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MICHAEL POST, C.P.A., M.B.A.
HARRIS COUNTY AUDITOR

March 31, 2023

Dear Daniel Ramos, Executive Director, Office of Management and Budget:

The Harris County Auditor's Office Audit Division has completed an audit of the Harris County Office of Management and Budget Subrecipient Monitoring Review. The results of our audit are included in the attached report.

We appreciate the time and attention provided by your team. Please expect an email request to complete our Post Engagement Survey. We look forward to your feedback. If you have any questions, please contact me or Errika Perkins, Chief Assistant County Auditor, 713-274-5673.

Sincerely,

A handwritten signature in blue ink that reads "Michael Post".

Michael Post
County Auditor

Report Copies:
District Judges
County Judge Lina Hidalgo
Commissioners:
Lesley Briones
Rodney Ellis
Adrian Garcia
Tom Ramsey
Christian Menefee
David Berry



INTERNAL AUDIT REPORT
OMB SUBRECIPIENT MONITORING REVIEW
MARCH 31, 2023

Executive Summary

OVERALL CONCLUSION

The overall controls related to subrecipient monitoring were found to be effective. However, the Office of Management and Budget (OMB) did not comply with all Federal Grant requirements for subrecipient monitoring. The issue was discussed with the Executive Director of the Office of Management and Budget, and a management action plan has been developed to address the issue by March 31, 2023.

SCOPE AND OBJECTIVE

The audit scope included processes and records for the 12 months ending September 30, 2022. The objective of this engagement was to evaluate the design and effectiveness of controls supporting compliance with the following single audit objectives:

- Subawards contain required information in accordance with 2 CFR 200.332(a).
- Subrecipients are monitored to ensure subawards are used for authorized purposes in accordance with 2 CFR 200.332(d).
- Subrecipients are monitored to ensure they are audited in accordance with 2 CFR 200 Subpart F, when applicable.

SUMMARY OF AUDIT ISSUE

Our audit identified the following issue:

- OMB did not monitor the subrecipient's single audit reports.

The audit issue, management's action plan to address the issue, and background information regarding this audit are discussed in more detail on the following pages. Each audit issue is ranked based on the likelihood and impact of the risk to Harris County's OMB grant program.

AUDIT ISSUE

ISSUE: Lack of monitoring of subrecipient single audit reports [MODERATE]

What is the Issue: OMB did not monitor the subrecipient's single audit reports.

Why it Happened: OMB's monitoring procedures did not address all relevant areas of the Uniform Guidance pertaining to oversight of subrecipients, which led to miscommunications on roles and expectations.

Why it Matters: Failure to monitor and follow up on the status of a subrecipient's single audit requirements and audit issues may result in a financial liability to the County, as well as non-compliance with 2 CFR 200.332.

What is Expected: 2 CFR 200.332.d.2 states, "Pass through entity monitoring of the subrecipient must include: Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward."

What Action(s) are Suggested: OMB should create procedures that fully address subrecipient monitoring requirements set forth in 2 CFR 200.332, as well as provide additional training for personnel responsible for monitoring subrecipient grant awards.

MANAGEMENT'S ACTION PLAN

Responsible Party: Daniel Ramos, Executive Director

The Office of Management and Budget maintains robust and effective procedures for monitoring subrecipients. Written procedures are in place and have been updated as of March 17th, 2023, to clarify the responsibilities regarding single audit requirements.

Over the years, the majority of subrecipients managed by OMB are governmental agencies – such as The Harris Center for IDD and Harris County Community Supervision and Corrections Department – with long-term grant funding in place. The single audits for these entities were not previously requested as they are State/County agencies, and we did not believe it was required. Updated policies and procedures have corrected this error.

More recently, OMB accepted the responsibility of overseeing the COVID-19 emergency rental assistance program due to the compressed timeline, substantial amount of funds to be disbursed, and limited capacity within community-serving departments at the county. While the OMB staff managing the grant were collecting single audits from subrecipients as required by the agreements in place, they were not verifying that the audits had been submitted to the federal audit clearinghouse nor reviewing for any findings or deficiencies related to the subaward. However, as a result of the emphasis on compliance and accountability with its subrecipients, OMB staff did work closely with BakerRipley to monitor and resolve deficiencies identified for the subaward in their single audit, meeting the primary objective of the single audit requirements.

Due Date: March 31, 2023



BACKGROUND

OMB acts as a focal point for managing certain pass-through grant awards to appropriate subrecipients whose goals align with the grant's programmatic purpose. During the audit period, OMB was responsible for monitoring multiple projects related to federal and state grants, with approximately \$88 million in subrecipient fees and services expenditures passed through to subrecipients. OMB subrecipients include BakerRipley, Catholic Charities, Coalition for the Homeless, Harris County Community Supervision & Corrections Division, and The Harris Center for Mental Health and IDD.

ACCOUNTABILITY

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards). The Standards require that we comply with the Code of Ethics and obtain reasonable assurance that significant risks to the activity are minimized to an acceptable level.

The engagement's scope did not include a detailed inspection of all transactions. There is a risk that fraud or errors were not detected during this engagement. Therefore, the official retains the responsibility for the accuracy and completeness of their financial records and for ensuring sufficient controls are in place to detect and prevent fraud, errors, or omissions.

