

Schedule of Federal Audit Findings and Questioned Costs

Pend Oreille County Fire Protection District No. 4 January 1, 2009 through December 31, 2009

1. The District did not ensure compliance with requirements of its Assistance to Firefighters grant.

CFDA Numbers and Titles:	97.044 - Assistance to Firefighters Grant
Federal Grantor Name:	Department of Homeland Security
Federal Award/Contract Number:	EMW-2008-FR-00031
Pass-through Entity Name:	NA
Pass-through Award/Contract Numbers:	NA
Questioned Cost Amount:	\$0

Description of Condition

During 2009, the District spent \$710,694 in federal Assistance to Firefighters grant funds for emergency response equipment. In January of 2010, \$592,853 of equipment was passed through to 10 subrecipients.

Auditing standards require us to consider disclosing instances of noncompliance that have occurred after the end of the fiscal year under audit and up to the date of our report which is August 29, 2011. The conditions described below that occurred in 2010 are significant enough to be included in our report.

Suspension and Debarment

Federal grant recipients are prohibited from making sub-awards to parties that are suspended or debarred from doing business with the federal government. If a subrecipient certifies in writing that it has not been suspended or debarred, the grantee may rely on that certification. Alternatively, the grantee may check for suspended or debarred parties by reviewing the federal Excluded Parties List System issued by the U.S. General Services Administration. Recipients must meet this requirement prior to awarding funds or property to its subrecipients.

The District did not verify the suspension and debarment status of the 10 subrecipients prior to distributing the emergency response equipment in January of 2010.

Subrecipient Monitoring

As the pass-through agency for this regional grant, the District is responsible for ensuring federal grant information and compliance requirements are communicated to subrecipients. In May 2010, the District communicated the value of the equipment distributed to its subrecipients and that this amount was required to be reported on the

Schedule of Expenditures of Federal Awards in the year the property was received. However, the District did not communicate the Catalog of Federal Domestic Assistance number, program title and federal awarding agency as required.

Cause of Condition

The District generally spends less than \$500,000 in basic federal grant funding and is not typically required to obtain a federal single audit. The District was not aware the suspension and debarment requirements applied to the entities to which it distributed the property. The District had a written inter-local agreement with each subrecipient, however, it was not aware of the scope of information required to be communicated.

Effect of Condition and Questioned Costs

Suspension and Debarment

By not ensuring suspension and debarment requirements are met for all subrecipients, the District runs the risk of doing business with an ineligible party. Funds or property awarded to an ineligible party may be subject to recovery by the funding agency. The District was able to verify the subrecipients were not suspended or debarred and we are not questioning costs.

Subrecipient Monitoring

By not communicating the necessary federal grant information and compliance requirements to each subrecipient, the District cannot ensure they would comply with federal program requirements such as preparing an accurate Schedule of Expenditures of Federal Awards.

Recommendation

We recommend the District:

- Verify suspension and debarment status of all subrecipients and retain records to support this verification.
- Communicate federal grant information and compliance requirements to all subrecipients of the grant award.

District's Response

In response to the two points above, Pend Oreille Fire District 4 appreciates the auditing process to allow us to more efficiently and effectively monitor our AFG process in order to continue to use the AFG program to improve the emergency services of Pend Oreille County.

Suspension and Debarment

We did not check the online suspension and debarment list on behalf of the subrecipients as they signed into an Interlocal Agreement, which clearly states in the opening paragraph:

“Pursuant to Chapter 39.34 RCW and to other provisions of law, Pend Oreille Fire District No. 4, and the following named public agencies, hereby enter into this Intergovernmental Cooperative Purchasing Agreement (hereinafter called the “Agreement”), the purpose of which is for undertaking governmental purchasing activity that each party is authorized by law to perform, upon the following terms and conditions”

We felt this section of the Interlocal Agreement required all subrecipients to be legally eligible to receive federal funding. In the future, we will include this language in any Interlocal Agreement as well as check the suspension and debarment list for subrecipient eligibility.

Subrecipient Monitoring

On May 17, 2010, we sent an email to all subrecipients stating that they needed to report the receipt of this federal award, even though they were subrecipients, including the CFDA number and dollar amount of the equipment received, and to contact our district secretary to receive the CFDA number and the specific dollar amount unique to each subrecipient that was required for reporting. We received zero response from the subrecipients.

Therefore we feel the subrecipients were notified and offered one-on-one assistance in completing their reporting, which goes above the AFG requirement to simply supply the raw data, however none of the subrecipients responded.

Pend Oreille Fire District 4 has reviewed the findings and while we feel we have valid evidence that controls were in place and used, we realize the specificity of the AFG requirements and will use only these as a guideline from this point forward.

Pend Oreille Fire District 4 would like to thank you for the opportunity to reply to these two points and we look forward to a continued positive working relationship with your agency.

Auditor’s Remarks

We appreciate the District’s commitment to resolving these issues. We will review the condition during our next audit.

Applicable laws and Regulations

American Institute of Certified Public Accountants, *Government Auditing Standards and Circular A-133 Audits*, May 2010, Section 10.48, states in part:

The auditor has no obligation to perform any audit procedures related to the entity’s compliance during the period subsequent to the period covered by the auditor’s report. However, if before the report release date the auditor becomes aware of noncompliance in the period subsequent to the period covered by the auditor’s report that is of such a nature and significance that its disclosure is needed to prevent report users from being misled, the auditor should discuss the matter with management and, if appropriate, those charged with governance and

should include an explanatory paragraph in his or her report describing the nature of the noncompliance

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 300, states in part:

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

Title 2, Code of Federal Regulations, Section 180.300 – What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

(a) Checking the EPLS; or

(b) Collecting a certification from that person if allowed by this rule; or

(c) Adding a clause or condition to the covered transaction with that person.

Title 44, Code of Federal Regulation, Section 13.37 – Subgrants, states in part:

(b) *All other grantees.* All other grantees shall follow the provisions of this part which are applicable to awarding agencies when awarding and administering subgrants (whether on a cost reimbursement or fixed amount basis) of financial assistance to local and Indian tribal governments. Grantees shall:

(1) Ensure that every subgrant includes a provision for compliance with this part;

(2) Ensure that every subgrant includes any clauses required by Federal statute and executive orders and their implementing regulations; and

(3) Ensure that subgrantees are aware of requirements imposed upon them by Federal statutes and regulations

Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, states in part:

Section .400

A pass-through entity shall perform the following . . .

1. Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year . . . and name of Federal agency