

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

(Of departments relating to Single Audit findings)

Year ended June 30, 2016

Compiled by

Auditor-Controller/Treasurer/Tax Collector

Internal Audits Section

County of San Bernardino, California

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2016

Finding 2016-001

Employer Payroll Transmission Reports

Department's Response: We concur.

Views of Responsible Officials and Corrective Action:

Since September 2015 the payroll transmission files sent to the Retirement Plan Administrator (SBCERA) are being retained for a period of ten years. The employee payroll data which is the basis for the transmission file will continue to be maintained in the Employee Management and Compensation System (EMACS) indefinitely, in accordance with our retention policy. The County has implemented a process to create a payroll transmission report which is an extract from the transmission file. This report is reconciled to EMACS reports and to the amounts transferred to SBCERA. These reconciliations will be retained for ten years.

Name of Responsible Person: Joon Cho, Chief Deputy Controller

Name of Department Contact: Joon Cho, Chief Deputy Controller

Projected Implementation Date: Implemented

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2016

Finding 2016-002

Program: Substance Abuse Prevention Treatment (SAPT)
CFDA No.: 93.959
Federal Agency: U.S. Department of Health and Human Services
Passed-Through: California Department of Health Care Services
Award Year: FY 2015-16
Compliance Requirement: Procurement, Suspension, and Debarment

Department's Response: We concur.

The San Bernardino County Department of Behavioral Health (DBH) has language in its current contract templates (as well as past fiscal years) requiring contract agencies conduct an exclusion check of its employees and contractors on a monthly basis. Contract agencies must review the following exclusion databases:

- Department of Health and Human Services' Office of Inspector General List of Excluded Individuals and Entities (LEIE);
- General Services Administration System for Award Management (SAM); and
- Department of Health Care Services (DHCS) Medi-Cal Suspended and Ineligible Provider (S&I) List, if the agency receives Medi-Cal reimbursement.

Additionally, the agencies must also sign an attestation confirming it has in fact conducted exclusion checks for its employees, agents and contractors. DBH Compliance Program monitors the DBH contracts to confirm contract agencies complete the exclusion checks as indicated on the attestation.

The contract DBH has with DHCS for Specialty Mental Health Services, contract number 12-89388, effective May 1, 2013 through April 30, 2018, addresses debarment, suspension and exclusions in accordance with Title 42 of the Code of Federal Regulations (CFR), Section 438.610, Executive Order No. 12549 and periodic checks of LEIE and S&I List. As neither 42 CFR § 438.610 nor Executive Order No. 12549 specifically address the change of the former Excluded Parties List System to SAM or the need to review specifically SAM, DBH removed EPLS and SAM requirements from a few contracts fiscal year 15-16. However, DBH later received clarifying instructions from DHCS to review SAM at a statewide compliance meeting; thus, DBH returned the contract language to the template, and continued enforcement.

Corrective Action Plan: DBH currently has an unwritten informal process where it conducts exclusion checks for the following circumstances:

- new hire employees, interns and contracted employees for DBH,
- contract agencies who will be awarded a contract, and
- new hires of DBH shelter bed agencies.

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2016

These exclusion checks are in addition to the monthly exclusion checks conducted for each of its DBH staff.

To address the correction action, DBH shall revise its current DBH policy, COM 0933 Ineligible Persons, to include citation of Executive Order No. 12549, and develop an Ineligible Persons Procedure to formalize and document its processes for conducting exclusion checks for the aforementioned circumstances. The revised policy and new procedure will be available on line on or after April 28, 2017, at the following link: <http://wp.sbcounty.gov/dbh/providers/admin/standard-practice-manual/>.

Name of Responsible Person: Marina Espinosa, DBH Chief Compliance Officer

Name of Department Contact: Marina Espinosa, DBH Chief Compliance Officer

Projected Implementation Date: 04/28/2017

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2016

Finding 2016-003

Program: Medical Assistance Program (Medicaid Cluster)
CFDA No.: 93.778
Federal Agency: U. S. Department of Health and Human Services
Passed-Through: California Department of Health Services
Award Year: FY 2015–16
Compliance Requirement: Allowable Costs/Cost Principles, Cash Management

Department's Response: We concur.

Corrective Action Plan:

The department will prepare written instructions regarding cash management and allowable costs. These procedures will be implemented no later than June 30, 2017.

Name of Responsible Person: Mari Anton, Internal Review Accountant III

Name of Department Contact: Mari Anton, Internal Review Accountant III

Projected Implementation Date: June 30, 2017

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2016

Finding 2016-004

Program: Medical Assistance Program (Medicaid Cluster)
CFDA No.: 93.778
Federal Agency: U.S. Department of Health and Human Services
Passed-Through: California Department of Health Services
Award Year: FY 2015-16
Compliance Requirement: Eligibility

Department's Response: We concur.

Corrective Action Plan: As part of the Re-Evaluation (RE) process multiple lists and reports are generated to track all RE's and identifies which step of the process each case is in. In order to assist staff with the multiple lists and reports San Bernardino County developed various RE processing tools in July 2015 including an RE desk guide for the line staff and RE indicator and tracking calendars for supervisors and managers.

Utilizing these tools help staff to follow the process of the RE and determine what actions need to be taken in a timely manner. It informs supervisors what reports will provide the information needed, and when to access these reports based on the monthly calendar. We are now able to ensure all cases are sent RE packets in a timely manner and track if the paperwork was received and the case in ready to process or if the paperwork was not received and a negative action must be taken.

Name of Responsible Person: Mari Anton, Internal Review Accountant III

Name of Department Contact: Mari Anton, Internal Review Accountant III

Implementation Date: July 2015

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2016

Finding 2016-005

Program: Social Services Block Grant
CFDA No.: 93.667
Federal Agency: U. S. Department of Health and Human Services
Passed-Through: California Department of Social Services
Award Year: FY 2015-16
Compliance Requirement: Allowable Costs/Cost Principles, Cash Management

Department's Response: We concur.

Corrective Action Plan:

The department will prepare written instructions regarding cash management and allowable costs. These procedures will be implemented no later than June 30, 2017.

Name of Responsible Person: Mari Anton, Internal Review Accountant III

Name of Department Contact: Mari Anton, Internal Review Accountant III

Projected Implementation Date: June 30, 2017

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2016

Finding 2016-006

Program: Community Development Block Grant (CDBG) – Entitlement Grants Cluster
CFDA No.: 14.218
Federal Agency: U.S. Department of Housing and Urban Development (HUD)
Passed-Through: Community Development and Housing Department
Award Year: FY 2015-16
Compliance Requirement: Allowable Costs/Cost Principles, Cash Management

Department’s Response: We concur.

During the audit review, CDH provided a procedure manual for the implementation of cash management. After the review, Vavrinek, Trine, Day & Company, LLP (VTD) made the determination that the procedure manual did not meet all items required under Title 2 CFR 200.302(b)(6) and (7) of the Uniform Guidance. In regards to meeting the requirements of Title 2 CFR Section 200.302(b)(6) and (7), CDH had established written procedures for cash management but understand that the procedures may have not adequately addressed determining allowability of costs in accordance with *Subpart E – Cost Principles* or the conditions of the Federal award.

Corrective Action Plan:

As a corrective action, CDH will review regulatory requirements and incorporate various best practices within its current cash management procedures. It is estimated that CDH will have the revised procedure manual by June 30, 2017.

Name of Responsible Person: Gary Hallen, Director

Name of Department Contact: Dawn Jones, Administrative Supervisor I

Projected Implementation Date: June 30, 2017

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2016

Finding 2016-007

Program: Community Development Block Grant (CDBG) – Entitlement Grants Cluster
CFDA No.: 14.218
Federal Agency: U.S. Department of Housing and Urban Development (HUD)
Award Year: FY 2015-16
Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Department’s Response: We concur.

During the audit review, Community Development and Housing (CDH) provided draw schedules; labor tracking and employee time cards that matched the administrative and personnel expenses charged for Fiscal year 2015-16. The draw schedules did not exceed the maximum amount that could be drawn for the Federal program. However, Vavrinek, Trine, Day & Company, LLP (VTD) made the determination that the procedure to draw Federal funds for personnel cost without back up information (reconciliation) did not meet all items required under Title 2 CFR Section 200.430.

Corrective Action Plan:

As a corrective action, CDH will establish a written procedure to reconcile the employee time tracking system, match the reconciliation with accounting supporting documentation and budget information prior to any draw of Federal funds for personnel costs to insure the Federal programs are only charged the cost that matches the time tracked by direct employees supporting the Federal programs. This procedure will be completed on a 60 day basis, thus allowing adequate time between reconciliation and the next disbursement of funds. CDH will also review regulatory requirements, discuss with the County Auditor-Controller/Treasurer/Tax Collector – Internal Audits Section and incorporate various best practices within the labor reconciliation procedures. It is estimated that CDH will have the labor reconciliation procedure in place before June 30, 2017.

Name of Responsible Person: Gary Hallen, Director

Name of Department Contact: Dawn Jones, Administrative Supervisor I

Projected Implementation Date: June 30, 2017

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2016

Finding 2016-008

Program: Community Development Block Grant (CDBG) – Entitlement Grants Cluster
CFDA No.: 14.218
Federal Agency: U.S. Department of Housing and Urban Development (HUD)
Award Year: FY 2015-16
Compliance Requirement: Allowable Costs/Cost Principles

Department’s Response: We concur.

The HUD regulations are clear that a Participating Jurisdiction must comply with the 10% de-minimis rate or it must formally secure HUD approval to utilize a different cost allocation methodology. The County Of San Bernardino HUD Annual Action Plan, which is the formal grant application for the entitlement funds, incorporated the budget allocation which was based on the 10% de-minimis rate for cost allocation. HUD subsequently prepares the grant agreement based on the Annual Action Plan. CDH concurs that the department did not formally notify HUD that its CDBG program utilized the 10% de-minimis rate however CDH felt HUD tacitly approved the 10% de-minimus rate when it issued the grant agreements. CDH concurs that the department did not have adequate documentation readily available to demonstrate that CDH was within the 10% de-minimis rate. Based upon the year-end analysis, CDH was below the 10% de-minimis rate. CDBG’s Modified Total Direct Costs (MTDC) for indirect charges was a total of \$197,780; the MTDC were provided to VTDC. CDH’s actual indirect cost was \$150,638.

Corrective Action Plan:

As recommended, CDH will develop an indirect cost rate proposal in accordance with Uniform Guidance or use the 10% de-minimis rate permitted by the Uniform Guidance. Additionally, CDH will include the indirect cost rate proposal as part of the HUD Annual Action Plan.

Name of Responsible Person: Bryan Anderson, Supervising Analyst
Name of Department Contact: Dawn Jones, Administrative Supervisor I
Project Implementation Date: On or before June 30, 2017.

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2016

Finding 2016-009

Program: Home Investment Partnerships Program (HOME)
CFDA No.: 14.239
Federal Agency: U.S. Department of Housing and Urban Development (HUD)
Award Year: FY 2015-16
Compliance Requirement: Allowable Costs/Cost Principles, Cash Management

Department's Response: We concur.

During the audit review, CDH provided a procedure manual for the implementation of cash management. After the review, Vavrinek, Trine, Day & Company, LLP (VTD) made the determination that the procedure manual did not meet all items required under Title 2 CFR 200.302(b)(6) and (7) of the Uniform Guidance. In regards to meeting the requirements of Title 2 CFR Section 200.302(b)(6) and (7), CDH had established written procedures for cash management but understand that the procedures may have not adequately addressed determining allowability of costs in accordance with *Subpart E – Cost Principles* or the conditions of the Federal award.

Corrective Action Plan:

As a corrective action, CDH will review regulatory requirements and incorporate various best practices within its current cash management procedures. It is estimated that CDH will have the revised procedure manual by June 30, 2017.

Name of Responsible Person: Gary Hallen, Director

Name of Department Contact: Dawn Jones, Administrative Supervisor I

Projected Implementation Date: June 30, 2017

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2016

Finding 2016-010

Program: Home Investment Partnerships Program (HOME)
CFDA No.: 14.239
Federal Agency: U.S. Department of Housing and Urban Development (HUD)
Award Year: FY 2015-2016
Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Department's Response: We concur.

During the audit review, Community Development and Housing (CDH) provided draw schedules; labor tracking and employee time cards that matched the administrative and personnel expenses charged for Fiscal year 2015-16. The draw schedules did not exceed the maximum amount that could be drawn for the Federal program. However, Vavrinek, Trine, Day & Company, LLP (VTD) made the determination that the procedure to draw federal funds for personnel cost without back up information (reconciliation) did not meet all items required under Title 2 CFR Section 200.430.

Corrective Action Plan:

As a corrective action, CDH will establish a written procedure to reconcile the employee time tracking system, match the reconciliation with accounting supporting documentation and budget information prior to any draw of Federal funds for personnel costs to insure the Federal programs are only charged the cost that matches the time tracked by direct employees supporting the Federal programs. This procedure will be completed on a 60 day basis, thus allowing adequate time between reconciliation and the next disbursement of funds. CDH will also review regulatory requirements, discuss with the County Auditor-Controller/Treasurer/Tax Collector – Internal Audits Section and incorporate various best practices within the labor reconciliation procedures. It is estimated that CDH will have the labor reconciliation procedure in place before June 30, 2017.

Name of Responsible Person: Gary Hallen, Director

Name of Department Contact: Dawn Jones, Administrative Supervisor I

Projected Implementation Date: June 30, 2017

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2016

Finding 2016-011

Program: Home Investment Partnerships Program (HOME)
CFDA No.: 14.239
Federal Agency: U.S. Department of Housing and Urban Development (HUD)
Award Year: FY 2015-16
Compliance Requirement: Allowable Costs/Cost Principles

Department's Response: We concur.

The HUD regulations are clear that a Participating Jurisdiction must comply with the 10% de-minimis rate or it must formally secure HUD approval to utilize a different cost allocation methodology. The County Of San Bernardino HUD Annual Action Plan, which is the formal grant application for the entitlement funds, incorporated the budget allocation which was based on the 10% de-minimis rate for cost allocation. HUD subsequently prepares the grant agreement based on the Annual Action Plan. CDH concurs that the department did not formally notify HUD that its CDBG program utilized the 10% de-minimis rate however CDH felt HUD tacitly approved the 10% de-minimis rate when it issued the grant agreements. CDH concurs that the department did not have adequate documentation readily available to demonstrate that CDH was within the 10% de-minimis rate. Based upon the year-end analysis, CDH was below the 10% de-minimis rate. Based upon the year-end analysis, HOME Modified Total Direct Costs (MTDC) for indirect charges was \$210,901 and the actual indirect costs paid by HOME were \$40,318.

Corrective Action Plan:

As recommended, CDH will develop an indirect cost rate proposal in accordance with Uniform Guidance or use the 10% de-minimis rate permitted by the Uniform Guidance. Additionally, CDH will include the indirect cost rate proposal as part of the HUD Annual Action Plan.

Name of Responsible Person: Shanikqua Freeman, Housing Analyst

Name of Department Contact: Dawn Jones, Administrative Supervisor I

Project Implementation Date: On or before June 30, 2017.

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2016

Finding 2016-012

Program: Home Investment Partnership Program (HOME)
CFDA No.: 14.239
Federal Agency: Department of Housing and Urban Development
Award Year: FY 2015-16
Compliance Requirement: Program Income

Department's Response: We concur.

The County Of San Bernardino Community Development and Housing Department (CDH) is aware of 2 *CFR 200.307(e)(1) of the Uniform Guidance* and per the HOME and CDBG Guidebook, program income must follow all of the HOME rules and must be used before drawing down new HOME funds. CDH strives each year to comply with the expenditure of program income while balancing the HOME statute and regulations which require the Participation Jurisdiction (PJ) to enter into a legally binding commitment within 24 months of signing the HOME Investment Partnerships Agreement for any given year's appropriation of HOME funds. If a PJ does not meet this statutory time requirement, then the HOME appropriation is forfeited by the PJ.

HUD released the 2013 HOME Final Rule which made a number of significant changes to the implementation of the HOME program. The auditor mentioned that HUD has yet to fully update the regulations to incorporate the 2013 HOME Final Rule, however HUD expects the Participation Jurisdiction to comply with the more stringent 2013 HOME Final Rule.

Though the new 2013 HOME Final Rule (2013 Rule) did not modify the 24 month timeframe to have a legally binding commitment, the 2013 Rule did include a new requirement which impacted the conditions of when a PJ could enter into the legally binding commitment. The 2013 Rule specifies that a PJ cannot commit HOME funds to a project until all necessary financing is secured, a budget and schedule established, underwriting and subsidy layering completed, and construction is scheduled to begin within 12 months.

In California the largest source of affordable housing funding is generated from the Low Income Housing Tax Credit (LIHTC) program administered by the State Treasurer. There are two LIHTC programs, the 9% competitive program and the 4% non-competitive program. The LIHTC program requires projects to have secured all financing as a condition of award. Because local jurisdictions in California have not only had to absorb a 50% reduction of HOME funds over the last five years and the elimination of the Redevelopment Housing Fund, the impact was the loss of public subsidy funds required to underwrite affordable housing developments. Thus, to finance an affordable housing project, the local jurisdictions compete for the over-prescribed 9% LIHTC program which is allocated by the State on a regional basis. Because the 9% LIHTC program is over-prescribed it typically takes more than one round to compete for and secure funds.

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2016

Prior to the 2013 Rule, PJs entered into HOME Loan Agreements as evidence of funding commitment to comply with the 9% LIHTC funding commitment requirement. This HOME Loan Agreement not only met the LIHTC requirement but the HOME requirement of formal commitment within two years of appropriation. The HOME funds used to finance the development were Program Income and the aged HOME appropriation.

The 2013 HOME Final Rule imposed the same financing commitment as the State of California's LIHTC program; PJs cannot commit HOME funds to a project until all necessary financing is secured. During discussions with the State Treasurer's Office the State indicated a resolution by the governing board would meet the commitment requirement for LIHTC program. If a project was not successful in obtaining a 9% LIHTC allocation, typically two projects are funded in the Inland Region (San Bernardino, Riverside and Imperial counties) every 12 months, the County would then invest the HOME funds that were subject to recapture into a smaller affordable housing project. The County strategically minimized the HOME investment to the recaptured funds and did not incorporate program income. This was done because affordable housing funding is so limited that the County's goal was to leverage the HOME funds to generate a maximum number of affordable housing units.

It is also important to note that a PJ may not enter into a new HOME Loan Commitment each fiscal year because a project may not be able to secure all other sources of financing which will result in no program income or HOME funds being spent.

Corrective Action Plan:

To meet the County's objective of developing affordable housing while meeting State and HUD funding requirements, the County will continue to facilitate affordable housing development to ensure that the HOME funds are not recaptured by HUD and the Program Income is spent in accordance with regulations. The goal is to maximize leveraging of the limited HOME funds to generate affordable housing in the County of San Bernardino.

The County CDH does have a developed tracking mechanism that tracks program income, expenditure of HOME monies by appropriation, affordable housing development and investment of said funds into the proposed projects. CDH will formalize the policies and procedures for tracking and expenditures of program income and aged HOME funds to ensure compliance with HUD regulations.

Name of Responsible Person: Gary Hallen, Director

Name of Department Contact: Shanikqua Freeman, Housing and Homeless Programs Manager

Projected Implementation Date: Procedures formalized on or before July 31, 2017.

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2016

Finding 2016-013

Program: Home Investment Partnerships Program (HOME)
CFDA No.: 14.239
Federal Agency: U.S. Department of Housing and Urban Development (HUD)
Award Year: FY 2015-16
Compliance Requirement: Special Tests and Provisions – Housing Quality Standards and Qualification as Affordable Housing

Department's Response:

Staff concurs with the finding considering the auditor's conclusion pertaining to the frequency of HQS inspections is based upon the Uniform Guidance. Customarily, CDH uses the 2013 Final HOME Rule as guidance relating to the frequency of inspections:

The PJ must conduct periodic property inspections in accordance with §92.504(d). The PJ's inspection procedures must state how frequently each property will be inspected, consistent with §92.504(d) and, for TBRA units, §92.209. The requirement for a periodic inspection is not new, but the *minimum required inspection schedule has been amended*; every TBRA units must be inspected annually, and *every HOME-assisted rental project must be inspected at least once every three years during the affordability period*. [See §92.504(d) for a more detailed discussion of these inspection requirements.] (emphasis added).

The Department asserts that the lack of congruency and/or consistency with the respective guidances (e.g. Uniform Guidance and 2013 HOME Final Rule), may have precipitated the condition of the finding.

The Department conducted inspections and tenant eligibility monitoring on the five properties sampled; however, it was determined by the auditors, and concurred by staff, that two of the five properties were inspected at the very end of the preceding fiscal year 2014-15 and did not meet the fiscal year cutoff to consider the inspection valid for FY2015-16.

It was also documented as a finding that "...2 of the 5 HOME-assisted rental housing projects selected for review the County (EDA Department) did not follow-up on deficiencies that were notated as a result of the on-site inspections." The Department concurs with this conclusion, as upon staff review of the file, there was documentation that only the initial inspections had been conducted and letters of deficiencies had been transmitted; there was no evidence of follow-up or closeout. The Department will take corrective measures as noted below in the Corrective Action section.

It was determined that the department did not review tenant eligibility for 5 of the 5 properties tested using the required frequency standard of annually. While the department concurs that the frequency test was not met, eligibility reviews were last conducted for 3 of the 5 during fiscal

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2016

year 2015-16 and the other 2 were reviewed at the end of the previous fiscal year, just at the cut-off of the end of the fiscal year. Staff does concur, that the 2 in question were not reviewed during fiscal 2015-16 fiscal year.

Corrective Action Plan:

CDH will be more diligent in ensuring inspections and tenant eligibility reviews are completed in a timely manner that coincides with fiscal year schedule. CDH has already scheduled all of the inspections and monitoring appointments for all of the properties in the asset portfolio for 2017; it is anticipated the inspections will be completed by September 2017.

Staff will follow-up on two of the five property inspected that did not have follow-up regarding the deficiencies. The department will prioritize these projects on the current inspection schedule to expedite a follow-up inspection and proceed accordingly within the next 30 days of this response.

Name of Responsible Person: Gary Hallen, Director

Name of Department Contact: Shaniqua Freeman, Housing & Homeless Programs
Manager

Projected Implementation Date: Within the next 30 days.

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2016

Finding 2016-014

Program: Home Investment Partnerships Program (HOME)
CFDA No.: 14.239
Federal Agency: U.S. Department of Housing and Urban Development (HUD)
Award Year: FY 2015-16
Compliance Requirement: Special Tests and Provisions – Wage Rate Requirements

Department's Response:

For the last four years the Community Development and Housing Department has had as many as four concurrent HOME projects requiring the monitoring of Davis Bacon compliance. Each project takes approximately 12 to 14 months to complete construction. A typical affordable housing development which receives a low interest HOME loan has approximately 30-50 subcontractors who participate in the construction of the project. In 2012, after review of the existing labor compliance program and the complexities of Davis Bacon requirements, Community Development and Housing Department purchased a web-based labor compliance software product to track contractor required documents and their submittal of Certified Payroll Reports (CPRs). This software aids the department in assuring contractor compliance with Davis Bacon and other prevailing wage requirements. Given the high volume of contractors that the department works with, in its endeavors to provide affordable housing to the residents of San Bernardino County, it was found that the tracking software would facilitate the submittal and certification of CPRs. The purchased software came fully on-line in 2013. Auditor findings stated that "The County (EDA Department) did not submit the certified payrolls within the required timeframe, as required by the U.S. Department of Labor." Although the software facilitates the tracking of contractor's CPRs and staff does obtain CPRs from the contractors, we do concur, however, that the department did not verify that CPR's were submitted within the required U.S. Department of Labor (DOL) timeframes, namely, on a weekly basis.

Corrective Action Plan:

The County will implement new procedures to address the requirement of obtaining weekly CPR submittals. This includes compiling a weekly CPR report, per project, which will identify contractors who are out of compliance. The department will verify the report and notify all contractors who are not compliant with the DOL weekly CPR submittal requirement. The department will implement a system requesting immediate submittal of the CPRs that includes written communication, follow-up and timeframes to remediate the deficiencies.

Name of Responsible Person: Gary Hallen, Director

Name of Department Contact: David Van Diest, Project Manager

Projected Implementation Date: Procedures will be implemented on or before thirty days.

COUNTY OF SAN BERNARDINO, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2016

Finding 2016-015

Program: Aging Cluster
CFDA No.: 93.041, 93.042, 93.043, 93.044, 93.045, 93.052, 93.053
Federal Agency: US Department of Health & Human Services
Passed-Through: California Department of Aging
Award Year: FY 2015-16
Compliance Requirement: Allowable Costs/Cost Principles, Cash Management

Department's Response: We concur.

Corrective Action Plan: DAAS will implement formal written policies and procedures related to cash management in accordance with the requirements within 2 *CFR Section 200.305* and allowable costs in accordance with *Subpart E – Cost Principles*.

Name of Responsible Person: Kimberlee E. Van

Name of Department Contact: Kimberlee E. Van

Projected Implementation Date: By June 30, 2017