



ORANGE COUNTY FIRE AUTHORITY

JUNE 30, 2020

SINGLE AUDIT REPORT

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Orange County Fire Authority
Irvine, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the Orange County Fire Authority (the "Authority"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 8, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed





To the Board of Directors
Orange County Fire Authority
Irvine, California

no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lughard, LLP

Brea, California
October 8, 2020



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Orange County Fire Authority
Irvine, California

Report on Compliance for Each Major Federal Program

We have audited the Orange County Fire Authority (the "Authority")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2020. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Orange County Fire Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.



To the Board of Directors
Orange County Fire Authority
Irvine, California

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a material weakness. Additional material weaknesses may exist that have not been identified.

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



To the Board of Directors
Orange County Fire Authority
Irvine, California

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the Authority, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated October 8, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lance, Soll & Lughard, LLP

Brea, California

December 31, 2020 (except for the Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance which is dated October 8, 2020)

ORANGE COUNTY FIRE AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Program / Project Identification Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:				
Direct assistance via Federal Emergency Management Agency:				
National Urban Search and Rescue (US&R) Response System:				
2016 Cooperative Agreement 1st Supplemental	97.025	EMW-2016-CA-00013A	N/A	\$ 38,205
2016 Cooperative Agreement 2nd Supplemental	97.025	EMW-2016-CA-00013B	N/A	70,010
2017 Cooperative Agreement	97.025	EMW-2017-CA-00039	N/A	47,499
2018 Cooperative Agreement	97.025	EMW-2018-CA-00006	N/A	372,703
2019 Cooperative Agreement	97.025	EMW-2019-CA-00064	N/A	736,615
Subtotal - CFDA 97.025				<u>1,265,032</u>
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2016-FH-00565	N/A	1,258,629
Subtotal - CFDA 97.083				<u>1,258,629</u>
2018 Assistance to Firefighters Grant (AFG) - Fire Ground Survival Training	97.044	EMW-2018-FO-04863	N/A	427,834
2020 Assistance to Firefighters Grant (AFG) - COVID-19 Supplemental	97.044	EMW-2020-FG-01698	N/A	718,635
Subtotal - CFDA 97.044 *				<u>1,146,469</u>
Homeland Security Grant Program:				
Passed through the Orange County Sheriff's Department:				
2018 Orange County Intelligence Assessment Center	97.067	DHS 2018-SS-00054	11-195-0784	168,473
Subtotal - Passed through the Orange County Sheriff's Department				<u>168,473</u>
Total U.S. Department of Homeland Security				<u>3,838,603</u>
Total Federal Expenditures				<u>\$ 3,838,603</u>

* Major Program

Note a: Refer to Note 1 to the Schedule of Expenditures of Federal Awards for a description of significant accounting policies used in preparing this schedule.

Note b: There were no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to subrecipients during the year was \$0.

ORANGE COUNTY FIRE AUTHORITY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the Orange County Fire Authority (the "Authority"), that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the Authority from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the Authority becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program. The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

ORANGE COUNTY FIRE AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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97.044	Assistance to Firefighters Grant
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Dollar threshold used to distinguish between type A and type B program \$750,000

Auditee qualified as low risk auditee? yes no

ORANGE COUNTY FIRE AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2020-001 – Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management

Material Weakness/Instance of Noncompliance

Federal Award Information

CFDA Number: 97.044
Program Title: Assistance to Firefighters Grant
Federal Award Number(s): EMW-2018-FO-04863; EMW-2020-FG-01698
Federal Award Year(s): 2018 and 2020
Name of Federal Agency: U.S. Department of Homeland Security (FEMA)

Criteria or Specific Requirement

The grant agreement's approved scope of work approved a program budget of \$45,600 for supplies and \$90,000 for contractual services to accomplish program objectives. The supplies budget specified a purchase of four training props for use by Fire Ground Survival (FGS) program trainees. The contractual services budget specifies the cost of the FGS course and rental of the training facility.

Condition

As part of our audit testing, we reviewed costs charged to the program and requested for reimbursement by the Orange County Fire Authority (the "Authority"). We noted that the Authority spent \$87,330 on props and \$8,944 on other supplies which were not specifically approved by the grant agreement's scope of work. This resulted in supplies expenditures exceeding approved amounts by \$50,674, with the other supplies. Additionally, the Authority spent \$30,232 on contractual security services which were not specifically approved by the grant agreement's scope of work.

Cause of the Condition

Staff prepared reimbursement requests which included all costs and activities associated with the FGS program, as they were believed to be implicitly approved for reimbursement by the grant agreement, despite not being specifically approved by the grant scope of work.

Effect or Possible Effect

The Authority requested reimbursement for approved supplies which exceeded the program budget, and other supplies which were not specifically approved by the grant scope of work. Additionally, the expenditures related to the security services were not specifically approved by the grant scope of work. This resulted in costs requested for reimbursement which were not approved under the terms of the grant agreement.

Questioned Costs

Total questioned costs were \$80,906.

ORANGE COUNTY FIRE AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding 2020-001 – Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management (Continued)

Context

As there are only three (3) reimbursement requests submitted during the year, we examined all the requests for reimbursement with their associated expenditure details. No other costs or activities were identified as falling outside the approved scope of work. Authority staff were aware of some of these unapproved costs and had corrected the amount reported on the schedule of expenditures of federal awards but did not have the opportunity to correct the reimbursement requests prior to submission.

Repeat Finding

This is a new finding for the fiscal year ended June 30, 2020.

Recommendation

We recommend that Authority implement a system of review of the reimbursement requests to ensure that costs submitted to FEMA include only approved costs and activities, and that program budgets are not exceeded.

Management Response

We concur with the auditor's finding. Effective September 16, 2020, additional review and approval processes have been established for purchases and cash reimbursement requests pertaining to the Assistance to Firefighters Grant (AFG). These process changes enhance both the preventive and detective internal controls over allowable costs and cash management.

OCFA's Grant Manager is responsible for writing and submitting AFG proposals, including the grant's budget and scope of work. The Grant Manager will review and approve all purchase requisitions submitted by the AFG Program Manager prior to the purchase being made, ensuring that purchases are specifically within the approved scope of work and budgeted amount. If necessary, the Grant Manager will request and obtain a budget amendment from FEMA prior to finalizing the purchase. Any purchases made via Cal Cards will be reviewed in a similar manner and, if necessary, reclassified to a non-grant cost center. Finally, the Cost Accounting Manager in the Finance Division will conduct a more thorough audit of the AFG expenditure records while preparing the cash reimbursement requests, including a comparison to the original grant award budget. The Grant Manager will review and approve all AFG cash reimbursement requests compiled by the Cost Accounting Manager prior to their submission to FEMA.



ORANGE COUNTY FIRE AUTHORITY

P. O. Box 57115, Irvine, CA 92619-7115 • 1 Fire Authority Road, Irvine, CA 92602

Brian Fennessy, Fire Chief

(714) 573-6000

www.ocfa.org

Summary Schedule of Prior Year Findings and Questioned Costs For the Fiscal Year Ended June 30, 2019

Finding: 2019-001

Status: Corrected



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Corrective Action Plan

Finding: 2020-001

Name of Contact Person: Robert Cortez, Assistant Chief of Business Services

Corrective Action: We concur with the auditor's finding. Effective September 16, 2020, additional review and approval processes have been established for purchases and cash reimbursement requests pertaining to the Assistance to Firefighters Grant (AFG). These process changes enhance both the preventive and detective internal controls over allowable costs and cash management.

OCFA's Grant Manager is responsible for writing and submitting AFG proposals, including the grant's budget and scope of work. The Grant Manager will review and approve all purchase requisitions submitted by the AFG Program Manager prior to the purchase being made, ensuring that purchases are specifically within the approved scope of work and budgeted amount. If necessary, the Grant Manager will request and obtain a budget amendment from FEMA prior to finalizing the purchase. Any purchases made via Cal Cards will be reviewed in a similar manner and, if necessary, reclassified to a non-grant cost center. Finally, the Cost Accounting Manager in the Finance Division will conduct a more thorough audit of the AFG expenditure records while preparing the cash reimbursement requests, including a comparison to the original grant award budget. The Grant Manager will review and approve all AFG cash reimbursement requests compiled by the Cost Accounting Manager prior to their submission to FEMA.

Proposed Completion Date: September 16, 2020