



Office of Management and Budget (OMB) Compliance Audit of Federal Awards

November 2022

A Report to the
Jackson County
Board of Commissioners

Commissioners

Rick Dyer

Dave Dotterer

Colleen Roberts

County Administrator

Danny Jordan

Airport Improvement Program – 20.106



Coronavirus State and Local Fiscal Recovery Funds – 21.027



Recreation Resource Management – 15.524



Internal Audit Program

Eric Spivak

County Auditor

Tanya Baize

Senior Auditor

Nicole Rollins

Senior Auditor



MEMO

INTER-OFFICE

Internal Audit

Eric Spivak
County Auditor

10 S. Oakdale, Room 214
Medford, OR 97501
Phone: (541) 774-6021
Fax: (541) 774-6705
SpivakER@jacksoncounty.org

To: Board of Commissioners
Re: Office of Management and Budget (OMB) Compliance Audit of Federal Awards
Date: 11/1/22

The enclosed audit report provides information regarding the adequacy of internal control and compliance with Federal laws, regulations, and the provisions of contracts or grant agreements in relation to the Airport Improvement Program (AIP), Coronavirus State and Local Fiscal Recovery Funds, and Recreation Resource Management.

We did not identify any issues that were required to be reported in accordance with Office of Management and Budget (OMB) requirements.

The audit was included in the fiscal year 2022-23 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 the Airport, Parks, and Finance staff throughout the audit process.

C: Audit Committee
Jerry Brienza, Airport Director
Steve Lambert, Roads & Parks Director
Harvey Bragg, Sr Deputy County Administrator
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 2022-23 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. Additionally, the standards address the importance that auditors be independent of management. The Internal Audit program operates in compliance with the generally accepted government auditing independence standard for internal audit shops.

Confidential or Sensitive Information

We did not withhold information that would be considered sensitive or confidential.

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), Coronavirus State and Local Fiscal Recovery Funds, and Recreation Resource Management.

Audit Objectives

The objectives of our audit were to determine if:

- The County maintained internal control over the Airport Improvement Program (AIP), Coronavirus State and Local Fiscal Recovery Funds, and Recreation Resource Management 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 Airport Improvement Program (AIP), Coronavirus State and Local Fiscal Recovery Funds, and Recreation Resource Management.

**Audit
Background &
Introduction**

The County spent \$16,693,049 in federal awards during fiscal year 2021-22. As such, the County is required to have an audit in accordance with regulations issued by the Federal Office of Management and Budget (OMB).¹

The audit requirements include performing the audit objectives listed previously over programs categorized as “major programs.” OMB establishes a dollar threshold and risk-based criteria to be used when determining whether a program should be classified as a “major program” and thus subject to the audit requirements. The Airport Improvement Program (AIP), Coronavirus State and Local Fiscal Recovery Funds, and Recreation Resource Management met these criteria.

Airport Improvement Program (AIP)

The AIP grants are awarded by the 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 has received millions of dollars from AIP grants over the course of twenty plus years. These funds are the key means for airport development and therefore they are vital to Jackson County.

The expenditures for the program are summarized below.

<u>Airport Improvement Program</u>		<u>FY 2021-22</u>
		<u>Expenses</u>
Grant 45 – Environmental Assessment and Taxiway C Extension		\$12,134
Grant 46 – Master Plan Update		\$1,058
Grant 48 – Wildlife Hazard Assessment		\$4,875
Grant 50 – Pavement condition index study, Reconstruct Taxilane DE, EF and FG		\$54,000
Grant 51 – CARES Act Airport Grant		\$4,114,808
Grant 52 – Stormwater Treatment Facility, Taxiway B3 removal Phase 1		\$47,639
Grant 53 – Stormwater Treatment Facility, Taxiway B3 removal Phase 2		\$3,372,878
	TOTAL	\$7,607,392.00

Source: Draft Schedule of Expenditures of Federal Awards FY 21-22 and financial records

Coronavirus State and Local Fiscal Recovery Funds

The Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program is part of the American Rescue Plan that provided governments support for their response to and recovery from the COVID-19 public health emergency. The

¹ OMB requires non-federal entities that expend \$750,000 or more during a year to have an audit of federal awards.

SLFRF program provides flexibility for each jurisdiction to meet local needs within any of the following 4 separate eligible use categories:

1. Replace lost public sector revenue
2. Respond to the far-reaching public health and negative economic impacts of the pandemic
3. Provide premium pay for essential workers
4. Invest in water, sewer, and broadband infrastructure

The County received \$42,915,782 in SLFRF funds. These funds must be obligated by December 31, 2024 and spent by December 31, 2026. In FY21-22, the County spent \$995,058 of these funds on the following projects:

<u>Eligible Use Category</u>	<u>Project Description</u>	<u>FY 21-22 Expenses</u>
1	Wastewater lift station	\$37,147.49
1	Design planning for multi-use facility	\$96,890.00
2	Improve security of County technology infrastructure needed to deliver government services and programs	\$337,895.08
2	Determine countywide broadband needs by creating and promoting a citizen survey	\$34,784.95
2	Install and improve ventilation systems in County owned buildings to help prevent the spread of COVID-19	\$19,816.00
2	Update technology in public meeting spaces to allow citizens to view and participate in public meetings virtually	\$3,019.36
2	Purchase of UVC disinfecting light robots to disinfect and sanitize facilities and objects located at the Jackson County Jail, Transition Center and Juvenile Detention Center	\$446,200.00
4	Replace faulty, leaking water supply lines at the Jackson County Roads and Parks complex	\$19,305.00
TOTAL		\$995,057.88

Source: Draft Schedule of Expenditures of Federal Awards FY 21-22 and financial records

Recreation Resource Management

The U.S. Department of the Interior Bureau of Reclamation provided financial assistance to Jackson County Parks for infrastructure projects at County managed Parks that are federally owned. The two projects subject to audit for fiscal year 2021-22 are as follows:

<u>Project</u>	<u>Total Est. Project Cost</u>	<u>Total Federal Share</u>	<u>Federal Share FY 21-22 Expenses</u>
Howard Prairie Marina	\$5,744,308	\$1,807,760	\$636,164.98
Emigrant Lake Paving	\$400,000	\$200,000	\$150,757.79
TOTAL	\$6,144,308.00	\$2,007,760.00	\$786,922.77

Source: Draft Schedule of Expenditures of Federal Awards FY 21-22 and financial records

Audit Criteria

Criteria for our audit consisted of requirements, guidance, and standards established by the Federal Office of Management and Budget (OMB), and other applicable federal guidance from the U.S. Treasury. Criteria also consisted of the County’s purchasing policy, agreements between the County and the FAA, and U.S. Department of the Interior Bureau of Reclamation.

OMB 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 standards include a related Compliance Supplement that identifies 12 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 12 requirements.

Each of the 12 compliance requirements are not always applicable to each program receiving federal awards. The table below documents which requirements were determined applicable (**direct and material**) to the Airport Improvement Program (AIP), Coronavirus State and Local Fiscal Recovery Funds, and Recreation Resource Management programs during the audit period.

Compliance Requirement	Direct & Material to AIP	Direct & Material to SLFRF	Direct & Material to Parks
Activities Allowed or Unallowed – Awards can specify what activities funds can be expended on. For example, AIP funds are to be used on approved Federal Aviation Administration (FAA) projects at the Airport.	Yes	Yes	Yes
Allowable Costs/Cost Principles – This requirement establishes what costs are allowable/unallowable, how to define direct and indirect costs, and allocation models for indirect costs.	Yes	Yes	Yes
Cash Management – This requirement establishes the conditions over when funds are directly reimbursed from the federal government either in advance of costs being incurred or as a reimbursement of expenses.	No	No	No
Eligibility – Awards may specify eligibility requirements for the population/individual to be served.	No	No	No
Equipment and Real Property Management – Establishes requirements regarding the purchase, inventory management, and disposal of equipment and real property purchased with award funds.	No	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.	No	No	Yes

Compliance Requirement	Direct & Material to AIP	Direct & Material to SLFRF	Direct & Material to Parks
Period of Performance – Awards may specify a time period that the funds must be used within.	No	No	No
Procurement and Suspension and Debarment – This requirement establishes that local governments must use their own procurement procedures (as long as they conform to applicable federal statutes) and that the County cannot contract with parties that are suspended or debarred.	No	Yes	Yes
Program Income – Established requirements regarding income that is directly generated by the federally funded project.	No	No	No
Reporting – Awards may establish financial and/or performance reporting requirements.	Yes	Yes	Yes
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	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	No

Corrective Action on Prior Year Audit Findings There were no prior year audit recommendations.

Audit Scope & Methodology

Our audit examined activities relating to the Airport Improvement Program (AIP), Coronavirus State and Local Fiscal Recovery Funds, and Recreation Resource Management programs during County fiscal year 2021-22. We focused our review of internal control on ensuring that there were adequate authorization and approval of transactions and contracts, and submission of reports.

The audit was completed prior to the finalization of the Schedule of Expenditures of Federal Awards (SEFA), as such some procedures performed relied on draft amounts and some of the background information also comes from the draft SEFA.

Our audit procedures included:²

- Reviewing applicable laws, regulations, and the provisions of contracts or

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.

grant agreements pertaining to federal awards and other official guidance;

- Discussing program procedures with appropriate personnel;
- Performing risk assessment procedures;
- Selecting a random sample of 8 to 30 transactions to test internal control and compliance over the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Matching, and Procurement requirements;
- Reviewing all AIP, SLFRF and Recreation Resource Management reports; and
- Reviewing all AIP certified payrolls to test internal control and compliance over the Davis Bacon requirement.

Audit Results

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), Coronavirus State and Local Fiscal Recovery Funds, and Recreation Resource Management programs.

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), Coronavirus State and Local Fiscal Recovery Funds, and Recreation Resource Management programs.

Jackson County

Internal Audit Program

10 S. Oakdale, Room 307
Medford, Oregon 97501

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Eric Spivak, County Auditor

541-774-6021

SpivakER@jacksoncounty.org

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