



FEMA

MAR 26 2018

Ms. Anita Peden, Chief
Departmental Administrative Services
Sacramento County Sheriff's Department
711 G Street
Sacramento, California 95814

Dear Ms. Peden:

An on-site financial monitoring review was conducted August 14-16, 2017, by U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA), Region IX Grants Management Division. A letter dated October 2, 2017, was sent to your office, which contained three areas determined to be out-of-compliance with federal financial regulations.

On December 8, 2017, we received your corrective action plan (CAP) for the three areas of non-compliance. We reviewed and determined that the three areas of non-compliance would remain open pending further implementation of the planned corrective actions.

We received the Department's 2nd CAP on March 21, 2018. We reviewed the corrective actions, and determined that all three areas of non-compliance have been resolved and are now closed. Below are the three identified areas of non-compliance initially noted, and their current status:

1. 44 CFR §13.20 (b)(5) - Allowable Cost

A random sampling of grant travel costs revealed that meals were reimbursed based on the "Runzheimer Guide to Daily Travel Prices for 100 Primary US Cities," in accordance with the County of Sacramento Travel Policy, revised July 2006.

Reimbursement for meals to inspect the Safe Boat in Seattle, Washington on May 14 and May 15, 2015, exceeded the maximum allowable GSA M&IE rate of \$71. Meals were reimbursed based on the following "Runzheimer" rates:

- 1) Breakfast = \$27.21
- 2) Lunch = \$26.08
- 3) Dinner = \$50.05

The King County, Washington, GSA M&IE rate breakdown for fiscal years 2012 through 2015 was as follows:

- 1) Breakfast = \$12.00
- 2) Lunch = \$18.00
- 3) Dinner = \$36.00
- 4) Incidental = \$5.00

Recipient must conduct an internal review of all FY14 PSGP travel expenses, identify and reclassify the unallowable M&IE charges, in excess of the GSA rates, to a non-federal fund. A copy of the adjusting journal entries must be provided to FEMA. FEMA will then review the documents, determine the total payment remittance owed, and provide the recipient with payment remittance instructions.

NOTE: The December 13, 2016 revision of Sacramento County's Travel Guidelines and Procedures incorporated the GSA's Meal & Incidental Expenses (M&IE) rate.

Corrective Action Taken by Sacramento County Sheriff's Department (SCSD) (November 30, 2018):

The December 13, 2016 revised Sacramento County Travel Guidelines and Procedures has adopted the GSA's M&IE rates to be compliant with federal grant rules and regulations. All travel expenses in excess of the GSA rates have been identified and reclassified as unallowable M&IE expenses.

Please see attachment A for supporting documentation of the adjusting journal entries.

Current Status of Recommendation (January 12, 2018):

This recommendation will remain open pending receipt of the unallowable \$369.69 in M&IE costs. A Return of Funds form is enclosed for your convenience, and payment remittance guidance is provided under "Next Steps."

Corrective Action Taken by SCSD (March 13, 2018):

A check in the amount of \$369.69 was remitted to FEMA for the unallowable M&IE costs.

Current Status of Recommendation:

On March 8, 2018, an external adjustment for \$369.69 was recorded under EMW-2014-PU-00383. This area of non-compliance has been resolved and is closed.

2. 44 CFR §13.24 (a) – Allowability of Matching/Cost Sharing Funds

A review of SCSD's matching costs revealed that \$95,102 was from two employee retirement benefit debt accounts (no other employee benefits or salaries/wages were used as match). The accounts in question are Pension Obligation Bond POB accounts 10121100 (1995/2003) and 1021200 (2004).

In 1995, the County issued \$538 million in a Pension Obligation Bond (POB) to fund an existing unfunded accrued actuarial liability (UAAL) owed to the Sacramento County Employees Retirement System (SCERS). County of Sacramento Resolution #2003-0768 authorized the restructure of the County's existing 1995 POB, to offset much of the increased costs due to the enhancements and pension system investment losses. In turn, the County must repay the Pension Obligation Bond (POB) debt service for each of the original 1995, 2003 and 2004 POB issuances.

In order for matching/cost sharing to be allowable, the cost must be allowable, reasonable, and allocable under OMB cost principles and the terms of grant agreements. In accordance with 2 CFR § 225, Appendix B, bad debts, including losses (whether actual or estimated) arising from uncollectable accounts and other claims are unallowable. Therefore, the \$95,102 in POB match is unallowable.

Sacramento County Sheriff's Department (SCSD) offered to replace the POB match with other non-POB personnel matching cost sharing, and FEMA has approved this request. SCSD's must provide FEMA with a breakdown of the proposed substituting costs to determine its allowability. Once approved, SCSD must provide FEMA with the adjusting general journal entries replacing the unallowable POB costs, with the approved allowable cost match.

Corrective Action Taken by SCSD (November 30, 2018):

FEMA has approved SCSD requests to replace the unallowable POB match/cost sharing with other non-POB personnel cost. SCSD has produced substituting personnel costs to be reviewed and determined as allowable by FEMA.

Please see attachment B for a breakdown of our proposed substituting cost. Once approved SCSD will produce adjusting journal entries replacing the unallowable POB personnel matching cost with the approved allowable cost.

Current Status of Recommendation (January 12, 2018):

FEMA has agreed to the cost substitution replacing \$95,102 in unallowable POB match/cost sharing with other non-POB personnel fringe benefits costs. SCSD must now reclassify the unallowable match to a non-federal fund, and provide FEMA with the adjusting journal entries.

Corrective Action Taken by SCSD (March 13, 2018):

SCSD provided copies of the adjusting entries.

Current Status of Recommendation:

SCSD reclassified \$95,102 in unallowable match from the Port Security Grant Program Cost Center, account 7407474216 to the Marine Unallowable Expense Cost Center, account 7407474010.

The allowable non-POB personnel expenses totaling \$95,102 were reclassified from the Marine Cost Center to the Port Security Grant Program as the grant match/cost share.

This area of non-compliance has been resolved and is closed.

3. 44 CFR §13.42 – Records Retention

The recipient does not have its own Records Retention policies and procedures. Sacramento County Sheriff provided FEMA a copy of Sacramento County Department of Finance's Retention Policy; however, there were no references to the retention of grant or federal award documentation.

The recipient also provided FEMA with the Secretary of State, Local Government Records Management Guidelines dated February 2006. The retention policy for Federal and State grants are listed on page C-19. The Guidelines refer to the grant application, closeout procedures, and California Government Code 34090, which prohibits the destruction of records required to be kept by statute. The Secretary of State's policy does not reference the Code of Federal Regulations (CFR) pertaining to Federal awards, which includes the retention requirements.

The recipient must establish written record retention policies and procedures that are at least as restrictive as the grant record retention requirements in the Code of Federal Regulations.

Corrective Action Taken by SCSD (November 30, 2018):

SCSD has established and implemented a Grant Management Record Retention and Destruction Policy, effective November 2017. A copy of the policy is attached to this response letter.

Current Status of Recommendation (January 12, 2018):

FEMA reviewed the Grant Management Record Retention and Destruction Policy, and recommends that one additional subsection under Section C, Grants Records, be included to address the record retention policy resulting from litigation, claims or audit findings, in accordance with 44 CFR §13.42 - Retention and Access Requirements for Records, and the new Super Circular, 2 CFR § 200.333 (a) - Retention Requirements for Records.

This recommendation will remain open pending receipt of a revised Grant management Record Retention and Destruction Policy.

Corrective Action Taken by SCSD (March 13, 2018):

SCSD provided FEMA with a copy of the revised Grant Management Record Retention and Destruction Policy.

Ms. Anita Peden

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Current Status of Recommendation:

The revised Policy outlines the grant record retention requirements should litigation, claims, negotiation or audit issues arise, in accordance with the Code of Federal Regulations.

This area of non-compliance is resolved and closed

FEMA Region IX, Grants Management Division, appreciates the support and cooperation your staff provided over the course of the review. If you have any questions or concerns pertaining to the review results, you may contact me directly at (510) 627-7132 or via e-mail at karen.arnes@fema.dhs.gov or have your staff contact Michelle Weaver, Grant Services Branch Chief, at michelle.weaver@fema.dhs.gov or (510) 627-7021.

Sincerely,



Karen E. Armes, Director
Grants Management Division
FEMA Region IX

cc: HQ/RCO

Kevin Groves, Program Analyst, HQ/GPD
Official Region IX Grant File