

COUNTY OF SAN MATEO

Single Audit Reports

For the Fiscal Year Ended June 30, 2005

COUNTY OF SAN MATEO
Single Audit Reports
For the Fiscal Year Ended June 30, 2005

Table of Contents

	Page(s)
Independent Auditor's Report on Schedule of Expenditures of Federal Awards	1 - 2
Schedule of Expenditures of Federal Awards.....	3 - 6
Notes to the Schedule of Expenditures of Federal Awards	7 - 11
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12 - 13
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	14 - 15
Schedule of Findings and Questioned Costs	16 - 33
Status of Prior Years Findings and Questioned Costs	34 - 35



MACIAS GINI & COMPANY_{LLP}

Mt. Diablo Plaza
2175 N. California Boulevard, Ste. 645
Walnut Creek, California 94596

925.274.0190 PHONE
925.274.3819 FAX

To the Grand Jury and Board of Supervisors of
the County of San Mateo
Redwood City, California

**INDEPENDENT AUDITOR’S REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Mateo, California (County), as of and for the year ended June 30, 2005, which collectively comprise the County’s basic financial statement and have issued our report thereon dated November 8, 2005. These financial statements are the responsibility of the County’s management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Mateo County Housing Authority (Authority) and the San Mateo Employees’ Retirement Association (SamCERA), which represent the following percentages of the assets and revenues/additions of the following opinion units as of and for the year ended June 30, 2005:

<u>Opinion Unit</u>	<u>Assets</u>	<u>Revenues/ Additions</u>
Business-type Activities	16.8%	33.7%
Each Major Enterprise Fund – San Mateo Housing Authority	100.0%	100.0%
Aggregate Remaining Fund Information	41.0%	8.0%

Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Authority and the SamCERA, is based on the reports of the other auditors.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards (Schedule) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The Schedule does not include expenditures of federal awards received by the Authority. The Authority's expenditures are audited by other auditors in accordance with OMB Circular A-133. The Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maciej Liniak Company LLP
Certified Public Accountants

Walnut Creek, California
November 8, 2005

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients	Pass-Through Entity Number
U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY				
Direct Program:				
High Intensity Drug Trafficking Area	07	\$ 3,264,276	\$ -	n/a
TOTAL U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY		<u>3,264,276</u>	<u>-</u>	
U.S. DEPARTMENT OF AGRICULTURE				
Direct Program: None				
Pass-Through Programs, State of California, Department of Social Services:				
Food Stamp Cluster:				
Food Stamps	10.551	10,810,966	-	06-117-01
State Administrative Matching Grants for Food Stamp Program	10.561	3,207,032	-	n/a
State Administrative Matching Grants for Food Stamp Program	10.561	441,958	-	03-75563
Subtotal of Food Stamps Cluster		<u>14,459,956</u>	<u>-</u>	
Pass-Through Programs, State of California, Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	122,077	-	41-10413-6045223-01-1154
National School Lunch Program	10.555	188,237	-	41-10413-6045223-01-1154
Subtotal of Child Nutrition Cluster		<u>310,314</u>	<u>-</u>	
Pass-Through Program, State of California, Department of Health Services:				
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC Program)	10.557	2,069,558	-	02-25709
Subtotal Pass-Through Programs		<u>16,839,828</u>	<u>-</u>	
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>16,839,828</u>	<u>-</u>	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs:				
Community Development Block Grants/Entitlement Grants	14.218	32,943,062	1,613,787	n/a
Emergency Shelter Grants Program	14.231	130,113	123,607	n/a
HOME Investment Partnerships Program	14.239	15,498,918	290,685	n/a
Sub-Total of Direct Programs		<u>48,572,093</u>	<u>2,028,079</u>	
Pass-Through Program, City & County of San Francisco:				
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	1,024,000	837,463	n/a
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>49,596,093</u>	<u>2,865,542</u>	
U.S. DEPARTMENT OF THE INTERIOR				
Direct Program: None				
Pass-Through Program, Trust for Public Land, a Non-profit Organization:				
Cooperative Endangered Species Conservation Fund	15.615	860,000	-	n/a
TOTAL U.S. DEPARTMENT OF THE INTERIOR		<u>860,000</u>	<u>-</u>	
U.S. DEPARTMENT OF JUSTICE				
Direct Programs:				
Crime Laboratory Improvement_Combined Offender DNA INDEX				
System Backlog Reduction	16.564	23,237	-	n/a
Gang Resistance Education and Training	16.737	14,420	-	n/a
Drug Enforcement Administrative Grant	16	7,259	-	n/a
Southwest Border Prosecution Initiative	16A	440,268	-	n/a
Sub-Total of Direct Programs		<u>485,184</u>	<u>-</u>	
Pass-Through Program, State of California, Board of Corrections:				
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	144,000	131,040	BDC 300-04
Violent Offender Incarceration and Truth Sentencing Incentive Grant	16.586	8,816,373	-	BDC 029-01
Pass-Through Programs, State of California, Office of Emergency Services:				
National Institute of Justice Research, Evaluation, and Development Project Grants				
Crime Laboratory Improvement_Combined Offender DNA INDEX	16.560	7,145	-	CQ03020410
System Backlog Reduction	16.564	90,591	-	MOU with State
Crime Victim Assistance	16.575	170,755	-	VW04230410
Crime Victim Assistance	16.575	95,080	-	SE04140410
Byrne Formula Grant Program	16.579	382,010	-	DL 04150410
Sub-Total of Pass-Through Programs		<u>9,705,954</u>	<u>131,040</u>	
TOTAL U.S. DEPARTMENT OF JUSTICE		<u>10,191,138</u>	<u>131,040</u>	

See notes to the schedule of expenditures of federal awards.

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients	Pass-Through Entity Number
U.S. DEPARTMENT OF LABOR				
Direct Programs: None		-	-	n/a
Pass-Through Program, State of California, Department of Aging: Senior Community Service Employment Program	17.235	101,397	101,397	TV-0405-08
Pass-Through Programs, State of California, Employment Development Department: Workforce Investment Act Cluster:				
Workforce Investment Act (WIA) Adult Program	17.258	1,169,406	98,562	R588753
Workforce Investment Act (WIA) Youth Activities	17.259	1,275,128	669,934	R588753
Workforce Investment Act (WIA) Dislocated Workers	17.260	3,070,191	657,189	R588753
Subtotal of Workforce Investment Act Cluster		<u>5,514,725</u>	<u>1,425,685</u>	
Workforce Investment Act (WIA) Incentive Grants_Section 503 Grants to States	17.267	2,674	-	R485307
Sub-Total of Pass-Through Programs		<u>5,618,796</u>	<u>1,527,082</u>	
TOTAL U.S. DEPARTMENT OF LABOR		<u>5,618,796</u>	<u>1,527,082</u>	
U.S. DEPARTMENT OF TRANSPORTATION				
Direct Program:				
Airport Improvement Program	20.106	1,207,201	-	n/a
Pass-Through Program, State of California, Department of Transportation:				
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	18,392	-	HBRR BROS-0081(011)
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	76,982	-	STPL-HSR-5935(027)
Pass-Through Program, State of California, Office of Traffic Safety				
State and Community Highway Safety	20.600	87,113	-	AL0406
Sub-Total of Pass-Through Programs		<u>182,487</u>	<u>-</u>	
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		<u>1,389,688</u>	<u>-</u>	
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Direct Program: None		-	-	n/a
Pass-Through Program, State of California, Water Control Resources Board:				
Local Oversight Program - Groundwater Protection	66	263,889	-	04-042-250-0
Pass-Through Program, State of California, Department of Health Services:				
Beach Monitoring and Notification Program Implementation Grants	66.472	25,000	-	04-35987
Sub-Total of Pass-Through Programs		<u>288,889</u>	<u>-</u>	
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY		<u>288,889</u>	<u>-</u>	
U.S. DEPARTMENT OF EDUCATION				
Direct Program: None		-	-	n/a
Pass-Through Program, State of California, Department of Education:				
Special Education - Grants to States	84.027	1,979,619	-	04-14468-1041-01
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>1,979,619</u>	<u>-</u>	

See notes to the schedule of expenditures of federal awards.

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients	Pass-Through Entity Number
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs:				
Community Health Centers	93.224	1,381,781	-	n/a
Consolidated Knowledge Development and Application (KD & A) Program	93.230	170,808	145,500	n/a
Substance Abuse and Mental Health Services: Projects of Regional and National Significance	93.243	1,380,002	603,966	n/a
Healthy Community Access Program	93.252	17,113	-	n/a
Adolescent Family Life - Demonstration Projects	93.995	380,059	-	n/a
Sub-Total of Direct Programs		<u>3,329,763</u>	<u>749,466</u>	
Pass-Through Programs, State of California, Department of Aging:				
Special Programs for the Aging Cluster:				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	911,536	911,536	AP-0405-08
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	946,048	817,172	AP-0405-08
Nutrition Services Incentive Program	93.053	226,530	226,530	AP-0405-08
Sub-Total of Special Programs for the Aging Cluster		<u>2,084,114</u>	<u>1,955,238</u>	
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	11,905	11,905	AP-0405-08
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	40,248	40,248	AP-0405-08
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	42,241	42,241	AP-0405-08
National Family Caregiver Support	93.052	328,799	292,413	AP-0405-08
U.S. Repatriation	93.579	2,955	-	n/a
Medical Assistance Program (Medicaid; Title XIX)	93.778	369,543	-	MS-0405-13
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	41,640	37,855	HI-0405-08
Pass-Through Programs, State of California, Department of Health Services:				
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	1,274,063	194,837	01-15099
Disabilities Prevention	93.184	740,137	-	n/a
Immunization Grants	93.268	227,201	-	04-35252
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	1,311,805	-	n/a
Social Services Block Grant	93.667	300,693	-	n/a
State Children's Insurance Program	93.767	149,233	-	n/a
Medical Assistance Program (Medicaid; Title XIX)	93.778	958,595	-	n/a
Medical Assistance Program (Medicaid; Title XIX)	93.778	344,498	-	02-25073
Preventative Health Services - Sexually Transmitted Diseases Control Grants	93.977	69,828	-	n/a
Preventive Health and Health Services Block Grant	93.991	1,701	-	Fed 314(d)
Maternal and Child Health Services Block Grant to the States	93.994	1,134,374	-	200441
Pass-Through Programs, State of California, Department of Mental Health:				
Projects for Assistance in Transition from Homelessness (PATH)	93.150	117,943	117,943	n/a
Block Grants for Community Mental Health Services	93.958	856,011	178,511	n/a
Pass-Through Programs, State of California, Department of Social Services:				
Promoting Safe and Stable Families	93.556	1,088,588	-	n/a
Temporary Assistance for Needy Families	93.558	33,656,816	-	n/a
Refugee and Entrant Assistance - State Administered Programs	93.566	82,415	-	n/a
Child Welfare Services - State Grants	93.645	359,441	-	n/a
Foster Care - Title IV-E	93.658	14,464,449	-	n/a
Foster Care - Title IV-E	93.658	924,949	-	2024.00.01
Adoption Assistance	93.659	2,478,753	-	n/a
Independent Living	93.674	236,117	-	n/a
Medical Assistance Program (Medicaid; Title XIX)	93.778	2,874,076	-	n/a
Pass-Through Program, State of California, Department of Child Support Services:				
Child Support Enforcement	93.563	7,502,219	-	n/a
Pass-Through Programs, State of California, Department of Education:				
Child Care and Development Fund Cluster				
Child Care and Development Block Grants	93.575	1,268,790	1,268,790	F2AP-4058
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	442,209	442,209	FAPP-4065
Sub-Total of Child Care and Development Fund Cluster		<u>1,710,999</u>	<u>1,710,999</u>	
Pass-Through Programs, State of California, Alcohol and Drug Programs:				
Medical Assistance Program (Medicaid; Title XIX)	93.778	240,988	46,872	05B1CASAPT-02
Block Grants for Prevention and Treatment of Substance Abuse	93.959	4,681,438	3,871,912	05B1CASAPT-02
Pass-Through Program, City and County of San Francisco:				
HIV Emergency Relief Project Grants	93.914	2,305,934	581,820	n/a
Pass-Through Program, State of California, Emergency Medical Services Authority:				
Preventive Health and Health Services Block Grant	93.991	13,804	-	4120-101-0890
Preventive Health and Health Services Block Grant	93.991	48,599	-	4120-720-5000
Sub-Total of Pass-Through Programs		<u>83,077,112</u>	<u>9,082,794</u>	
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>86,406,875</u>	<u>9,832,260</u>	

See notes to the schedule of expenditures of federal awards.

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients	Pass-Through Entity Number
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Program:				
Assistance to Firefighters Grant	97.044	249,606	-	n/a
Pass-Through Programs, State of California, Governor's Office of Emergency Services:				
Homeland Security Cluster				
State Domestic Preparedness Equipment Support Program	97.004	29,895	-	2002TECX0133
Homeland Security Grant Program	97.067	766,112	-	2004-45
Homeland Security Grant Program	97.067	116,584	-	2005-15
Sub-Total of Homeland Security Cluster		912,591	-	
Emergency Management Performance Grants	97.042	105,072	-	EMF-2003-GR-0302
Citizen Corps	97.053	20,761	-	CCOA #41
State Homeland Security Program (SHSP)	97.073	192,040	-	2003-0167
State Homeland Security Program (SHSP)	97.073	470,990	-	2003-35
Sub-Total of Pass-Through Programs		1,701,454	-	
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY		1,951,060	-	
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 178,386,262	\$ 14,355,924	

See notes to the schedule of expenditures of federal awards.

COUNTY OF SAN MATEO
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2005

1. GENERAL

The schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the County of San Mateo (County). All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies are included on this schedule except for assistance related to Medical Assistance (Medi-Cal) and Medicare Hospital Insurance (Medicare) (Note 5) and the Housing Authority of the County of San Mateo (Housing Authority) (Note 8).

2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting for program expenditures accounted for in the governmental funds and the accrual basis of accounting for program expenditures accounted for in the proprietary funds as described in Note 2(b) of the County's basic financial statements.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule agree or can be reconciled with amounts reported in the related federal financial assistance reports.

4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures agree or can be reconciled with the amounts reported in the County's basic financial statements.

5. MEDI-CAL AND MEDICARE

Direct Medi-Cal and Medicare expenditures are excluded from the Schedule. These expenditures represent fees for services and are not included in the Schedule or in determining major programs. The County assists the State in determining eligibility and provides Medi-Cal and Medicare services through County-owned facilities. Administrative costs related to Medi-Cal and Medicare are, however, included in the Schedule under Medical Assistance Program (Federal CFDA number 93.778).

6. FOOD COUPONS

The County issued food coupons valued at \$10,810,966 during the year ended June 30, 2005. This amount is for information only as receipts and issuances of food coupons are not recorded in the County's financial records.

7. SOUTHWEST BORDER PROSECUTION INITIATIVE PROGRAM – CFDA number 16A

The Southwest Border Prosecution Initiative (SWBPI) program included expenditures of \$244,012 incurred for the period from October 1, 2001 through June 30, 2004 that were excluded in prior fiscal years.

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2005

8. HOUSING AUTHORITY

Housing Authority expenditures are excluded from the Schedule because the Housing Authority is separately audited. The programs of the Housing Authority are as follows:

Program Title	CFDA Number	Federal Expenditures
Public and Indian Housing	14.850	\$ 235,225
Capital Fund Program	14.872	605,715
Section 8 Programs:		
Moderate Rehabilitation	14.856	1,218,049
Housing Choice Voucher	14.871	57,287,277
Shelter Plus Care	14.238	1,780,001
Moving to Work	14.871	4,451,282
Supportive Housing	14.235	373,797
Total		\$ 65,951,346

9. LOANS OUTSTANDING

The County participates in certain federal award programs that sponsor revolving loan programs, which are administered by the County. These programs maintain servicing and trust arrangements with the County to collect loan repayments. The funds are returned to the programs upon repayment of the principal and interest. The federal government has imposed certain continuing compliance requirements with respect to the loans rendered under the programs. In accordance with Subpart B, Section 205 of the U.S. Office of Management and Budget Circular A-133, the County has reported the outstanding balance of loans from previous years that have continuing compliance requirements as of June 30, 2005 along with the value of total outstanding and new loans made during the current year. The outstanding balance of prior years' loans that have continuing compliance requirements has been included in total federal expenditures for these programs.

The following is a summary of the loan programs maintained by the County and their balances at June 30, 2005:

Program Title	CFDA Number	Amount Outstanding	Prior Year Loans with Continuing Compliance Requirements	New Loans Issued During FY 2005
Community Development				
Block Grants/Entitlement Grants	14.218	\$ 28,381,269	\$ 28,090,494	\$ 1,235,525
HOME Investment				
Partnerships Program	14.239	14,910,228	12,428,803	2,636,693
		\$ 43,291,497	\$ 40,519,297	\$ 3,872,218

Included in the loan receivable amount outstanding are expenditures related to new loans issued during fiscal year 2004-05.

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2005

10. CALIFORNIA DEPARTMENT OF AGING (CDA) SINGLE AUDIT REPORTING REQUIREMENTS

The terms and conditions of agency contracts with CDA, beginning for FY 2004/05, require agencies to display state-funded expenditures discretely along with the related federal expenditures. For state grants not involving federal funding, the amounts are to be displayed separately. The following schedule is presented to comply with these requirements.

Federal Grantor Pass-through Grantor Program Title	CFDA No.	Grant/ Contract Number	Expenditures	
			State	Federal
U.S. Department of Labor <i>Passed through CA Department of Aging</i> Senior Community Service Employment Program	17.235	TV-0405-08	\$ 24,714	\$ 101,397
U.S. Department of Health & Human Services <i>Passed through CA Department of Aging</i>				
Special Programs for Aging-Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, & Exploitation	93.041	AP-0405-08	489	11,905
Special Programs for Aging-Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042	AP-0405-08	5,545	40,248
Special Programs for Aging-Title III, Part D Disease Prevention and Health Promotion Services	93.043	AP-0405-08	1,920	42,241
Special Programs for Aging-Title III, Part B Grants for Supportive Services and Senior Centers	93.044	AP-0405-08	125,049	911,536
Special Programs for Aging-Title III, Part C Nutrition Services	93.045	AP-0405-08	164,797	946,048
National Family Caregiver Support	93.052	AP-0405-08	-	328,799
Nutrition Services Incentive Program	93.053	AP-0405-08	-	226,530
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	HI-0405-08	121,175	41,640
Total Expenditures of State and Federal Awards			<u>\$ 443,689</u>	<u>\$ 2,650,344</u>
State Awards - California Department of Aging:				
Area Agency on Aging - Administration		AP-0405-08	\$ 11,849	
CBSP - Linkages		AP-0405-08	232,317	
CBSP - Respite Purchase of Service		AP-0405-08	17,000	
CBSP - Senior Companion		AP-0405-08	12,835	
CBSP - Brown Bag Program		AP-0405-08	23,425	
CBSP - ADCRC		AP-0405-08	75,884	
Ombudsman Volunteer Recruitment Initiative		AP-0405-08	27,468	
Total Expenditures of CDA Awards			<u>\$ 400,778</u>	

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2005

11. PROGRAM TOTALS

The schedule of expenditures of federal awards does not summarize programs that receive funding from various funding sources or grants. The following table summarizes these programs by CFDA numbers.

Program Title / Federal Grantor or Pass-Through Grantor	Pass Through Entity Number	Federal Expenditures
(a) CFDA number 10.561 - State Administrative Matching Grants for Food Stamp Program		
State of California, Department of Social Services	n/a	\$ 3,207,032
State of California, Department of Social Services	03-75563	441,958
	Program Total	<u>\$ 3,648,990</u>
(b) CFDA number 16.564 - Crime Laboratory Improvement_Combined Offender DNA INDEX System Backlog Reduction		
U.S. Department of Justice	n/a	\$ 23,237
State of California, Office of Emergency Services	MOU with State	90,591
	Program Total	<u>\$ 113,828</u>
(c) CFDA number 16.575 - Crime Victim Assistance		
State of California, Office of Emergency Services	VW04230410	\$ 170,755
State of California, Office of Emergency Services	SE04140410	95,080
	Program Total	<u>\$ 265,835</u>
(d) CFDA number 20.205 - Highway Planning and Construction (Federal-Aid Highway Program)		
State of California, Department of Transportation	HBRR BORS-0081011)	\$ 18,392
State of California, Department of Transportation	STPL-HSR-5935(027)	76,982
	Program Total	<u>\$ 95,374</u>
(e) CFDA number 93.658 - Foster Care Title IV-E		
State of California, Department of Social Services	n/a	\$ 14,464,449
State of California, Department of Social Services	2024.00.01	924,949
	Program Total	<u>\$ 15,389,398</u>
(f) CFDA number 93.778 - Medical Assistance Program (Medicaid: Title XIX)		
State of California, Department of Health Services	n/a	\$ 958,595
State of California, Department of Health Services	02-25073	\$ 344,488
State of California, Department of Social Services	n/a	2,874,076
State of California, Alcohol and Drug Programs	05B1CASAPT-02	240,988
State of California, Department of Aging	MS-0405-13	369,543
	Program Total	<u>\$ 4,787,690</u>
(g) CFDA number 93.991 - Preventive Health and Health Services Block Grant		
State of California, Department of Health Services	Fed 314(d)	\$ 1,701
State of California, Emergency Medical Services Authority	4120-101-0890	13,804
State of California, Emergency Medical Services Authority	4120-720-5000	48,599
	Program Total	<u>\$ 64,104</u>
(h) CFDA number 97.073 - State Homeland Security Program (SHSP)		
Governor's Office of Emergency Services	2003-0167	\$ 192,040
Governor's Office of Emergency Services	2003-35	470,990
	Program Total	<u>\$ 663,030</u>

COUNTY OF SAN MATEO
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2005

**12. SCHEDULES OF OFFICE OF EMERGENCY SERVICES, BOARD OF CORRECTIONS,
AND CALIFORNIA DEPARTMENT OF JUSTICE GRANT EXPENDITURES**

The following schedule represents expenditures for U.S. Department of Justice grants passed through State of California Office of Emergency Services (OES) and State of California Board of Corrections (BOC), as well as OES funded grant expenditures for the fiscal year ended June 30, 2005. This information is included in the County's single audit report at the request of OES and BOC.

Program Title and Expenditure Category	Grant Number / Grant Period	Budget	Cumulative through June 30, 2004	Actual 7/1/04 - 6/30/05		Cumulative Actual Total	Variance
				Non-match	Match		
Region H Grant	BDC 300-04						
Personal Services	7/1/04 - 6/30/05	\$ 11,880	\$ -	\$ 11,880	\$ -	\$ 11,880	\$ -
Operating Expenses		132,120	-	132,120	-	132,120	-
Equipment		-	-	-	-	-	-
Total		<u>\$ 144,000</u>	<u>\$ -</u>	<u>\$ 144,000</u> ¹	<u>\$ -</u>	<u>\$ 144,000</u>	<u>\$ -</u>
Special Emphasis Assistance Project	SE04140410						
Personal Services	7/1/04 - 6/30/05	\$ 110,000	\$ -	\$ 74,659	\$ 18,665	\$ 93,324	\$ 16,676
Operating Expenses		27,500	-	20,421	5,106	25,527	1,973
Equipment		-	-	-	-	-	-
Total		<u>\$ 137,500</u>	<u>\$ -</u>	<u>\$ 95,080</u> ²	<u>\$ 23,771</u>	<u>\$ 118,851</u>	<u>\$ 18,649</u>
Victim Witness Assistance Program	VW04230410						
Personal Services	7/1/04 - 6/30/05	\$ 376,302	\$ -	\$ 376,302	\$ -	\$ 376,302	\$ -
Operating Expenses		-	-	-	-	-	-
Equipment		-	-	-	-	-	-
Total		<u>\$ 376,302</u>	<u>\$ -</u>	<u>\$ 376,302</u> ³	<u>\$ -</u>	<u>\$ 376,302</u>	<u>\$ -</u>
California Cold Hit Project	CG00010410						
Personal Services	10/1/00 - 9/30/04	\$ 25,695	\$ 19,742	\$ 131	\$ -	\$ 19,873	\$ 5,822
Operating Expenses		39,910	37,713	-	-	37,713	2,197
Equipment		12,091	12,091	-	-	12,091	-
Total		<u>\$ 77,696</u>	<u>\$ 69,546</u>	<u>\$ 131</u> ⁴	<u>\$ -</u>	<u>\$ 69,677</u>	<u>\$ 8,019</u>
San Mateo County Narcotics Task Force	DL04150410						
Personal Services	7/1/04 - 6/30/05	\$ 209,703	\$ -	\$ 209,703	\$ -	\$ 209,703	\$ -
Operating Expenses		90,165	-	90,165	-	90,165	-
Equipment		82,142	-	82,142	-	82,142	-
Total		<u>\$ 382,010</u>	<u>\$ -</u>	<u>\$ 382,010</u> ⁵	<u>\$ -</u>	<u>\$ 382,010</u>	<u>\$ -</u>
2003 Coverdell Training	CQ03020410						
Personal Services	3/1/04 - 2/28/05	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses		8,721	-	7,145	-	7,145	1,576
Equipment		-	-	-	-	-	-
Total		<u>\$ 8,721</u>	<u>\$ -</u>	<u>\$ 7,145</u> ⁶	<u>\$ -</u>	<u>\$ 7,145</u>	<u>\$ 1,576</u>

¹ Amount is reported as federal expenditures in the Schedule under CFDA number 16.540 for the Juvenile Justice and Delinquency Prevention - Allocation to States program, passed through the State of California, Board of Corrections (page 3).

² Amount is reported as federal expenditures in the Schedule under CFDA number 16.575 for the Crime Victim Assistance Program, passed through the State of California, Office of Emergency Services (page 3).

³ Non-match expenditures for the Victim Witness Assistance Program include \$170,755 of federal expenditures in the Schedule under CFDA number 16.575 for the Crime Victim Assistance Program, passed through the State of California, Office of Emergency Services (page 3).

⁴ Amounts represent State funding only.

⁵ Expenditures for the San Mateo County Narcotics Task Force program is reported as federal expenditures in the Schedule under CFDA number 16.579 for the Byrne Formula Grant Program, passed through the State of California, Office of Emergency Services (page 3).

⁶ Amount is reported as federal expenditures in the Schedule under CFDA number 16.560 for the National Institute of Justice Research, Evaluation, and Development Project Grants, passed through the State of California, Office of Emergency Services (page 3).



MACIAS GINI & COMPANY LLP

Mt. Diablo Plaza
2175 N. California Boulevard, Ste. 645
Walnut Creek, California 94596

925.274.0190 PHONE
925.274.3819 FAX

To the Grand Jury and Board of Supervisors of
the County of San Mateo
Redwood City, California

**INDEPENDENT AUDITOR'S 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**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of San Mateo, California (County), as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 8, 2005. As discussed in Note 1(d) to the basic financial statements, effective July 1, 2004, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. We did not audit the financial statements of the San Mateo County Housing Authority (Authority) and the San Mateo Employees' Retirement Association (SamCERA), which represent the following percentages of the assets and revenues/additions of the following opinion units as of and for the year ended June 30, 2005:

Opinion Unit	Assets	Revenues/ Additions
Business-type Activities	16.8%	33.7%
Each Major Enterprise Fund – San Mateo Housing Authority	100.0%	100.0%
Aggregate Remaining Fund Information	41.0%	8.0%

Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Authority and the SamCERA, is based on the report of the other auditors. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting.

However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and responses as item 2005-A.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to management of the County in a separate letter.

This report is intended solely for the information and use of the County Grand Jury, County Board of Supervisors, County management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macrae Smith & Company LLP
Certified Public Accountants

Walnut Creek, California
November 8, 2005



MACIAS GINI & COMPANY^{LLP}

Mt. Diablo Plaza
2175 N. California Boulevard, Ste. 645
Walnut Creek, California 94596

925.274.0190 PHONE
925.274.3819 FAX

To the Grand Jury and Board of Supervisors of
the County of San Mateo
Redwood City, California

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the County of San Mateo, California (County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the San Mateo Housing Authority (the Authority) that reported expenditures of federal awards of \$65,951,346, which is not included in the schedule of expenditures of federal awards for the year ended June 30, 2005. Our audit of compliance, described below, did not include the operations of the Authority because the Authority's expenditures of federal awards are audited by other auditors in accordance with OMB Circular A-133.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 County'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. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2005-01 through 2005-07.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-01 through 2005-10.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the County Grand Jury, County Board of Supervisors, County management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Simi & Company LLP
Certified Public Accountants

Walnut Creek, California
March 24, 2006, except for the
Violent Offender Incarceration
and Truth Sentencing Incentive
Grant (CFDA number 16.586),
which is dated May 23, 2006

COUNTY OF SAN MATEO
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2005

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
<ul style="list-style-type: none"> • Material weaknesses identified? • Reportable conditions identified that are not considered to be material weaknesses? 	Yes None reported.
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
<ul style="list-style-type: none"> • Material weaknesses identified? • Reportable conditions identified that are not considered to be material weaknesses? 	No Yes
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of major programs:

Program Title	CFDA Number
High Intensity Drug Trafficking Area	07
Home Investment Partnership Program	14.239
Violent Offenders Incarceration and Truth Sentencing Incentive Grants	16.586
Special Education - Grants to States	84.027
Temporary Assistance to Needy Families	93.558
Child Support Enforcement	93.563
Medical Assistance Program	93.778
Homeland Security Cluster	97.004 / 97.067
State Homeland Security Program	97.073
Dollar threshold used to distinguish between Type A and Type B programs:	\$3,000,000
Auditee qualified as low-risk auditee?	Yes

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2005

Section II – Financial Statement Findings

Finding 2005-A San Mateo Medical Center
No Secondary Level (Insufficient) Review over Financial Reporting Process

Observation

The core of the Medical Center's GAAP financial reporting process is an internally developed Excel spreadsheet. The Medical Center's Accounting Manager is responsible for compiling information provided by the County's IFAS system and the patient billing system, into this spreadsheet. Additionally, numerous off-book entries (made for GAAP reporting) are tracked using this spreadsheet. Once completed, the spreadsheet serves as the "auditable trial balance" (i.e., listing of all Medical Center account balances ready for audit at the end of the fiscal year). However, the spreadsheet is cumbersome to use, heavily reliant on formulas and submitted for audit without being subject to a secondary level of review. As a result, the spreadsheet requires numerous adjustments, revisions and corrections by both auditors and staff. In fact, the Medical Center averages more than 20 audit adjustments each year and has restated financial results in two of the last three years to correct errors. This condition places the Medical Center at risk of having material misstatements go undetected, in addition to creating audit delays and unnecessary additional costs charged to the Medical Center.

Recommendation

We recommend the Chief Financial Officer or a qualified designee (e.g., a Controller) play an active role in monitoring and reviewing the financial reporting process. This monitoring and review process should be performed prior to audit fieldwork. A typical review should include: checking for spreadsheet formula errors, ensuring proper consolidation, transfer, mapping and rollup of account balances, reconciling related party (County) transactions to records at the Controller's Office, and verifying proper posting of eliminations and "off-book entries." Additionally, we suggest management place continued emphasis on our recommendations noted in prior years to (1) complete the policies and procedures manual for the audit process, (2) make training a priority for accounting staff, and (3) improve communication and coordination with the Controller's Office in preparing for audit.

Management Response

Management concurs with the need for increased monitoring and review of the financial reporting process. In consideration of the current level of responsibilities and broad range of duties assigned to the Chief Financial Officer, management will investigate the desirability of adding a Controller position to strengthen internal accounting procedures and controls, improve communication with the San Mateo County Controller's office and fulfill the critical need for a secondary review of the financial reports. Management plans to present this recommendation at the Medical Center's Board of Director's meeting in February 2006.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2005

Section III – Federal Award Findings and Questioned Costs

Finding 2005-01 **U.S. Department of Health and Human Services**
Temporary Assistance Needy Families (TANF), CFDA number 93.558
Passed Through the State of California, Department of Social Services
Administered by the San Mateo County Human Services Agency
Special Tests & Provisions

Criteria

In accordance with OMB Circular A-133, a grantee is responsible for documenting eligibility determinations. Specifically, the County is required to:

- Terminate or reduce assistance by at least 25 percent for participants who do not cooperate with child support services (child support non-cooperation);
- Reduce or terminate assistance for participants who refuse to participate in work activities and are not subject to any good cause or exemption, such as unavailability of appropriate child care for an adult single custodial parent caring for a child under the age of six; and
- Consider the information obtained from the Income Eligibility and Verification System (IEVS) in determining eligibility and the amount of TANF benefits.

The County has established internal procedures to send out a notice of actions to participants who do not cooperate with child support or refuse to work, at least ten days before the effective date of the sanction. Furthermore, the County requires that the eligibility workers sign and maintain a copy of the IEVS form in the participants' case folder to document that income and benefit information from IEVS was requested and used when making eligibility determinations.

Condition

During our testing of internal controls and compliance over these compliance requirements related to the Temporary Assistance for Needy Families program, we noted that:

- 9 out of 40 cases tested for eligibility had an IEVS form that was not signed by the eligibility worker to indicate the form was reviewed and used in the eligibility determination process.
- 1 out of 40 cases tested for eligibility could not be located.
- 4 out of 18 cases tested for penalty for child support non-cooperation did not have a notice of action form in the participants' files.

Effect

Without adequate documentation and recordkeeping, the eligibility status of the participants noted above could not be readily verified. The County runs the risk of providing services to ineligible individuals or incorrectly calculating the amounts of benefits for eligible participants.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2005

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2005-01 (Continued)

Questioned Cost
\$398

Recommendation

Management should emphasize to all eligibility workers the importance of completing all required forms for eligibility determination since the instances noted above occurred in files managed by five separate eligibility workers. In addition, supervisors reviewing the eligibility determinations should ensure all documents are complete and address any issues with the appropriate eligibility worker immediately.

Management Response

We concur. Supervisory staff is responsible for overseeing performance of the eligibility determination process, including the completion of all required forms and notices, as well as issues regarding eligibility work. The importance of signing the IEVS form, ensuring that appropriate notices of action are sent to the client with a copy maintained in the case file, and maintaining and tracking physical case folders will be emphasized with our supervisory staff at our Policy Operations and Services Team meetings.

In October 2005, we implemented CalWIN, a new automated eligibility determination system which stores and tracks all notices of action sent to a client. This feature of CalWIN is expected to assist in the documentation of required notification. In addition, we recently formed a Quality Control Workgroup to assess the supervisory case review process. We are also planning to image and electronically store all documentation currently contained in physical case file folders, a process we have already started with Medi-Cal cases.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2005

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2005-02 U.S. Department of Health and Human Services
Temporary Assistance Needy Families (TANF), CFDA number 93.558
Passed Through the State of California, Department of Social Services
Administered by the San Mateo County Human Services Agency
Allowable Costs/Cost Principles – Ancillary and Childcare Payments

Criteria

U.S. Office of Management and Budget Circular A-102, *Grants and Cooperative Agreements with State and Local Governments* (Common Rule) requires that non-federal entities receiving federal awards (e.g., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Furthermore, under the requirements of the Code of Federal Regulation section 66.42, *Retention and access requirements for records*, “all financial and programmatic records, supporting documents, statistical records, and other records are to be retained for three years starting on the last day of the application period.”

The County has also established procedures for ancillary payments in the CalWorks Handbook to require supervisor approval for ancillary expenditures over \$100 and manager approval for ancillary expenditures over \$450 prior to the authorization of payment.

Condition

During our testing of internal control and compliance requirements for ancillary and childcare expenditures for the TANF program, we noted that out of 40 childcare cases selected for testing:

- 1 case file contained a childcare plan that was not approved by a supervisor;
- 1 case did not have a signed care plan for the test period in the case file; and
- 2 case files had two partially executed copies of the childcare plan—one was signed by the custodial parent and the other was signed by the case worker and supervisor. We also noted that changes to the childcare plans are done manually, thus there is a risk that changes are not appropriately communicated to custodial parents.

In addition, we noted that the County’s current policy that governs ancillary payments does not specify that eligibility workers are to obtain *written* approval prior to authorization of payment. Out of the same 40 cases selected for testing, 4 cases had payments over the specified thresholds that required supervisory approval. However, none of these four cases had proper documentation to substantiate the purpose and authorization of the ancillary payments.

Effect

Without adequate documentation and recordkeeping, cash payments to program participants could not be readily verified as authorized. The County runs the risk of providing services to ineligible individuals or incorrectly calculating the amounts of benefits for eligible participants.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2005

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2005-02 (Continued)

Questioned Cost

N/A

Recommendation

We recommend that management review control procedures with case workers and supervisors to ensure forms are completed and properly filed. In addition management should evaluate the risk of executing childcare plans using multiple documents and consider requiring custodial parents to sign original documents at County offices to ensure information and necessary manual changes to documents are agreed to by the custodial parent.

We also recommend that the County clarify its current guidelines on ancillary payments approvals to ensure that eligibility workers obtain written approval from program supervisors and/or managers for expenditures exceeding the specified thresholds.

Management Response

We concur. Childcare staff received a reminder via e-mail to obtain client signatures on each child care plan and to ensure that all required signatures appear on the same page of the child care plan. In addition, we will review our guidelines and procedures to determine if any cost effective-changes to improve program integrity are warranted.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2005

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2005-03 **U.S. Department of Housing and Urban Development**
HOME Investment Partnerships Program (HOME), CFDA number 14.239
Administered by the San Mateo County Department of Housing
Cash Management

Criteria

In accordance with OMB Circular A-133, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the federal government.

Condition

During our audit of HOME program reimbursement drawdowns, we noted that the expenditures incurred by the County in July 2004 were initially reimbursed through a draw down in September and then again in November 2004.

Effect

The County erroneously received reimbursement of \$43,499 due to the duplicate draw down.

Questioned Cost

\$43,499

Recommendation

We recommend that management review and revise draw down procedures to ensure that reimbursement requests are adequately reviewed prior to drawing down funds.

Management Response

Going forward, the Financial Officer is responsible for assuring that two staff members review each reimbursement request prior to drawing down funds.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2005

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2005-04 **U.S. Department of Housing and Urban Development**
HOME Investment Partnerships Program (HOME), CFDA number 14.239
Administered by the San Mateo County Department of Housing
Special Tests & Provisions – Housing Quality Standards

Criteria

Under the requirements of the Single Audit Act and OMB Circular A-133, the participating jurisdiction has the responsibility to comply with the Housing Quality Standards inspection requirements.

During the period of affordability (i.e., the period for which the non-Federal entity must maintain subsidized housing) for HOME assisted rental housing, the County, as the participating jurisdiction, must perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than:

- Every three years for projects containing 1 to 4 units;
- Every two years for projects containing 5 to 25 units; and
- Every year for projects containing 26 or more units.

The County must also perform on-site inspections of rental housing occupied by tenants receiving HOME-assisted tenant-based rental assistance to determine compliance with housing quality standards and to assure that any needed repairs are completed timely.

Condition

During our testing of compliance with Housing Quality Standards requirement for the HOME Program, we noted that out of the six projects selected for testing:

- Five projects did not have the housing quality inspection performed within the required timeframe.
- One project did not have documentation of previous inspection records.

Effect

The County is not in compliance with the Housing Quality Standards requirement as stated in Part 4 of the OMB Circular A-133 Compliance Supplement, thus could be allowing the continuation of funding to projects that do not comply with Federal requirements.

Recommendation

We recommend the Department of Housing develop a method and timeline of identifying units requiring on-site inspections. This will assist the program specialists in scheduling inspections within the required timeframe.

Management Response

All required inspections have been completed. The Department of Housing has implemented several procedural improvements, and will implement additional measures by December 31, 2006. Each active project file has been reviewed to verify that it includes an inspection tracking form showing date of last inspection, deadline for next inspection, and target for next inspection at least three months before deadline. During 2006, this manual tracking system will be augmented by a database with reminder notices to supervisors.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2005

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2005-05 U.S. Office of National Drug Control Policy
High Intensity Drug Trafficking Area, CFDA number 07
Administered by the San Mateo County Sheriff's Office
Reporting

Criteria

Under the compliance requirement of OMB Circular A-133, the County is responsible for submitting the quarterly Financial Status Report (FSR), SF-269, to report program outlays and the status of funds on a cash or accrual basis, as prescribed by the Federal awarding agency. Instructions for the FSR indicate that the County may report gross program outlays on either a cash or an accrual basis. Under cash basis reporting, outlays should be reported as the sum of actual cash disbursement for direct costs, indirect expenses charged and the value of any in-kind contributions. Under accrual basis reporting, outlays should be reported as the sum of actual cash disbursements for direct charges, indirect expenses incurred, the value of the in-kind contributions, and the net changes in the amounts incurred by the County for goods and other property received, for services performed by employees, contractors and other payees, and other amounts becoming owed under programs for which no current services or performance are required.

Condition

During our testing of internal controls and compliance over the reporting requirements related to the HIDTA program, we noted that the quarterly Financial Status Reports were not prepared on the cash or the accrual basis. Instead, expenditures were reported in the quarter in which reimbursement was requested from the federal grantor agency.

Effect

Since the Financial Status Reports are not prepared on an acceptable method, the amount of federal expenditures reported as incurred are misstated.

Recommendation

We recommend that management carefully review the instructions provided for the financial status reports to ensure the reports are prepared in an acceptable accounting basis. We also recommend management to contact the federal grantor agency directly to discuss the necessary corrective action for the Financial Status Reports that had been submitted for the current fiscal year.

Management Response

The Northern California HIDTA concurs with the finding and will begin submitting quarterly Financial Status Reports (SF-269) on an accrual basis. By doing so, quarterly expenditures will reconcile to the quarterly expenditures on the County's financial system (IFAS). The Northern California HIDTA will also contact the National HIDTA Assistance Center to determine action on prior Financial Status Reports.

The Sheriff's Office will engage a financial consultant to assist HIDTA in development of an internal procedural manual for reconciliation to the County's financial system, in accordance with this recommendation. It is anticipated this engagement can be secured by April 30, 2006, and that the necessary work can be fully completed by August 2006.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2005

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2005-06 **U.S. Office of National Drug Control Policy**
High Intensity Drug Trafficking Area, CFDA number 07
Administered by the San Mateo County Sheriff's Office
Earmarking – Overtime Limit

Criteria

In accordance with the policy and procedures handbook for the High Intensity Drug Trafficking Area (HIDTA) program, overtime payments made to individual employee or officers of each initiative cannot not exceed a maximum amount set at 25% of the federal GS-12 step 1 level, which is adjusted annually. The overtime cap is applied per individual on a federal fiscal year basis (October 1 – September 30) using the limit established at the beginning of the calendar year. Accordingly, the maximum overtime payment per individual was \$15,144 for federal fiscal year 2005.

Furthermore, U.S. OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments* (Common Rule) requires that non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Condition

During our testing of internal control and compliance over the overtime requirement, we noted that the Northern California HIDTA (NC HIDTA) office diverts the responsibility to the initiative commanders. Although the NC HIDTA Director reviews and approves the overtime reimbursements to the initiatives and the Financial Officer compares the amount of payments to the initiatives' approved budget, there may be a risk that cumulative overtime payments made to an individual within an initiative exceeds the overtime cap during the fiscal year.

Effect

By not keeping track and verifying payments, the overtime payments to each individual employee could be over the maximum, and thus, the program may not be in compliance with the federal funding requirement.

Recommendation

We recommend that the NC HIDTA office develop and implement policies and procedures to track and monitor overtime payments to initiative officers. Although the overtime limit pertain to all grant awards from the Office of National Drug Control Policy (ONDCP), NC HIDTA should, as a preventive measure, keep track of the overtime payments made to the officers with HIDTA funds. Furthermore, NC HIDTA may request written certification from the initiatives or enter into formal written agreements with them to ensure that the initiative leaders fully understand their responsibilities to comply with the overtime limit requirement, especially if they receive funding from other ONDCP programs.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2005

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2005-06 (Continued)

Management Response

The Northern California HIDTA places the responsibility on the Initiative Commander to ensure that the overtime cap is not exceeded by any law enforcement personnel. The Northern California HIDTA acknowledges the requirement and informs all Initiative Commanders of the requirement through various methods. The overtime cap requirement is written in each Initiative's MOU in which the Initiative Commander accepts and signs. In addition, the overtime cap requirement is also written in the Northern California HIDTA Standard Procedures Manual, which is given to all Initiative Commanders, who sign an acceptance receipt. The overtime cap requirement is also stressed at the annual Commanders Training Conference. The Northern California HIDTA has provided each Initiative Commander a spreadsheet to assist them in tracking overtime. Furthermore, the Northern California HIDTA has included a clause in its Reimbursement Overtime Request Form, which states that by signing, he/she is certifying that the agents listed on the form have not exceeded the maximum overtime allowed.

Because the Northern California HIDTA has found it extremely difficult to obtain information regarding overtime paid to individuals using federal funding other than HIDTA funds, the Northern California HIDTA currently tracks overtime paid to individuals using HIDTA funds and ensures that individuals do not exceed the maximum limit, which is 25% of the federal GS-12 step 1 level. The Sheriff's Office will also assist the HIDTA Fiscal Officer in developing a simple Excel worksheet for tracking of quarterly overtime costs, as reported by HIDTA Initiatives, for those positions/individuals receiving HIDTA funds through one or more Initiatives. Because just tracking overtime payments using HIDTA funds does not ensure that the Northern California HIDTA is in compliance with the ONDCP overtime requirement, the Northern California HIDTA is currently working on a process to ensure compliance.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2005

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2005-07 **U.S. Office of National Drug Control Policy**
High Intensity Drug Trafficking Area, CFDA number 07
Administered by the San Mateo County Sheriff's Office

U.S. Department of Homeland Security
State Homeland Security Program (SHSP), CFDA number 97.073
Passed Through the State of California, Governor's Office of Emergency Services
Administered by the San Mateo County Sheriff's Office

Procurement and Suspension and Debarment

Criteria

Under the compliance requirements of OMB Circular A-133, non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principles are suspended or debarred. In accordance with the Code of Federal Regulations, Title 21 Chapter III *Office of National Drug Control Policy*, part 1404 *Government-wide Debarment and Suspension (Non-procurement)*, and Title 44 Chapter I *Federal Emergency Management Agency, Department of Homeland Security*, part 117 *Government-wide Debarment and Suspension (Nonprocurement) and Government-wide Requirements for Drug-Free Workplace (Grants)*, a covered transaction includes all nonprocurement transactions (e.g. grants, cooperative agreements, and subawards to subrecipients) unless specifically excluded by these codes, and any procurement contracts for goods and services if any of the following applies:

- The contract is expected to equal or exceed the federal procurement small purchase threshold of \$25,000.
- The contract requires the consent of the federal grantor agency.
- The contract, regardless of amount, will provide the contractor with critical influence on or substantive control over that covered transaction. Such persons include principal investigators and providers of federally required audit services.

The covered transaction may be at (a) the primary tier, between a Federal agency and a unit of government; or (b) a lower tier, between a participant in a covered transaction and another individual, corporation, partnership, association, unit of government, or legal entity, however organized. Accordingly, when the County, as the primary recipient, enters into a covered transaction with an entity at a lower tier, the County must verify that the entity is not suspended or debarred or otherwise excluded.

Condition

During our review of internal control over procurement with the suspension and debarment requirement, we noted that the Northern California HIDTA (NC HIDTA) office and the Sheriff's Office do not have any policies and procedures to verify that the contractors or non-federal entities are not suspended or debarred or otherwise excluded when a procurement contract is made.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2005

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2005-07 (Continued)

Effect

Since the NC HIDTA office and Sheriff's Office do not have written policies and procedures in place to verify that the contractor is not suspended or debarred or otherwise excluded, nor did they inform the County's Purchasing Division that purchases for these programs were made with federal funding, these offices run the risk of potentially awarding a contract to contractors that are ineligible to participate in federally funded programs. For fiscal year 2005, the results of our testing did not indicate any contractors to be suspended, debarred or excluded from participation in federally funded contracts.

Recommendation

We recommend that the NC HIDTA office and the Sheriff's Office implement policies and procedures to verify that potential contractors are not suspended or debarred before the procurement contracts are made. The verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the contractor, or adding a clause or condition to the covered transaction with the contractor. Management should retain proper documentation of the verification in the procurement file for each respective contractor.

Management response

The Northern California HIDTA has adopted the purchasing policy of its fiduciary, San Mateo County Sheriff's Office and relies on the Purchasing Division to ensure that contracts and purchases are not conducted from those contractors who are suspended or debarred. To ensure that the Northern California HIDTA complies with the requirements of OMB Circular A-133 in regards to debarment and suspension, the Northern California HIDTA will inform the Purchasing Division of this requirement and request for the Purchasing Division to verify that the contractor is not on the debarment or suspension list by checking the Excluded Parties List System, which is maintained by the General Services Administration.

The Sheriff's Office concurs with this finding. The non-compliance was inadvertent and resulted primarily from the separation of Sheriff's contract development/management and the Purchasing Division from the Sheriff's grant management function. The units responsible for contracts and for purchasing were following standard County procedure, and were not aware of this additional step required for federally funded grants. We will take immediate steps to resolve this by the following:

Effective this date forward, checking the Excluded Parties List System (EPLS) website will be incorporated into the Sheriff's Office contract development procedural checklist, for all contracts regardless of amount or funding source. Additionally, the Sheriff's Office will advise County Purchasing Division in writing, of the EPLS check requirements for purchases of goods involving federal funds.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2005

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2005-08 **U.S. Department of Justice**
Violent Offenders Incarceration and Truth Sentencing Incentive Grants,
CFDA number 16.586
Passed Through the State of California, Board of Corrections
Administered by the San Mateo County Capital Projects Division
Davis Bacon Act

Criteria

Per OMB Circular A-133, non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, “Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction”). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6).

Condition

The County’s policies require all contractors and subcontractors participating in federally funded projects to submit certified payroll documentation weekly on the Friday following the end of a work week. The County hired an independent construction management firm to oversee the Youth Services Center project. The firm is responsible for collecting, filing and maintaining the required certified payrolls from all contractors and subcontractors, which they date stamp upon receipt. The County periodically reviews the certified payrolls collected to ensure compliance with federal guidelines.

During our audit, we selected 40 certified payrolls for testing and noted the following:

- 10 items were not received within the required timeframe of one week after the end of the pay period;
- 6 items did not have documentation of a received date, thus we could not verify if these items were received one week after end of pay period.

Effect

By not properly monitoring Davis-Bacon requirements, the County could be contracting with vendors who are not complying with these requirements which could result in unallowable expenditures.

Recommendation

We recommend that the County’s Capital Projects Division establish controls to ensure that all certified payroll required for submission, are received in a timely manner and are reviewed before disbursing payments to the contractors/subcontractors. In cases where certified payrolls are not received timely (or not at all), the Capital Projects Division should document why and what corrective measures were taken.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2005

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2005-08 (Continued)

Management response

The County entered into an agreement with Turner Construction to provide construction management services for the Youth Services Center Project. Under Section 6.9 of the agreement, Turner must comply with the County's general conditions, which include compliance with California Labor Code, Division 2, Section 1776 regarding payment of prevailing wages. Turner requires its subcontractors to submit monthly certified payrolls and labor rates. These are reviewed before payments are made.

Certified payrolls are kept on the project site and are accessible to the County at any time. Turner files the certified payrolls by cost code and month. The Capital Projects Division will establish procedures to periodically review and document that certified payrolls are being received in a timely manner and are being reviewed by Turner before payments are made to subcontractors.

Finding 2005-09 U.S. Department of Justice

Violent Offenders Incarceration and Truth Sentencing Incentive Grants,
CFDA number 16.586

Passed Through the State of California, Board of Corrections
Administered by the San Mateo County Capital Projects Division
Procurement and Suspension and Debarment

Criteria

Under the compliance requirements of OMB Circular A-133, non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principles are suspended or debarred. In accordance with the Code of Federal Regulations, Title 28 Chapter I *Department of Justice*, part 67 *Government-Wide Debarment And Suspension (Non-procurement)*, Title 21 Chapter III *Office of National Drug Control Policy*, part 1404 *Government-wide Debarment and Suspension (Non-procurement)*, and Title 44 Chapter I *Federal Emergency Management Agency, Department of Homeland Security*, part 117 *Government-wide Debarment and Suspension (Non-procurement) and Government-wide Requirements for Drug-Free Workplace (Grants)*, a covered transaction includes all non-procurement transactions (e.g. grants, cooperative agreements, and subawards to subrecipients) unless specifically excluded by these codes, and any procurement contracts for goods and services if any of the following applies:

- The contract requires the consent of a Department of Justice official, regardless of the amount.
- The contract is for federally-required audit services.

The covered transaction may be at (a) the primary tier, between a Federal agency and a unit of government; or (b) a lower tier, between a participant in a covered transaction and another individual, corporation, partnership, association, unit of government, or legal entity, however organized. Accordingly, when the County, as the primary recipient, enters into a covered transaction with an entity at a lower tier, the County must verify that the entity is not suspended or debarred or otherwise excluded.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2005

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2005-09 (Continued)

Condition

During our audit of the County's compliance with suspension and debarment requirements, we noted that the County's Capital Projects Division (CPD) office does not have any policies and procedures to verify that the contractors or non-federal entities are not suspended or debarred or otherwise excluded from participation in federally funded project when a procurement contract is made. As such, the CPD did not obtain required certifications from its construction management firm on the Youth Services Center project or review the Excluded Parties List System (EPLS) issued by General Services Administration. As part of our audit, we verified that the construction management firm hired was not suspended or debarred by reviewing the List.

Effect

Since the CPD does not have written policies and procedures in place to verify that the contractor is not suspended or debarred or otherwise excluded, the Division is at risk of potentially awarding a contract to contractors that are ineligible to participate in federally funded programs. The results of our testing did not indicate any contractors to be suspended, debarred or excluded from participation in federally funded contracts.

Recommendation

We recommend that the CPD develop and implement policies and procedures to verify that potential contractors are not suspended or debarred before the procurement contracts are made. The verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the contractor, or adding a clause or condition to the covered transaction with the contractor. Management should retain proper documentation of the verification in the procurement file for each respective contractor.

Management response

Agree. During the audit, the Capital Projects Division staff checked the Excluded Parties List System and verified that Turner Construction is not on the list of suspended or debarred entities. Staff was relying on a checklist provided by the State Board of Corrections (now California Corrections Authority), the state agency that administers the federal grant, to ensure compliance with grant reporting requirements. This checklist did not contain the requirement to verify that potential contractors are not suspended or debarred. Staff has added this requirement to the checklist to ensure that this verification is performed and documented before selecting future contractors.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2005

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2005-10 U.S. Department of Agriculture
State Administrative Matching Grants for Food Stamp Program,
CFDA number 10.561
Administered by the San Mateo County Department of Public Health

U.S. Department of Justice
Violent Offender Incarceration and Truth Sentencing Incentive Grants
CFDA number 16.586
Passed Through the State of California, Board of Corrections
Administered by the San Mateo County Capital Project Division

U.S. Department of Health and Human Services
Medical Assistance Program, CFDA number 93.778
Passed Through the State of California, Department of Aging
Administered by the San Mateo County Department of Public Health

Criteria

The U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* (OMB Circular A-133), requires that the County prepare a schedule showing total expenditures for the year for each federal program. Further, OMB Circular A-133 requires that the County identify and audit all high-risk Type A federal programs. The County's Type A programs are those exceeding \$3 million.

Condition

During our audit we noted that the County did not capture \$8 million in federal expenditures under the Violent Offender Incarceration and Truth in Sentencing Incentive Grant (CFDA #16.586) on the draft schedule of expenditures of federal awards (SEFA). This program is considered a high risk Type A program and was required to be tested as a major program as part of the fiscal year 2005 Single Audit. We did audit this program as part of Single Audit, but the County's delay in capturing the information caused the County to have to file a second extension past their Single Audit reporting deadline of March 31, 2006.

In addition, we noted that the County identified two grants with expenditures for the current year and prior years that were captured in the SEFA schedules:

- 10.561 California Nutrition Network - \$441,958 (\$321,299 relates to previous years' expenditures)
- 93.778 Medical Assistance Program, Childhood Lead Poisoning Prevention - \$344,498 (\$277,670 related to previous years' expenditures)

These expenditures were also included in their SEFA after Single Audit March 31, 2006, deadline, thus were almost excluded from the SEFA.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2005

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2005-10 (Continued)

Effect

The County's SEFA has been understated by programs not identified as federal awards. As a result, a high-risk Type A program may not have been captured for testing and high-risk Type B programs may not have been subjected to the required audit risk assessment. All expenditures noted above were reported in the SEFA for the fiscal year ended June 30, 2005.

Recommendation

We recommend the County establish a "Grants Manual" for all departments to provide guidance to staff when assessing requirements related to proper grant management. The manual should include guidance on identification of funding source (federal, state, and other), guidance on identification of reporting requirements and timing, guidance on when to record revenues and expenditures in the general ledger system, and a year-end reconciliation requirement to ensure that revenues and receivables are properly captured. The County should also consider designating a County-wide grants manager to assist departments in properly identifying funding sources and other program requirements to ensure that the County is complying with all requirements. This will improve oversight of grants management and improve the capture of information for year end reporting requirements including the County's preparation of the SEFA.

Management response

County Manager's Office - Agree. The County recognizes that the existing decentralized structure to report federal expenditures presents a risk of non-reporting of expenditures when there is staff turnover within operating departments, and that better coordination is needed to comply with reporting requirements for the Single Audit. The Controller's Office has indicated that the County's fiscal officers need to be provided with information regarding their responsibilities to comply with Single Audit requirements in addition to complying with reporting requirements for specific grants. This will be an agenda item for the October meeting of the fiscal officers. The County Manager's Office will convene a workgroup of fiscal officers in those departments that currently manage grants to develop an inventory of reportable expenditures and to develop a grants manual, similar to the contracts handbook that now exists to provide guidance to contract coordinators in the County. The workgroup should be formed by Fall 2006.

Department of Public Health - We will continue to closely review State grant documents, especially new ones, for potential language indicating that the source of funds may be federal. We will also work with the County Manager's Office as they see fit in implementing the recommendation.

COUNTY OF SAN MATEO
Status of Prior Years Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2005

Reference Number: 04-1

Federal Catalog Number/
Program Name: 93.558 / Temporary Assistance Needy Families (TANF)

Audit Finding: Eligibility: Four of the 25 files had incomplete SAWS-2 forms, and two of the 25 files did not have either the required IEVS report included or the IEVS report was not signed by the eligibility worker.

Status of Corrective Action: See current year finding 2005-1.

Reference Number: 04-2

Federal Catalog Number/
Program Name: 14.239 / HOME Investment Partnerships Program (HOME)

Audit Finding: The County did not obtain a single audit report for the subrecipient selected for testing (City of Daly City) for FY2003 (since the single audit report for FY2004 was not yet available) while the subrecipient has met the audit requirements of OMB Circular A-133.

Status of Corrective Action: Corrected.

Reference Number: 04-3

Federal Catalog Number/
Program Name: 14.239 / HOME Investment Partnerships Program (HOME)

Audit Finding: 3 of 10 projects did not have a housing quality inspection performed on a timely basis.

Status of Corrective Action: See current year finding 2005-5.

Reference Number: 04-4

Federal Catalog Number/
Program Name: 93.563 / Child Support Enforcement

Audit Finding: Suspension and Debarment: The county did not obtain certifications from 2 vendors indicating that they were not suspended or debarred from participating in federally funded programs. Although management indicated that the GSA listing was checked, they did not document such procedures in the procurement files.

Status of Corrective Action: Corrected.

COUNTY OF SAN MATEO

Status of Prior Years Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2005

Reference Number: 04-5

Federal Catalog Number/ Program Name: 07 / High Intensity Drug Trafficking Area
93.778 / Medical Assistance Program (Medicaid Title XIX)
93.252 / Healthy Community Access Program

Audit Finding: *High Intensity Drug Trafficking Area (HIDTA):* The Sheriff's Department was only reporting current year's grant allocation, a practice used in all prior year's SEFA.

Medical Assistance Program: The Aging and Adult Service Division was not reporting a federally funded In-Home Supportive Services (IHSS) program portion of this grant. The IHSS portion had also been excluded from prior year's SEFAs.

Health Community Access Program: The Department of Health Services did not report \$591,543 in federally funded expenditures incurred during FY 2003.

Status of Corrective Action: *High Intensity Drug Trafficking Area (HIDTA):* Corrected.

Medical Assistance Program: Corrected.

Health Community Access Program: Corrected.