ms. Anderson-Fintak responded the committee accepts the report from the auditors; recommendations regarding implementation can be separated out.

Mr. Marz asked if the committee could accept the report for purposes of sending it to the insurance and receives the report and gets further clarification for the Board of Health; Ms. Anderson-Fintak responded affirmatively. Mr. Donahue stated that any changes that will be made will not change the overall opinion on the financial statements or grant compliance. Chair Beers would like to know where in the statute there is some requirement for the audit to be approved. Member Woodbury stated that Ms. Anderson-Fintak stated the committee did not have to approve the report, but accept it and authorize to send it to the board.

Chair Beers asked the committee is they wished to rescind the action taken to table Agenda item 4.C., Discuss and Approve Recommendation to the Southern Nevada District Board of Health on November 26, 2013 Regarding the FY13 Audit; or take other action deemed appropriate (**for possible action**), and proceed with the motion suggested by Member Marz. Member Woodbury stated that he read 4.C. the same way. Mr. Mason stated they are two separate items, approving the report and recommendations for improvements and the committee should be approving the financials and CAFR.

Mr. Donahue asked about the insurance commission requirement for the Clark County Self-Funded Insurance Plan (PPO) to submit the approved CAFR in 120 days and Ms. Anderson-Fintak reported that SNHD was fined in January for failure to meet that deadline. She stated the audit must be approved by the Board of Health before it can be sent. She negotiated a lower fine and noted that changes to the law were sought, but was unaware of that status. Chair Beers does not understand the statutory authority for Board of Health approval. Mr. Donahue stated that the CAFR will be presented to the Board of Health for approval and will provide time to meet submitting it to the state Department of Taxation by the November 30, 2013 deadline and the insurance deadline has passed. Mr. Donahue reported November 18, 2013 as the target to for CAFR completion and reported that no material changes will be made to the report. He stated that one of the grant findings would be removed and wording will be changed as suggested by Ms. Bradley to change nomenclature from legal "settlement" income as the funds were not a settlement. Member Woodbury recommended a motion to submit the audit report to the Board of Health at the November 2013 meeting for consideration.

Chair Beers noted that the previous motion to table action on the Audit Committee Agenda, Item IV. Report/Discussion/ Action, C. Discuss and Approve Recommendation to the Southern Nevada District Board of Health on November 26, 2013 regarding the FY13 Audit; or take other action deemed appropriate (for possible action). Member Woodbury made the following motion to rescind the previous action to table the item.

Motion made by Member Woodbury, seconded by Member Litman and unanimously carried to rescind the previous motion made to table action on the Audit Committee Agenda, Item IV. Report/ Discussion/ Action, C., Discuss and Approve Recommendation to the Southern Nevada District Board of Health on November 26, 2013 regarding the FY13 Audit; or take other action deemed appropriate (for possible action).

Chair Beers entertained a motion to accept the draft audit report in advance of receiving the final audit report that will be presented to the Board of Health at the November 26, 2013 meeting for their consideration.

Motion made by Member Marz, seconded by Member Woodbury and carried unanimously to accept the FY 13 Audit report with the recommendation that staff present a detailed plan of correction for the inefficiencies in the draft and subject to the immaterial changes described by Mr. Tom Donahue, Auditor, Piercy Bowler Taylor and Kern regarding the FY 13 audit.

Dr. Thomas Coleman asked if the intent of the motion was the expectation for the Board of Health meeting that Dr. Iser is presenting the definitive plan of how this will be rectified and Member Marz responded no, that it is not the expectation and that an outline of correction and timeline to the Audit Committee.

V. PUBLIC COMMENT

Public comment is a period devoted to comments by the general public about matters relevant to the Board's jurisdiction. Items raised under this portion of the Agenda cannot be acted upon by the Board of Health until the notice provisions of Nevada's Open Meeting Law have been complied with. Therefore, no vote may be taken on a matter not listed on the posted agenda and any action on such items will have to be considered at a subsequent meeting.

Chair Beers asked if any members of the public wished to address the Committee.

Mr. Douglas Dobyne stated that tracking of grant hours has been an issue stemming back into Dr. Sands' tenure and he finds it unacceptable that it has not been resolved. SNHD cannot survive without these grants and it is necessary to have better control of these grants.

Chair Beers asked for further comments and seeing no one he closed the Public Comment session.

VI. ADJOURNMENT

There being no further business to come before the Audit Committee, Chair Beers adjourned the meeting at 3:36 p.m.

Motion made by Member Litman, seconded by Member Marz and unanimously carried to adjourn the meeting.

Respectfully Submitted,

Bob Beers, Councilman – City of Las Vegas
Chair

/vk