


County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Victoria Jump, Director, Ventura County Area Agency on Aging

Date: May 13, 2014

From:  Jeffery S. Burgh, Assistant Auditor-Controller

**Subject: VALIDATION OF THE 2010 CONTROL SELF-ASSESSMENT FOR THE
VENTURA COUNTY AREA AGENCY ON AGING**

We have completed our engagement to validate the internal controls reported in the 2010 Control Self-Assessment ("CSA") for the Ventura County Area Agency on Aging ("VCAAA"). The results of our validation are summarized below.

BACKGROUND

Under the County's *Internal Control Policy*, departments are required to formally assess the adequacy of internal controls at least once every 3 years and report the results to the Auditor-Controller's Office for review and validation. The 2010 CSA for VCAAA was fully submitted on July 18, 2011.

VCAAA is charged with the responsibility for promoting, developing, and implementing a comprehensive coordinated system of care that enables older individuals to live in a community-based setting. VCAAA provides a variety of direct services, and also passes-through grants to community-based organizations and municipalities to carry out specific programs. VCAAA was authorized 29 positions and a budget of \$6.1 million for fiscal year 2013-14.

SCOPE

Our overall objective was to evaluate, on a test basis, the information reported in VCAAA's CSA. Specifically, we:

- verified that selected internal controls were in place and operating effectively as reported in the department's CSA; and
- verified the status of planned internal control improvement actions reported in the department's CSA.

We performed tests and evaluations using documents and records provided by VCAAA for the period May 2004 through March 2013. Except as discussed in the following paragraph, the engagement was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* ("*IIA Standards*") promulgated by The Institute of Internal Auditors.

In connection with our engagement, certain disclosures are necessary pursuant to *IIA Standards*. Specifically, *IIA Standards* state: "If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to the appropriate parties. The nature of the disclosure will

depend upon the impairment.” In the temporary absence of an appointed or elected Auditor-Controller, the County Executive Officer (“CEO”) has designated the Assistant Auditor-Controller as acting department head with an associated assignment pay premium. This necessarily impairs *I/A Standards* regarding independence because the Assistant Auditor-Controller currently receives the acting department head assignment pay premium as approved by the CEO and because the department under audit is subject to CEO oversight. However, as the integrity of our findings has not been subject to inappropriate influence by the CEO, the reader of this report can rely on the information contained herein.

This engagement does not provide an opinion on the design and implementation of the department's overall system of internal control.

VALIDATION RESULTS

In general, we found that the five internal controls we selected were in place and operating effectively as reported in the department's CSA. For example, we confirmed that controls were in place to ensure grantee expense reimbursement requests are in line with the grantee's budget, and to reimburse grantees in a timely manner. However, we identified an area where action was needed to strengthen VCAAA's internal controls over documentation to support grantee reimbursement requests.

We also confirmed that, of the 5 planned internal control improvement actions selected for validation from the department's 55 improvement opportunities identified through the CSA process, all 5 were completed. For example, VCAAA has established and implemented a system to inform staff of grant-related due dates and to track grantee audit findings. However, further enhancement was possible for two improvement actions that were implemented by VCAAA.

Following are details of the areas where further improvement was needed. VCAAA management initiated corrective action during our engagement as noted.

1. **Control Needing Improvement: Documentation for Grantee Reimbursements.** Additional documentation was needed to support amounts requested by grantees for reimbursement. To be reimbursed for grant expenditures, the VCAAA Contractors Manual states that “Grantees must submit a Monthly Expenditure Request for Funds (RFF) and attach proof of expenditures.” However, in our review of four RFF documents reimbursing \$25,424, detailed receipts were not included for \$110 in credit card purchases, which could be disallowed by the original grantor agency. Because the RFF packages did not include copies of payroll ledgers, bank statements, or paychecks to support \$7,253 in personnel costs, VCAAA could not verify the accuracy of these amounts. Also, additional documentation was needed for cash and/or in-kind match amounts as follows:

- Documentation to support the number/value of in-kind volunteer hours.
- Rationale for percentages used to allocate a portion of particular expenditures.
- A receipt to support a purchase of office supplies.

The additional documentation will help ensure VCAAA has appropriate support for all grant-related amounts and avoid any disallowed costs.

Management Action. VCAAA management stated: "Our sub-recipients are now providing comprehensive supporting documentation including invoices, as well as rationale for all allocations (including expenditures, program income and match), documentation in support of volunteer hours (such as time sheets or time logs) and the basis for the valuation of volunteer hours."

2. **Enhancement of Improvement Actions.** VCAAA could further enhance two planned internal control improvement actions related to monitoring of federal award subrecipients. Specifically:

A. VCAAA reviewed controls in place to ensure subrecipients are monitored in accordance with federal requirements. VCAAA could further enhance controls over subrecipient monitoring by:

- ensuring consistency of information/guidance provided in VCAAA policy documents (e.g., regarding the procedures or frequency of on-site fiscal monitoring visits); and
- streamlining fiscal monitoring documents to: reduce duplication of effort; identify specific records reviewed during on-site fiscal monitoring; and record testing of in-kind/matching values.

B. VCAAA completed a review of written procedures to ensure that the audit resolution process is performed consistently. VCAAA's written procedure could be further improved by ensuring that the procedure matches with current practice, including:

- removing references to any forms that are not currently used; and
- noting circumstances under which certain forms are not used.

By ensuring that internal policies are aligned with current practice and fiscal monitoring forms are streamlined and easy to use, VCAAA will be better positioned to ensure that records are consistent.

Management Action. VCAAA management stated: "VCAAA has updated the following Policies and Procedures to reflect the identified improvement actions: V1-A Sub-Grantee Audit Requirement and Contract Resolution and V1-F Onsite Fiscal Assessments for Sub-Recipients."

AUDITOR'S EVALUATION OF MANAGEMENT ACTION

We believe that management actions taken or planned were responsive to the validation findings. VCAAA management planned to complete corrective actions by April 30, 2014.

We appreciate the cooperation and assistance extended by you and your staff during this engagement.

cc: Honorable Steve Bennett, Chair, Board of Supervisors
Honorable Kathy Long, Vice Chair, Board of Supervisors
Honorable Linda Parks, Board of Supervisors
Honorable Peter C. Foy, Board of Supervisors
Honorable John C. Zaragoza, Board of Supervisors
Michael Powers, County Executive Officer