



JACKSON COUNTY

Oregon

Internal Audit Report

Office of Management and Budget (OMB) Circular A-133 Compliance Audit of Federal Awards

**Airport Improvement Program (AIP) (CFDA No. 20.106) and Special
Supplemental Nutrition Program for Women, Infants, and Children
(WIC) (CFDA No. 10.557)**

October 7, 2014

Presented to the
Jackson County Board of Commissioners
by the
Internal Audit Program

Audit Team

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**JACKSON
COUNTY**
Oregon

Internal Audit

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To: Board of Commissioners
From: Eric Spivak, County Auditor *ES*
Subject: Office of Management & Budget (OMB) Circular A-133 Federal Compliance Audit
Date: October 7, 2014

The attached audit report provides information regarding the adequacy of internal controls and compliance with Federal laws, regulations, and the provisions of contracts or grant agreements in relation to the following major programs selected for audit:

- Airport Improvement Program (AIP) CFDA No. 20.106
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) CFDA No. 10.557

We did not identify any issues that were required to be reported in accordance with OMB Circular A-133. We did identify areas to help improve the County's control system when administering Federal awards, which were included in the audit results section of the report.

The audit was included in the fiscal year 2014-15 Internal Audit Plan, and the work was performed in support of the County's annual external financial audit. The Internal Audit Program appreciates the cooperation and assistance it received from County staff throughout the audit process.

C: Audit Committee
Bern Case, Airport Director
Mark Orndoff, Health and Human Services Director
Moss Adams, LLP

Compliance Audit of Federal Awards

Audit Authority	We conducted our audit in accordance with Codified Ordinance 218 pertaining to the County Auditor. Our audit was included in the Fiscal Year 2014-15 Internal Audit Plan as part of the work performed annually in support of the County's external audit.
Compliance with Government Auditing Standards	We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.
Confidential or Sensitive Information	We did not withhold any information from this report because it was considered confidential or sensitive.
Audit Objectives	The objectives of our audit were to determine if: <ul style="list-style-type: none">• The County maintained internal controls over the major programs to provide reasonable assurance of compliance with laws, regulations, and the provisions of contracts or grant agreements pertaining to federal awards; and• The County has complied with laws, regulations, and the provisions of contracts or grant agreements pertaining to federal awards that may have a direct and material effect on the major programs.
Audit Conclusion	The County maintained internal controls and complied with laws, regulations, and the provisions of contracts or grant agreements pertaining to the Airport Improvement Program (AIP) and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).
Audit Background & Introduction	<p>The County spent over \$19,000,000 in federal awards during fiscal year 2013-14. As such, the County is required to have an audit in accordance with the Federal Office of Management and Budget (OMB) Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i>¹.</p> <p>The audit requirements include performing the audit objectives as listed above over major federal programs. OMB Circular A-133 establishes a dollar threshold and risk based criteria to be used when determining which federal programs to audit as a major program.</p>

¹ OMB Circular A-133 requires non-federal entities that expend \$500,000 or more during a year to have an audit in accordance with A-133.

Based on that criteria, the following programs were selected for audit:

Federal Program	Federal Expenditures
Airport Improvement Program (AIP) (CFDA No. 20.106)	\$4,991,008
<i>AIP Grant 37</i>	\$622,360
<i>AIP Grant 38</i>	\$3,418,404
<i>AIP Grant 39</i>	\$950,244
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA No. 10.557)	\$1,107,845

AIP

AIP grants are awarded by the U.S. Department of Transportation Federal Aviation Administration (FAA) to assist sponsors, owners, or operators of public-use airports in the development of a nationwide system of airports adequate to meet the needs of civil aeronautics. The County Airport had been awarded amounts totaling \$18,144,532 between August 2011 and July 2013 for AIP grants 37, 38 and 39. The grants are for rehabilitating the taxiway and taxi-lane, acquiring snow removal equipment, and rehabilitating runway 14/32.

WIC

The WIC program is a federally funded program administered by the U.S. Department of Agriculture (USDA) Food and Nutrition Service (FNS) through grants awarded to State health departments or other comparable organizations. Jackson County has an intergovernmental agreement with the Oregon Health Authority (Authority) to collaborate and cooperate in providing public health services through the use of financial assistance received by the Authority, including WIC federal monies.

The objective of the WIC program is to provide supplemental nutritious foods, nutrition education, and referrals to health care for low-income persons during critical periods of growth and development. Such persons include pregnant women, breast-feeding women up to one year postpartum, non-breast-feeding women up to six months postpartum, infants (persons under one year of age), and children under age five determined to be at nutritional risk.

Audit Criteria

Criteria for our audit consisted of requirements established by the Federal Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and associated Compliance Supplement; Federal OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*; grant agreements; Code of Federal Regulations; the County’s Local Contract Review Board Rules; applicable County policies; and other applicable Federal and State guidance.

***Corrective Action on
Prior Year Audit
Findings***

There were no prior year audit recommendations.

Audit Scope & Methodology

Our audit examined activities relating to the major federal programs selected for audit for County fiscal year 2013-14.

Our audit procedures² included:

- Reviewing applicable laws, regulations, and the provisions of contracts or grant agreements pertaining to federal awards and other official guidance;
- Discussing program procedures with appropriate personnel;
- Performing risk assessment procedures;
- Testing internal controls and compliance; and
- Performing other activities as considered appropriate.

Audit Results

OMB Circular A-133 sets forth standards for obtaining consistency and uniformity among federal agencies for the audit of States, Local Governments, and Non-profit Organizations expending federal awards. The Circular includes a related Compliance Supplement that identifies fourteen compliance requirements that the federal government expects to be considered as part of the audit work. Additionally, the Supplement provides guidance on how to assess compliance and evaluate internal controls over these requirements.

Each of the fourteen compliance requirements are not always applicable to each program receiving federal awards. The table below documents which requirements were applicable to each of the two programs.

Compliance Requirement	AIP	WIC
Activities Allowed or Unallowed – Awards can specify what activities funds can be expended on. For example, AIP funds may only be used on approved FAA projects at the Airport.	Yes	Yes
Allowable Costs/Cost Principles – Circular A-87 provides a list of allowable/unallowable costs and allocation models for indirect costs.	Yes	Yes
Cash Management – Describes requirements over when funds are requested in advance or as a reimbursement of expenses directly from the federal government.	Yes	No
Davis-Bacon Act – This requirement specifies that laborers & mechanics must be paid established prevailing wage rates.	Yes	No
Eligibility – Awards may specify eligibility requirements for the population to be served.	No	Yes
Equipment and Real Property Management – Establishes requirements regarding the purchase, inventory management, and disposal of equipment and real property purchased with award funds. ³	No	No
Matching, Level of Effort, Earmarking – Awards may specify that a portion of the program must be funded with non-federal funds or a certain amount of the federal award must be spent on a specified activity.	Yes	Yes
Period of Availability of Federal Funds – Awards may specify a time period that the funds must be used within.	No	No

² This work is performed in support of our external audit, as such additional audit procedures could be performed by the County’s external auditor and the results of those procedures are not included in this audit report.

³Equipment was purchased with AIP funds during FY13-14; however, it was determined that the full cycle would not have a direct and material effect on the program as such was marked not applicable.

Compliance Requirement	AIP	WIC
Procurement and Suspension and Debarment – Contracting for goods & services with entities that are not prohibited.	Yes	No
Program Income – Established requirements regarding income that is directly generated by the federally funded project.	No	No
Real Property Acquisition and Relocation Assistance – Provides for uniform and equitable treatment of persons displaced by federally assisted programs from their homes, businesses, or farms.	No	No
Reporting – Awards may establish financial and/or performance reporting requirements.	Yes	No
Subrecipient Monitoring – Establishes responsibilities when a non-federal entity passes-through a federal award to another non-federal entity to carry out the federal program.	No	No
Special Tests and Provisions – Additional requirements that the Federal oversight agency proscribes. For example, FAA wants to know that Airport revenue is restricted to the Airport and was not used to fund other County projects.	Yes	No

Internal Controls

Our audit found that the County maintained internal controls that reasonably ensured compliance with laws, regulations, and the provisions of the award that could have a material effect on the Airport Improvement Program (AIP) and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). We did identify opportunities to enhance our system of controls as outlined below.

- Reporting – When receiving information from other County departments to include in required federal reports, make sure that the other County department understands the instructions on what information is to be included in the federal report and determine the reasonableness of the information, as permitted. Information was reported twice on the AIP *Operating and Financial Summary Report* for the period ending June 30, 2013, which caused an auto-calculated field to be misstated. We did discuss this with the Airport, including possible ways to double check the information provided.
- Indirect Costs (not including the County’s central services allocation plan) – The Health and Human Services (HHS) department allocates their general overhead (e.g. Director’s time and general supplies) to all their programs. The allocation methodology is documented; however, has not been certified⁴. Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* provides that a cost allocation plan or an indirect cost rate shall not be acceptable unless such costs have been certified by the governmental unit. Unless specifically required by the federal Agency (e.g. direct award) to provide a cost allocation plan or an indirect cost rate for approval, the County is required to maintain supporting documentation and the certification for their cost allocation plan or an indirect cost rate on file to be provided when the information is requested. Since the County receives the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) monies from the Oregon Health Authority (Authority), we did not

⁴ Certified plan or rate means the completion of a form by an individual no lower than the chief financial officer stating that the plan or rate was determined in accordance with A-87.

question any of the overhead costs as unallowable because of the lack of the certification. Per A-87, the Authority is responsible for negotiating indirect cost rates and/or monitoring the County's cost allocation plan.

We had discussions with HHS and the Finance Director, including making sure we have a certification on file and verifying that the Authority has the allocation plan on file.

Compliance

Our audit found that the County materially complied with federal laws, regulations, and the provisions of the award that could have a direct and material effect on the Airport Improvement Program (AIP) and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).