

California Department of Food and Agriculture

CDFA Audit Process -
CAC Agreements

June 2015

Presentation Topics

1. Overview
2. Objectives
 - a) CDFA Programs oversight objectives
 - b) Audit Office objectives
3. Applicable cost principles
4. Field audit process
5. General allowability of invoiced costs
6. Recurring audit findings
7. Best practices
8. Examples
9. Questions from the audience

Overview

1. The CDFA, as an agency, is responsible for the oversight and monitoring of all federal and state funds awarded through grants and cooperative awards.
2. The CDFA Audit Office performs field audits and other assurance services of the federal and state funds that are sub-awarded (passed-through) to local agencies.
3. The field audits are conducted in accordance with the professional standards that requires testing of selected accounting records and related supporting data.
4. The Audit Office provides a written report with opinions and recommendations based on the invoices, accounting records and related data tested.

CDFA Programs (ie, Pest Detection, PDCP) Oversight Objectives

1. Monitor the established Agreement workplan to ensure related objectives and goals are being accomplished.
2. Ensure the integrity and reliability of expenses presented on invoices for cost reimbursement.
3. Promote the efficient and effective use of federal and state resources to accomplish approved Agreement workplan.

The Audit Office's Objectives

1. Determine that the costs claimed for reimbursement are actual, reasonable, allowable, and in compliance with the applicable federal cost principles.
2. Determine that the CAC is in compliance with the terms and conditions of the Agreement and related state and federal requirements and guidelines.
3. Our audit is based upon a sampled testing of accounting records and related data. Since all transactions will not be examined, we may not detect all errors and irregularities.
4. Ensure assets purchased (vehicles, IT equipment, etc.) with federal funds are safeguarded appropriately used.

Applicable Cost Principles Effective for 2012 – 2014 Agreements

- We perform our audit to test for compliance with federal cost principles applicable to state and local governments, Title 2 in the Code of Federal Regulations, Part 225 (2 CFR 225).
- The Sub-Award recipient (CAC) is also required to comply with the Uniform Federal Assistance Regulations 7 CFR 3016.

Field Audit Process

1. Initial phone contact is made to coordinate “tentative” audit fieldwork dates.
2. Engagement letter and internal control questionnaire (ICQ) is sent a minimum three weeks before fieldwork to:
 - Confirm the date and length of field work and identify the number of auditors that will need to be accommodated.
 - Identify which specific Agreements have been selected to test.
 - Specify the accounting records needed to facilitate the audit.
 - ICQ needs to be completed and returned prior to the start of fieldwork.
3. Planning the audit – the auditor performs an initial analysis of invoiced costs, analytical procedures, and reviews the ICQ prior to field work.

Field Audit Process (cont.)

4. Performance of field work – gathering documents and testing invoiced costs to source documents at the CAC's Office.
5. A preliminary exit conference and/or follow-up tele-conference is made once the field work is completed.
6. A preliminary draft report is sent to the CAC for response and related CDFA Programs for review.
7. The CAC's response to the preliminary draft report is due within 30 days.
8. The CAC's audit response is evaluated and included in the final audit report that is distributed. Although the report is intended for internal use, it is considered a public document.
9. Audit resolutions may be followed up by the related CDFA Programs and CDFA's County Liaison.

General Allowability of Costs

- An allowable cost is one that meets both the criteria for authorized expenditures specified in the 2 CFR 225 and/or the related Agreement between the CAC and the CDFA Program.
- The individual Agreements between CDFA Programs and the CAC's can restrict claimed costs further than CFR's.

General Allowability of Costs (cont.)

- Costs invoiced to an award (Agreement) must be:
 - Actual, necessary, consistent, and reasonable
 - Treated consistently as a direct vs. indirect cost
 - Adequately supported and/or documented
 - In accordance with generally accepted accounting principles (GAAP)
 - In compliance with the related individual Agreement

General Allowability of Costs (cont.)

- Documented at the time of invoice preparation
- Costs passed along by the CAC should be uniform in their treatment with other County departments
- Reasonable in the performance of the award

Recurring Audit Findings

1. Lack of Support for Personnel Services Costs

- a) Budgeted rather than actual salary and wage amounts are invoiced.
- b) Hours invoiced did not match functional employee time records.
- c) Productive hours claimed were not actual, were excessive and/or inconsistent with other County Departments.
- d) Employee Daily Activity Reports for those who worked on multiple activities did not :
 - Reflect all actual after the fact activities of the employee (Budget estimates or distribution percentages determined before services are performed do not qualify.)
 - Did not account for the total activity the employee was compensated for.
 - Were not prepared monthly or did not coincide with pay periods
 - Were not signed by the employee

Recurring Audit Findings (cont.)

2. Errors in the Billing of Managerial Employees, Admin Help

- * Manager (Exempt Employee) did not maintain a personnel activity report to fully account for all monthly activities.
- * Administrative staff are directly billed and also fully categorized as an indirect cost by the CAC.
- * The billing on invoices is the highest step of the employee classification rather than what was actually paid via payroll records.

3. Errors in the Billing of Staff/Fringe Benefits

- * Amounts billed are budget estimates that can't be supported.
- * Amounts billed are not periodically adjusted to actual costs.

Recurring Audit Findings (cont.)

4. Issues with Invoicing Vehicles and Mileage Costs

- * Invoiced mileage is not supported by activity reports and/or vehicle mileage logs.
- * The federal mileage rate is exceeded.
- * The classification of fleet vehicles used is incorrectly labeled as a “vehicle lease” on invoices.
- * A “vehicle replacement fee” is passed along for reimbursement.

5. Issues with the Invoicing of Direct Costs

- * Billing of operating expenses that are not supported with a receipt or comparable source document.
- * Improperly billing of indirect costs that exceed the contract limit as direct costs.

Best Practices

1. CAC's are familiar with applicable CFR's, along with CA regulations, laws, and contracting requirements pertaining to federal and state funds.
 - a) Maintain awareness of the changes and updates to the Code of Federal Regulations.
 - b) Follow updates to the State Controller's Office's cost plan handbook for program for California counties
2. Efficient accounting and recordkeeping practices are emphasized and maintained.
 - a) Adequate accounting records supporting the costs claimed on each monthly invoice is kept in a separate folder.
 - b) Accounting records clearly identify and segregate costs invoiced to the related CDFA Agreement.

Best Practices (cont.)

3. Good Internal Controls are Maintained.
 - a) Work with the County Auditor-Controller.
 - b) Written procedures over all business practices, accounting systems, and related processes are updated regularly.
 - c) County-wide policies and procedures are retained for central services costs passed down to the CAC and passed along on invoices to CDFA Programs.
 - d) In the event of employee turnover, back-up employees have been trained on the specific Agreement's administrative requirements.
 - e) A supervisory review is performed by the CAC of prepared invoices prior to forwarding them to CDFA.

Best Practices (cont.)

4. All costs invoiced to the Agreement awards are:
 - a) Associated with the project's workplan.
 - b) Supported and traceable to the specific and itemized accounting records maintained by the CAC.
 - c) Labeled and classified correctly on the invoice to facilitate the CDFA's Programs review, approval and reimbursement.
 - d) Reviewed for mathematical accuracy prior to being sent to CDFA.

Example - Compliant Source Document - Payroll Register Report

COUNTY OF 09/30/11 EMPLOYEE PRELIST Yr 11 Cc 01 Per 107-REEL Page 480
 FRI, SEP 30, 2011, 7:47 AM --req: 17095----leg: GL PL--loc: 110-----job: 2520693 #J401---prog: PY500 <3.20>---report id: PYREEL01

09/11/11 - 09/24/11 *----- P A Y & D I R E C T C O N T R I B U T I O N S ----- D E D U C T -----* C O N T R I B U T E *
 SORT BY: NO ! NET PAY REG HRS TOTAL HRS FIT PAY TOTAL PAY!Total
 28000 ! O/T HRS OTHER HRS SIT PAY GROSS PAY!Accrual ! Weeks !

Employee Name/Type/ID	Description	No.	Hours	Rate	Extension	Desc.	No.	Amount	Desc.	No.	Amount
!COMPEAR * 157			1.50000	17.60400	26.40	!MEDICARE 080		19.91	!DENTAL1 053		13.19
!SICKACCR ACCR 900			3.69600			!RET MISC 001		94.31	!VISIONER 056		5.34
!VACACCR ACCR 920			4.61600			!FED W/H 022		120.69	!LIFEINS 059		4.13
!SICKBAL ACCR 905			59.31598			!STATEW/H 025		26.86	!PERCHER 071		274.39
!VACBAL ACCR 925			72.54529			!COL INS 193		5.14	!UNEMPLMT 190		8.94
!COMPBAL ACCR 945			12.00500			!UPECFEES 159		14.25	!RET COST 191		13.82
						!EFT999 999		1,017.97	!MGMTRET 193		26.92
									!DENFEE 195		0.28
									!W/COMP 199		14.99
									!LIAB 200		1.33
									!OPEB 201		14.08

TOTALS! 80.00000 81.50000 1,278.98 1,408.30!52.17827 1,408.30! 2 753.33!
 S-02 / S-02- 1,017.97 1.50000 0.00000 1,278.98 1,408.30!

TP	Description	No.	Hours	Rate	Extension	Desc.	No.	Amount	Desc.	No.	Amount
17451	!EXTRAHLP	200	72.00000	10.33700	744.28	!XHARS 028		55.82	!MEDICARE 081		10.79
**00 **						!MEDICARE 080		10.79	!UNEMPLMT 190		4.72
						!FED W/H 022		53.46	!W/COMP 199		7.92
						!STATEW/H 025		4.84	!LIAB 200		0.70
						!EFT999 999		619.37			

TOTALS! 72.00000 72.00000 688.46 744.28! 744.28! 2 24.13!
 S-1 / S-1 - 619.37 0.00000 0.00000 688.46 744.28!

TP	Description	No.	Hours	Rate	Extension	Desc.	No.	Amount	Desc.	No.	Amount
17789	!EXTRAHLP	200	70.00000	10.33700	723.59	!XHARS 028		54.27	!MEDICARE 081		10.49
**00 **						!MEDICARE 080		10.49	!UNEMPLMT 190		4.59
						!FED W/H 022		50.59	!W/COMP 199		7.70
						!STATEW/H 025		4.42	!LIAB 200		0.68
						!EFT999 999		603.82			

TOTALS! 70.00000 70.00000 669.32 723.59! 723.59! 2 23.46!
 S-1 / S-1 - 603.82 0.00000 0.00000 669.32 723.59!

TP	Description	No.	Hours	Rate	Extension	Desc.	No.	Amount	Desc.	No.	Amount
**01 **	!REGULAR 001		78.00000	24.05600	1,876.39	!FICA 020		80.83	!FICA 020		119.32
	!VACATION 020		2.00000	24.05600	48.11	!SDI 032		23.09	!MEDICARE 081		27.91
	!SICKACCR ACCR 900		3.69600			!MEDICARE 080		27.91	!RETRMISC 003		249.90
	!VACACCR ACCR 920		5.23200			!RET MISC 001		130.45	!MEDFEES 044		88.00
						!FED W/H 022		208.13	!DENTAL1 053		13.19

Example- Compliant Employee Timecard 1 of 2

Employee Time Cards with Notes

As of Wednesday, March 25, 2015

02/01/2015 - 02/28/2015

CONCORD, CA 94520								Total	
Employee Number	Name	Default Division						Paid	Unpaid
Date	Day	Action	Start	Start Note	Supervisor Name	Stop	Stop Note		
02/03/2015	Tue	Work	9:30 AM	review from class on 1/29, planning for next series to begin on 2/11		5:30 PM	review from class on 1/29, planning for next series to begin on 2/11	8.00	
02/04/2015	Wed	Work	10:30 AM	planning and prep for series beginning 2/11, pick up partner vouchers		5:15 PM	planning and prep for series beginning 2/11, pick up partner vouchers	6.75	
02/05/2015	Thu	Work	9:30 AM	Focus group report review, review 1 year follow-up data		4:30 PM	Focus group report review, review 1 year follow-up data	7.00	
02/06/2015	Fri	Work	11:30 AM	additional evaluation planning, class handout work		3:00 PM	additional evaluation planning, class handout work	3.50	
02/09/2015	Mon	Work	11:45 AM	class prep for week		6:30 PM	class prep for week	6.75	
02/10/2015	Tue	Work	8:45 AM	Class prep for week, follow-up data review		4:45 PM	Class prep for week, follow-up data review	8.00	
02/11/2015	Wed	Work	10:00 AM	La Clinica class 1 prep and class.		11:00 AM	La Clinica class 1 prep and class.	1.00	
		Lunch	11:00 AM	La Clinica class 1 prep and class.		11:45 AM	La Clinica class 1 prep and class.		0.75
		Work	11:45 AM	La Clinica class 1 prep and class.		6:45 PM	La Clinica class 1 prep and class.	7.00	
02/12/2015	Thu	Work	11:00 AM	NAHC class 2 prep and class		7:00 PM	NAHC class 2 prep and class	8.00	
02/13/2015	Fri	Work	12:15 PM	data entry and class follow-up from week		5:15 PM	data entry and class follow-up from week	5.00	
02/16/2015	Mon	Work	4:15 PM	follow-up data collection		4:45 PM	follow-up data collection	0.50	
02/17/2015	Tue	Work	9:45 AM	finalizing materials and class lists for round 5 programming		2:00 PM	finalizing materials and class lists for round 5 programming	4.25	
02/18/2015	Wed	Work	9:00 AM	evaluation data planning and multiple conversations with evaluation consultant		5:00 PM	evaluation data planning and multiple conversations with evaluation consultant	8.00	
02/19/2015	Thu	Work	9:30 AM	follow-up data review and		2:00 PM	follow-up data review and organization, voucher	4.50	

Example – Compliant Employee Timecard 2 of 2

02/20/2015	Fri	Work	9:00 AM	organization, voucher printing planning for VeggieRx classes next week	9:45 AM	printing planning for VeggieRx classes next week	0.75
02/23/2015	Mon	Work	2:45 PM	class prep for week	5:15 PM	class prep for week	2.50
02/24/2015	Tue	Work	11:15 AM	class prep for this week	5:45 PM	class prep for this week	6.50
02/25/2015	Wed	Work	1:00 PM	Class prep for week, La Clinica class 2	7:15 PM	Class prep for week, La Clinica class 2	6.25
02/26/2015	Thu	Work	1:45 PM	class and follow-up prep, NAHC class 3	6:15 PM	class and follow-up prep, NAHC class 3	4.50
02/27/2015	Fri	Work	1:15 PM	follow-up data collection from Richmond 2013 group	6:30 PM	follow-up data collection from Richmond 2013 group	5.25


Totals	Reg	OT1	OT2	Paid	Unpaid
	104.00	0.00	0.00	104.00	0.75

Pay Type Summary	Reg	OT1	OT2	Paid	Unpaid
Work	104.00	0.00	0.00	104.00	0.75

Total Pay Type Summary	Reg	OT1	OT2	Total Paid	Total Unpaid
Work	104.00	0.00	0.00	104.00	0.75

Example – Rank and File Employee Compliant Daily Activity Report

COUNTY DEPARTMENT OF AGRICULTURE DAILY ACTIVITIES REPORT

Employee Signature: RPD Date: 5/20/2013
 Starting Time: 8:00 Ending Time: 4:30 Total Time Worked: 8.5 HRS
 Lunch Break: 1/2 HR
 Mileage Ending 79625 Mileage Beginning 79570 Total: 55 

TIME/MILEAGE ALLOCATION

PROGRAM CODE	*	**	Hours	Miles	# Inspect	Add	Rem	Total in Service
TRAPPING								
1 7 472-CDFA Contract (MF,OF,ML,GM,JB,CHMP)	50	2	3.25	25				
1 7 473-County Commitment (ECB,EPSM,KB)	50	2						
1 7 624-Light Brown Apple Moth	50	2	0.5					
1 7 310-Sweet Potato Weevil	50	2						
1 7 474-Sweet Potato Weevil Compliance Agreement	50	2						
1 7 637-Asian Citrus Psyllid (Urban)	50	2	2.25	15				
	51	2						

* 50 Trapping Time, Support * 51 Trapper Training

REPORT NUMBERS ON REVERSE SIDE

GLASSY + WINGED SHARPSHOOTER / PIERCES DISEASE PROGRAM

TRAPPING ACTIVITIES				**	Hours	Miles	# Traps Inspected	# Add/Rem +/-	# Relcs	# GWSS Traps in Operation
24	78	372 - Urban Survey	170	2	2.50	15	11			62
24	78	372 - Cropland Survey	171	2						
24	78	372 - Nursery Survey	169	2						
VISUAL SURVEY				**	Hours	Miles	# Properties Surveyed	# GWSS Finds		
24	78	365 - Urban Survey	170	2						
24	78	365 - Cropland Survey	171	2						
24	78	365 - Nursery Survey	169	2						
SPECIAL SURVEYS				**	Hours	Miles	# Properties Surveyed	# Baits Placed	# Acres	# Samples Submitted
1	6	311 - Red Imported Fire Ant	50	2						
1	6	623 - Japanese Dodder	1	2						

** 2-Straight Time 4-Overtime Earned

Supervisor's Review: RPD Date: 7/22/13

Example – Exempt Employee Non-Compliant Activity Report

March 31, 2013 - April 06, 2013		March 2013						April 2013																	
		Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa										
		3	4	5	6	7	8	9	1	2	3	4	5	6	7										
		10	11	12	13	14	15	16	8	9	10	11	12	13	14										
		17	18	19	20	21	22	23	15	16	17	18	19	20	21										
		24	25	26	27	28	29	30	22	23	24	25	26	27	28										
		31							29	30															
Time	Day	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
7 ^{am}						Breakfast - Weatherization Dir																			
8 ^{am}		Meeting with dir				breakfast with Board prospect																			
9 ^{am}																									
10 ^{am}		CAA directors' monthly phone c																							
11 ^{am}																									
12 ^{pm}																									
1 ^{pm}		transit dir interview																							
2 ^{pm}		transit dir interview																							
3 ^{pm}																									
4 ^{pm}		staff birthday party																							
5 ^{pm}																									
6 ^{pm}																									

Note:
Does Not
Account
for 100%
of all
Activities.

Example – Exempt Employee Compliant Activity Report

March 2013							April 2013						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
3	4	5	6	7	8	9	7	8	9	10	11	12	13
10	11	12	13	14	15	16	14	15	16	17	18	19	20
17	18	19	20	21	22	23	21	22	23	24	25	26	27
24	25	26	27	28	29	30	28	29	30				
31													

	31	1	2	3	4	5	6
	Tuesday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
7 ^{am}				Breakfast - Weatherization Dir	breakfast with Board prospect		
8 ^{am}		Mgmt team mtg	IT issue			vacation day	
9 ^{am}		phone calls, emails w/ staff, community partners	MS monitoring review planning meeting	deal w/ Weatherization issues, returns calls	call tel chair re: prospect, prog mgr & staff email, grant mgr & client, staff calls		Annual Community Day
10 ^{am}			CAA directors		HR dir, interview comm -		
11 ^{am}			phone call - strategic planner				
12 ^{pm}			HR issues				
1 ^{pm}		prep for interviews & debrief	lunch with PC chair & MS dir	lunch at MS center	presentation to Chamber of Commerce		
2 ^{pm}		review grant applications; phone calls with staff, clients, board member, PC member, attorney	Transit dir info	HR dir - insurance plan changes	IT issues, HR problems, call banker, fiscal questions		
3 ^{pm}			fiscal issues, board questions, explained program dir meetings	Transit dir info			
4 ^{pm}		staff birthday party		prep for chamber of commerce presentation, staff, State & county partner email, phone calls	audit partner c	meet w/ city & HR dir - emp	
5 ^{pm}							
6 ^{pm}				City Council mtg			

Note:
Accounts
for 100% of
Activity

Example – Exempt Employee Compliant Activity Report

Example: Finance Director Personnel Activity Report														
Spreadsheet Format														
9/8/1/2012 - 9/14/2012	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
	9/1/2012	9/2/2012	9/3/2012	9/4/2012	9/5/2012	9/6/2012	9/7/2012	9/8/2012	9/9/2012	9/10/2012	9/11/2012	9/12/2012	9/13/2012	9/14/2012
staff training & super		30%	40%	20%				20%	20%	10%	10%	20%		
staff team mtg		30%			20%			30%		30%	30%	20%		
board reports		30%		30%										
Fin Smts review			20%											
HR/IT issues			20%					30%	30%		30%	30%		
comm partner contacts									10%	20%	10%			
grant application				20%					30%	10%				
phone calls, emails		10%	20%	30%	10%			20%	10%	30%	20%	30%		
buget & 990					70%									
time off	100%													
Other - describe														
	100%	100%	100%	100%	100%	0%	0%	100%	100%	100%	100%	100%	0%	0%

Note: Accounts for 100% of Activity.

Example – Compliant Vehicle Mileage Log

COUNTY OF
VEHICLE MILEAGE REPORT
2011

DEPARTMENT AGWs. & Mrs.
ORG NUMBER 1730 VEHICLE NUMBER 659 893 Apr. 11

Date	Internal Order	Facility/ Area	Speedometer Start	Speedometer Ending	Miles Driven	OPERATOR SIGNATURE	Gasoline Purchased Gallons	Amount
4/11	1415 REGVMTR	South Margate	124,891	124,924	93	Raymond	5.24	22.56
4/12	517 ERAD		124,984	124,987	3	KL		
4/13	141510 REGVMTR	Westminster	124,987	125,066	79	Raymond	5.54	24.84
4/15	14 PE XCL		125,066	125,073	7	KL		
4/19	19 REGVMTR	Vineyard Dr.	125,073	125,176	103	JM	10.86	47.35
4/20	18 ACPTR	Nipuno	125,176	125,248	72	JM		
4/21	19 REGVMTR		125,248	125,260	12	NP		
4/22	141510 REGVMTR	Templeton	125,260	125,339	79	Raymond		
4/25	14151 TRAP		125,339	125,349	10	KL	10.910	46.90
4/26	19 REGVMTR	Paso	125,349	125,471	122	JM	6.138	26.37
4/27	19 REGVMTR	Paso	125,471	125,574	103	JM	6.324	26.93
4/28	19 REGVMTR	Paso	125,574	125,670	96	JM		
4/29	19 REGVMTR	Templeton	125,670	125,784	114	JM	12.692	54.56
			125,784	124,891	893			
					893			
					19 REGVMTR	-801		
					17 ERAD	-3		
					14 PE XCL	-7		
					18 ACPTR	-72		
					11 TRAP	=10		
					893			

Additional Information

- Federal 2 CFR 225
 - <https://www.law.cornell.edu/cfr/text/2/part-225>
- Uniform Administrative Requirements for Federal Grants (7 CFR 3016)
 - <http://www.gpo.gov/fdsys/granule/CFR-2012-title7-vol15/CFR-2012-title7-vol15-part3016/content-detail.html>
- Federal Mileage Rate
 - <http://www.gsa.gov/portal/content/103969>
- Handbook of Cost Plan Procedures for California Counties
 - State Controllers Office – Updated October 2012
- CDFA Audit Office
 - Main: (916) 900-5026

Questions from the Audience

