

COUNTY OF SAN MATEO

Single Audit Reports

For the Fiscal Year Ended June 30, 2001

COUNTY OF SAN MATEO
Single Audit Reports
For the Fiscal Year Ended June 30, 2001

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

Board of Supervisors
County of San Mateo, California

We have audited the basic financial statements of the County of San Mateo (the County), as of and for the year ended June 30, 2001, and have issued our report thereon dated October 5, 2001, which includes an explanatory paragraph due to the adoption of provisions of Governmental Accounting Standards Board Statements No. 33 and 34. These basic financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit 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 the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the basic financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the County taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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.

Macias, Gini & Company LLP
Certified Public Accountants

Walnut Creek, California
October 5, 2001

OFFICE LOCATIONS

Sacramento • Los Angeles • Fresno • San Francisco Bay Area

COUNTY OF SAN MATEO
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended June 30, 2001

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs: None		\$ -	\$ -
Pass-Through Programs, State of California:			
Food Stamp Cluster:			
Food Stamps	10.551	3,834,191	-
State Administrative Matching Grants for Food Stamp Program	10.561	2,371,532	-
Subtotal Food Stamps Cluster		<u>6,205,723</u>	<u>-</u>
Child Nutrition Cluster:			
School Breakfast Program	10.553	109,999	-
National School Lunch Program	10.555	168,051	-
Subtotal Child Nutrition Cluster		<u>278,050</u>	<u>-</u>
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC Program)	10.557	1,454,016	-
Nutrition Program for the Elderly (NPE)	10.570	195,569	195,569
Subtotal Pass-Through Programs		<u>8,133,358</u>	<u>195,569</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>8,133,358</u>	<u>195,569</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Programs:			
Community Development Block Grants/Entitlement Grants	14.218	6,048,862	3,424,251
Emergency Shelter Grants Program	14.231	130,421	125,996
HOME Investment Partnerships Program	14.239	2,266,774	991,454
Sub-Total of Direct Programs		<u>8,446,057</u>	<u>4,541,701</u>
Pass-Through Programs, State of California:			
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	677,525	587,552
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>9,123,582</u>	<u>5,129,253</u>
U.S. DEPARTMENT OF JUSTICE			
Direct Programs:			
State Domestic Preparedness Equipment Support Program	16.007	200,000	-
Drug Court Discretionary Grant Program	16.585	133,648	-
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	284,633	-
State Criminal Alien Assistance Program (SCAAP)	16.606	2,537,246	-
Bulletproof Vest Partnership Program	16.607	13,314	-
Public Safety Partnerships and Community Policing Grants ("COPS" Grants)	16.710	11,845	-
Sub-Total of Direct Programs		<u>3,180,686</u>	<u>-</u>
Pass-Through Programs, State of California:			
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	199,624	177,282
Crime Victim Assistance	16.575	353,208	-
Byrne Formula Grant Program	16.579	296,242	-
Local Law Enforcement Block Grants Program	16.592	74,004	-
Drug Enforcement Administrative Grant	16	15,000	-
Sub-Total of Pass-Through Programs		<u>938,078</u>	<u>177,282</u>
TOTAL U.S. DEPARTMENT OF JUSTICE		<u>4,118,764</u>	<u>177,282</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, 2001

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients
(Continued)			
U.S. DEPARTMENT OF LABOR			
Direct Programs: None		-	-
Pass-Through Programs, State of California:			
Senior Community Service Employment Program	17.235	170,751	170,751
Welfare-to-Work Grants to States and Localities	17.253	168,521	128,760
Workforce Investment Act (WIA)	17.255	2,397,422	769,216
Sub-Total of Pass-Through Programs		<u>2,736,694</u>	<u>1,068,727</u>
TOTAL U.S. DEPARTMENT OF LABOR		<u>2,736,694</u>	<u>1,068,727</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Program:			
Airport Improvement Program (AIP)	20.106	24,524	-
Pass-Through Programs, State of California:			
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	346,527	-
State and Community Highway Safety	20.600	18,425	16,143
Sub-Total of Pass-Through Programs		<u>364,952</u>	<u>16,143</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		<u>389,476</u>	<u>16,143</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Direct Programs: None		-	-
Pass-Through Programs, State of California:			
Local Oversight Program - Groundwater Protection	66	295,125	-
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY		<u>295,125</u>	<u>-</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Direct Programs:			
Public Assistance Grants	83.544	1,361	-
Pass-Through Programs, State of California:			
Hazard Mitigation Grant (HMGP)	83.548	269,458	-
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY		<u>270,819</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION			
Direct Programs: None		-	-
Pass-Through Programs, State of California:			
Safe and Drug-Free Schools and Communities - State Grants	84.186	104,993	-
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>104,993</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, 2001

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients
(Continued)			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	78,923	-
Health Center Grants for Homeless Populations	93.151	697,125	238,176
Community Health Centers	93.224	1,155,843	-
Consolidated Knowledge Development and Application (KD & A) Program	93.230	1,873,297	1,788,236
Community Access Program (CAP)	93.252	203,676	-
Health Care Financing Research, Demonstrations and Evaluations (HCFA Research)	93.779	23,211	20,008
Substance Abuse/HIV Outreach Project	93.949	342,017	193,460
Sub-Total of Direct Programs		4,374,092	2,239,880
Pass-Through Programs, State of California:			
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	10,918	10,918
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	23,986	23,986
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	371,980	371,980
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	1,136,310	1,012,232
Special Programs for the Aging - Title III, Part D - In Home Services for Frail Older Individuals	93.046	44,634	44,634
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	1,483,397	133,241
Projects for Assistance in Transition from Homelessness (PATH)	93.150	37,819	37,819
Disabilities Prevention	93.184	646,630	-
Immunization Grants	93.268	108,997	-
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	11,200	8,850
Promoting Safe and Stable Families	93.556	502,635	-
Temporary Assistance for Needy Families	93.558	28,042,575	734,260
Child Support Enforcement	93.563	9,808,771	-
Refugee and Entrant Assistance - State Administered Programs	93.566	22,779	-
Child Care and Development Block Grants	93.575	1,810,870	1,810,870
Repatriation Program	93.579	1,973	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	147,025	147,025
Adoption Incentive Payments	93.603	8,926	-
Child Welfare Services - State Grants	93.645	459,735	-
Foster Care - Title IV-E	93.658	10,441,899	-
Adoption Assistance	93.659	1,880,545	-
Independent Living	93.674	243,784	-
Medical Assistance Program (Medicaid; Title XIX)	93.778	1,556,572	-
HIV Emergency Relief Project Grants	93.914	2,344,934	377,835
Block Grants for Community Mental Health Services	93.958	598,301	168,083
Block Grants for Prevention and Treatment of Substance Abuse (SAPT Block Grant)	93.959	4,416,668	4,253,661
Preventive Health and Health Services Block Grant	93.991	27,944	16,452
Maternal and Child Health Services Block Grant to the States	93.994	1,240,064	-
Adolescent Family Life - Demonstration Projects (AFL)	93.995	185,680	-
Sub-Total of Pass-Through Programs		67,617,551	9,151,846
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		71,991,643	11,391,726

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, 2001

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number (CFDA)</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
(Continued)			
OFFICE OF THE PRESIDENT			
Direct Programs:			
High Intensity Drug Trafficking Area	99	2,500,000	-
TOTAL OFFICE OF THE PRESIDENT		<u>2,500,000</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 99,664,454</u>	<u>\$ 17,978,700</u>

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, 2001

1. GENERAL

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the County of San Mateo. 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 to the Housing Authority of the County of San Mateo (Housing Authority) (Note 6).

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards 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(c) of the County's basic financial statements.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards 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 of Expenditures of Federal Awards. These expenditures represent fees for services and are not included in the Schedule of Expenditures of Federal Awards 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 of Expenditures of Federal Awards under Medical Assistance Program (Federal CFDA number 93.778).

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For The Fiscal Year Ended June 30, 2001

6. HOUSING AUTHORITY

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

<u>Program Title</u>	<u>CFDA No.</u>	<u>Expenditures</u>
Section 8 Programs:		
Moderate Rehabilitation Program	14.856	\$ 1,068,575
Voucher	14.871	30,179,460
Moving to Work	14.871	<u>222,525</u>
Total		<u>\$31,470,560</u>

7. FOOD COUPONS

The County issued food coupons valued at \$3,834,191 as of June 30, 2001. This amount is for information only as receipts and issuances of food coupons are not recorded in the County's financial records.

8. LOANS OUTSTANDING

The County had the following loan receivable balances outstanding at June 30, 2001:

<u>Program Title</u>	<u>CFDA No.</u>	<u>Amount Outstanding</u>
Community Development Block Grants/Entitlement Grants	14.218	\$18,722,467
HOME Investment Partnerships Program	14.239	<u>9,077,426</u>
Total		<u>\$27,799,893</u>

Included in the loan receivable amount outstanding are expenditures related to new loans issued during fiscal year 2000-01. The County incurred \$1,151,437 in expenditures related to new loans under the Community Development Block Grants and \$2,321,787 under the HOME Investment Partnership Program.

COUNTY OF SAN MATEO
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For The Fiscal Year Ended June 30, 2001

9. DEPARTMENT OF LABOR GRANTS

During fiscal year 2001, the County transferred unused Job Training Partnership Act (JTPA) Cluster (CFDA 17.250) grants to the Workforce Investment Act Program (WIA) in the amount of \$766,986 for the transition and implementation of the WIA Dislocated Worker and Adult Programs. The County is authorized to expend these funds over a two-year period. The JTPA funds are subject to the same terms and conditions as the WIA funds. The amount expended under WIA from JTPA transfers was included in the expenditures of WIA and was used in determining Type A programs.



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Board of Supervisors
County of San Mateo, California

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

We have audited the basic financial statements of the County of San Mateo, California (County) as of and for the fiscal year ended June 30, 2001, and have issued our report thereon dated October 5, 2001, which includes an explanatory paragraph due to the adoption of provisions of Governmental Accounting Standards Board Statements No. 33 and 34. 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.

Compliance

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the County in a separate letter dated December 20, 2001.

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 opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the basic 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting which we have reported to the County's management in a separate letter dated December 20, 2001.

OFFICE LOCATIONS

Sacramento • Los Angeles • Fresno • San Francisco Bay Area

This report is intended solely for the information and use of the County of San Mateo 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, Gini & Company LLP
Certified Public Accountants

Walnut Creek, California
October 5, 2001



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Board of Supervisors
County of San Mateo, 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 (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 fiscal year ended June 30, 2001. 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.

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 on 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 fiscal year ended June 30, 2001. 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 01-1, 01-2, 01-3, and 01-4.

OFFICE LOCATIONS

Sacramento • Los Angeles • Fresno • San Francisco Bay Area

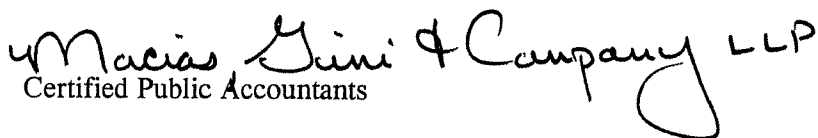
Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with 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 internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matter 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 01-1, 01-2, 01-3, and 01-4.

A material weakness is a 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 applicable requirements of laws, regulations, contracts and grants 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 material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses. In addition, we noted other matters involving internal control over compliance and its operations, which we have reported to management in a separate letter dated December 20, 2001.

This report is intended solely for the information and use of the County of San Mateo 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.


Certified Public Accountants

Walnut Creek, California
December 20, 2001

COUNTY OF SAN MATEO
 Schedule of Findings and Questioned Costs
 For The Fiscal Year Ended June 30, 2001

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 	<p>No</p> <p>None reported.</p>
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 	<p>No</p> <p>Yes</p>
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
Community Development Block Grants/ Entitlement Grants	14.218
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590
Workforce Investment Act	17.255
Temporary Assistance for Needy Families	93.558
Child Support Enforcement	93.563
Foster Care – Title IV – E	93.658
Block Grants for Community Mental Health Services	93.958

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For The Fiscal Year Ended June 30, 2001

Section I – Summary of Auditor’s Results (Continued)

Federal Awards (Continued):

Dollar threshold used to distinguish between Type A and Type B programs:	\$2,989,934
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Auditee qualified as low-risk auditee?	Yes
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Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

Finding 01-1 **U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**
Community Development Block Grant, CFDA Number 14.218
Administered by the San Mateo County Human Services Agency

Criteria

In accordance with Title 24, section 570.506 of the *Code of Federal Regulations*, when CDBG funds are used for rehabilitation, the grantee must assure that the work is properly completed. In doing so, the grantee is required to inspect the recipient’s financial records and facility to ensure that the work was carried out in accordance with contract specifications. Any deficiencies are to be documented and incorporated into the rehabilitation contract for correction.

Condition

One of the four rehabilitation files selected for testing was considered incomplete as there was no documentation noted in the file that indicated an inspection of the recipient’s financial records or facility.

Effect

We cannot determine if the County complied with the rehabilitation requirements due to the lack of documentation.

Recommendation

We recommend that the County establish and implement policies and procedures requiring a project supervisor to review rehabilitation project files on a periodic basis to ensure all requirements are met.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For The Fiscal Year Ended June 30, 2001

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

Finding 01-1 (Continued)

Management response

We will include in our policies and procedures a periodic supervisory review of rehabilitation project files. A new supervisory position has recently been created and it will be the responsibility of this supervisor to ensure that staff adhere to documentation requirements and monitoring procedures as stipulated in the Monitoring Manual.

Finding 01-2 U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Community Development Block Grant, CFDA Number 14.218
Administered by the San Mateo County Human Services Agency

Criteria

Under the requirements of the Single Audit Act and OMB Circular A-133, subrecipients of federal awards must be monitored by the primary recipient to determine whether the subrecipient has expended the awards in accordance with applicable laws and regulations. Furthermore, OMB Circular A-133 provides that, in such instances, the primary recipient should, among other things:

1. Determine whether the subrecipient has met the audit requirements of OMB Circular A-133, if applicable;
2. Determine whether the subrecipient spent federal awards provided in accordance with applicable laws and regulations; and
3. Consider various risk factors in developing subrecipient monitoring procedures such as:
 - a. relative size and complexity of the federal awards administered by the subrecipient,
 - b. prior experience with each subrecipient, and
 - c. cost-effectiveness of various monitoring procedures.

The primary recipient's responsibilities may be discharged for subrecipients receiving federal awards of \$300,000 or more by relying upon independent audits of the subrecipients, performed in accordance with OMB Circular A-133. For those subrecipients that are required to receive single audit reports in accordance with OMB Circular A-133, the County, as the primary recipient, is also required to ensure that the audits are performed, and must follow-up on the resolution of all reported findings and questioned costs.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For The Fiscal Year Ended June 30, 2001

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

Finding 01-2 (Continued)

Criteria (continued)

The primary recipient's responsibilities may be discharged for subrecipients receiving federal awards less than \$300,000 by performing a combination of the following procedures:

1. Relying on appropriate procedures performed by the primary recipient's internal audit department or program management personnel through on-site visits;
2. Reviewing documentation in support of amounts claimed for reimbursement; and
3. Applying certain agreed-upon procedures.

Condition

The County has established monitoring policies and procedures and has prepared a monitoring manual for staff use. However, we noted that Housing Division's monitoring activities are not documented. In addition, we noted that the Housing Division's supervisors do not perform oversight of their staff's subrecipient monitoring activities or follow-up of identified findings.

Effect

Without documenting and reviewing monitoring procedures performed, the County cannot ensure its internal controls governing compliance with all applicable laws and regulations are operating as planned.

Recommendation

We recommend that the County develop and implement policies requiring the documentation and review of subrecipient monitoring activities.

Management Response

The County has policies and procedures in place. The Agency is working on creating uniformity in documenting monitoring activities.

Measures to enforce compliance with documentation requirements include updating a documentation and compliance checklist that will serve as a mechanism to keep an account of monitoring activities. Periodic review by supervisor and management oversight will be included in documentation.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For The Fiscal Year Ended June 30, 2001

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

Finding 01-3 **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**
Temporary Assistance For Needy Families, CFDA Number 93.558
Passed Through the State of California, Department of Social Services
Administered by the San Mateo County Human Services Agency

Criteria

In accordance with OMB A-133, a grantee is responsible for documenting eligibility determinations. Under the eligibility requirements of this grant, the County must obtain a Monthly Income Determination form (CW7) from each participant monthly.

Condition

Four of the forty participant case files selected for testing were missing several of the Monthly Income Determination (CW7) forms. These forms are completed by the participants and are used by the Benefit Analysts to monitor the participants' financial status.

Effect

There is no indication of possible changes in financial status which could affect a participant's benefits.

Recommendation

We recommend that the County review procedures of obtaining and maintaining all necessary eligibility documentation to ensure that eligible participants are receiving the correct amount of benefits given their financial status.

Management Response

Problems cited in this finding will be reviewed by the appropriate Policy Team, which includes representatives from various levels in the organization and all major offices. This information will also be posted on the Human Services Agency Intranet. In 2001, a Quality Assurance (QA) Committee was formed and is currently developing QA procedures for implementation in 2002. Eligibility documentation, including the CW7 form, will be part of that QA review process. In this manner, this issue will be resolved at a systemic level.

COUNTY OF SAN MATEO
 Schedule of Findings and Questioned Costs (Continued)
 For The Fiscal Year Ended June 30, 2001

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

Finding 01-4 **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**
 Foster Care - Title IV-E, CFDA Number 93.658
 Passed Through the State of California, Department of Social Services
 Administered by the San Mateo County Human Services Agency

Criteria

In accordance with OMB A-133, a grantee is responsible for documenting eligibility determinations. Under the eligibility requirements of this grant, the grantee must complete the following forms documenting eligibility:

<u>Form name</u>	<u>Form #</u>	<u>Purpose</u>	<u>Frequency</u>	<u>Prepared/ Signed by</u>	<u>Reviewed/ Signed by</u>
Statement of Facts Supporting Eligibility for AFDC-Foster Care	FC-2	To document the initial eligibility determination for participation in the Foster Care program.	Every 6 months	Social Worker and Benefits Analyst	Benefit Supervisor - required for initial determination, after initial determination, review is performed on a random basis.
Determination of Federal AFDC-FC Eligibility	FC-3	To document whether Foster Care benefits will be paid by the State or the Federal government.	Every 6 months	Benefits Analyst	Benefit Supervisor - required for initial determination, after initial determination, review is performed on a random basis.

In addition copies of the following documents must be maintained in the participants files documenting eligibility:

<u>Document</u>	<u>Purpose</u>
Birth certificate, social security card, naturalization papers, adoption decree, etc.	To document age of child and citizenship.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For The Fiscal Year Ended June 30, 2001

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

Finding 01-4 (Continued)

Condition

During our testing of forty participant files for compliance with eligibility requirements, we noted the following:

- Four files were missing one or more of the FC-2,
- One file was missing the FC-3,
- Three files were missing the supervisor's signature on the initial FC-2, and
- Two files indicated that the required 6 month eligibility redetermination was performed one month late,

In addition to our testing of the County's compliance with eligibility requirements, we noted four files indicated that an incorrect rate or an undocumented rate was used to pay participants.

Effect

Incomplete and missing documentation and/or missing approvals may result in improper determinations, thus benefits could be disbursed to ineligible participants.

Recommendation

We recommend that the County strengthen its monitoring controls governing the eligibility determination of these participants to ensure that proper eligibility has been determined and forms are completed in accordance with program guidelines.

Management Response

Problems cited in this finding will be reviewed by the appropriate Policy Team, which includes representatives from various levels in the organization and all major offices. A memo will also be issued to staff informing them of this finding and stressing the importance of complete, accurate and timely documentation in determining eligibility. In 2001, a Quality Assurance (QA) Committee was formed and is currently developing QA procedures for implementation in 2002. Eligibility documentation, including the FC2 and FC3 forms, will be part of that QA review process. In this manner, this issue will be resolved at a systemic level.

COUNTY OF SAN MATEO
Status of Prior Year Findings and Questioned Costs
For The Fiscal Year Ended June 30, 2001

Financial Statement Findings

Finding 00-1 **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**
Foster Care – Title IV – E, CFDA Number 93.658
Passed through the State of California, Department of Social Services
Administered by the San Mateo County Human Services Agency

Criteria

Under the guidelines of OMB Circular A-87, the County is eligible to claim costs that are legal, proper, and consistent with the policies that govern the County's own expenditures, and that are paid to the eligible participants.

Condition

On April 18, 2001 the County's Human Services Agency discovered that one of its benefits analysts for the Foster Care program was allegedly embezzling Foster Care supplemental program funding. The employee was able to create electronic case files without establishing the required hard case that maintained all the eligibility determination documentation and then issued supplemental checks to fictitious claimants. The County performed an internal investigation and concluded that the embezzled funds were isolated to State Foster Care program funding, yet both State and Federal program funding determinations are governed by the same internal control environment. The County's internal investigation also, uncovered the following control weaknesses in that internal control environment:

- Benefit analysts' assigned duties allow them to control the issuance of checks on-line using the Case Data System (CDS) without offsetting control such as the required approval of a benefits analyst supervisor. Benefit analysts determine eligibility, establish the electronic case file, issue supplemental checks in any dollar amount, and manipulate closed case files all without supervisory approval. There is no procedure to ensure independent detection of an incorrect or improper check issuance. There is no limit imposed by CDS as to the number or dollar amount of supplemental checks issued on a respective case.
- Specific monitoring reports from the CDS are not being generated and analyzed. Only month end CDS reports are generated and analyzed listing active cases at the end of the month. There are no controls in place to monitor intra-month activity (cases opened and closed in the same month). Knowing employee would be able to by-pass controls by electronically opening and closing cases within the same month, not being detected.
- Closed cases are not always assigned a closed case number and remain in the benefit analyst number for various reasons, but the status of these cases are not monitored by a supervisor. Lack of monitoring poses risk that an employee could essentially manipulate information in closed cases and issue fraudulent checks.

COUNTY OF SAN MATEO
Status of Prior Year Findings and Questioned Costs (Continued)
For The Fiscal Year Ended June 30, 2001

Financial Statement Findings (Continued)

Finding 00-1 (Continued)

Condition (Continued)

- Warrant registers are not being closely reviewed. Cases are coded depending on the type of foster care services ordered by the court. Warrant registers should be reviewed for consistency with the case code assigned. For instance a case coded as receiving services from an approved facility should not be generating checks to individuals.
- Passwords assigned for access into the CDS are for an entire foster care unit and not by individual requiring access to the system. In addition passwords are not changed periodically, nor are they changed when an employee leaves the unit. Unit passwords make it difficult to determine who is accessing the system and limits the audit trail of who made changes to case data. In addition, not changing passwords after employees leave the department provides an environment for employees to fraudulent manipulate case data.

Context

The Department maintains the case records for various categories of aid, including supplemental payments on the CDS. This computer system is widely used by other California counties. CDS stores historical and financial case data, issues benefit checks, produces client notices and forms, and generates audit trail documents advising benefit analysts and management of actions taken or requested. Benefit analysts determine and approve clients' eligibility for assistance checks on-line from CDS and monitor clients' compliance with eligibility requirements. These employees are supervised by benefit analyst supervisors who generally have similar computer access on CDS.

During the current year, supplemental checks coded as State aid were issued through CDS with limited internal controls. Benefit analysts have both duties and computer access that were not offset with proper checks and balances. Federal aid disbursements are made under the same internal control environment, thus such funding is susceptible to fraud due to the weak internal control environment.

Effect

In an environment without proper internal controls, such as segregation of duties, an organization is more susceptible to fraud, which may go undetected or not be detected in a timely manner.

Recommendation

Based on the County's internal investigation and internal control findings, management should immediately implement the proposed corrective action plan.

COUNTY OF SAN MATEO
Status of Prior Year Findings and Questioned Costs (Continued)
For The Fiscal Year Ended June 30, 2001

Financial Statement Findings (Continued)

Finding 00-1 (Continued)

Management's response

We concur. The Human Services Agency's Corrective Action plan has been implemented.

Status

This situation was not noted in fiscal year 2001.

Federal Award Findings and Questioned Costs

Finding 00-1 **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**
Foster Care – Title IV – E, CFDA Number 93.658
Passed through the State of California, Department of Social Services
Administered by the San Mateo County Human Services Agency

The details of this finding can be found under Status of Prior Year Findings and Questioned Costs, *Financial Statement Findings*, as the finding is a reportable condition that affects both *Governmental Auditing Standards* and the provisions of OMB Circular A-133. As a result of the control deficiencies noted above, a certain employee of the County embezzled supplemental funds that were reimbursed under the State's Foster Care program, in which the same internal control environment over these funds also was supposed to safeguard federal assistance under the Foster Care program.

Finding 00-2 **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**
Foster Care – Title IV – E, CFDA Number 93.658
Passed through the State of California, Department of Social Services
Administered by the San Mateo County Human Services Agency

Criteria

Under the eligibility requirements, the grantee is required to determine eligibility based on the program requirements and maintain documentation supporting that determination. Documentation includes abiding by the established internal controls set in place to ensure that staff make a proper determination of eligibility.

Condition

The Foster Care supervisor's signature was not noted on the Form FC-2, *Statement of Facts Supporting Eligibility for AFDC-Foster Care* in five of forty case files selected for testing.

COUNTY OF SAN MATEO
Status of Prior Year Findings and Questioned Costs (Continued)
For The Fiscal Year Ended June 30, 2001

Federal Award Findings and Questioned Costs (Continued)

Finding 00-2 (Continued)

Context

The Form FC-2 documents the initial eligibility determination for participation in the Foster Care program and must be reviewed and signed by a supervisor prior to a program participant receiving benefits.

Effect

We were unable to determine whether these forms were reviewed by a supervisor, whose signature indicates their approval that the applicants were eligible to receive federal Foster Care program benefits.

Recommendation

We recommend that department management remind supervisors and staff of the importance of obtaining required signatures, which indicate approval of eligibility determination and authorizes a participant to receive benefits.

Management's response

We concur. A memorandum, dated February 26, 2001, was issued to all Foster Care case workers reminding them that the FC-2 form must be signed by the Unit Supervisor or their representative and that documentation must be filed in the case folder. In addition, quality control review requirements, established in November 2001, mandate the Foster Care Unit Supervisor randomly select four cases per month per worker for quality control review. The review tool, form C-197-85, is designed to include the review of the FC-2 and the FC-3 when determining Federal vs. Non-Federal eligibility.

Status

This situation was noted again in fiscal year 2001. See Finding 01-4 for the current status.

Finding 00-3 **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**
Temporary Assistance for Needy Families, CFDA Number 93.558
Passed through the State of California, Department of Social Services
Administered by the San Mateo County Human Services Agency

Criteria

Under the eligibility requirements, the grantee is required to maintain documentation supporting eligibility determination.

COUNTY OF SAN MATEO
Status of Prior Year Findings and Questioned Costs (Continued)
For The Fiscal Year Ended June 30, 2001

Federal Award Findings and Questioned Costs (Continued)

Finding 00-3 (Continued)

Condition

The County was unable to locate one of the forty case files selected for testing.

Context

This file was reconstructed in July 2001 for the annual eligibility re-certification of the participant, but the original eligibility determination documentation could not be provided.

Effect

We were unable to determine whether the participant selected was eligible during the period under audit as their case file was missing.

Recommendation

We recommend that the County evaluate their file management policies and procedures to ensure they are adequate for maintaining all necessary documentation.

Management's response

We concur. The CalWORKs Handbook has been reissued with revised lost/duplicate case procedures.

Status

This situation was not noted in fiscal year 2001.

Finding 00-4 **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**
Temporary Assistance for Needy Families, CFDA Number 93.558
Passed through the State of California, Department of Social Services
Administered by the San Mateo County Human Services Agency

Criteria

Under the eligibility requirements, the grantee is required to determine eligibility based on the program requirements and maintain documentation supporting that determination. Documentation includes abiding by the established internal controls set in place to ensure that staff make a proper determination of eligibility.

COUNTY OF SAN MATEO
Status of Prior Year Findings and Questioned Costs (Continued)
For The Fiscal Year Ended June 30, 2001

Federal Award Findings and Questioned Costs (Continued)

Finding 00-4 (Continued)

Condition

Per our discussions with three of the seven unit-supervisors for the TANF program, we noted that at those three sites new and re-certification case files are not being reviewed in accordance with the County's review policy.

Context

It is the County's policy that unit-supervisors review at least 50% of new and re-certification case files every month at their respective locations.

Effect

Not reviewing case files weakens the control environment as there is no over-site of eligibility determination, which could result in the misappropriation of assets relating improper use of federal funds.

Recommendation

We recommend that the County evaluate current program activities and develop and implement procedures to ensure that these reviews are performed timely.

Management's response

We concur. A review of current quality control procedures will be conducted and revised procedures will be fully implemented by October 2001.

Status

Supervisory reviews are an essential component of effective case management of CalWORKs cases. The Human Services Agency has elected to implement a more comprehensive solution that goes beyond supervisory case reviews. A Quality Assurance Committee has been formed and will be developing Quality Assurance procedures for implementation in 2002. Supervisory review of new and recertified cases will be a component of that process.

COUNTY OF SAN MATEO
Status of Prior Year Findings and Questioned Costs (Continued)
For The Fiscal Year Ended June 30, 2001

Federal Award Findings and Questioned Costs (Continued)

Finding 00-5 **U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**
HOME Investment Partnership Program, CFDA Number 14.239
Administered by the San Mateo County Human Services Agency

Criteria

Under the cash management guidelines, 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. Furthermore, Title 24, section 92.502(c)(2) of the *Code of Federal Regulations* states that "HOME funds drawn from the United States Treasury account must be expended for eligible costs within 15 days."

Condition

The County claimed reimbursement for a deposit made into an escrow account for property acquisition, but an escrow deposit is not considered an expenditure. The County should recognize these types of expenditure when escrow on the property closes. The County did though have a 15 day grace period from the draw down per Title 24, section 92.502(c)(2) of the *Code of Federal Regulations*, yet escrow did not close within the 15 days thus the County was no longer entitled to their draw down and should have returned the funds to HUD.

Context

Of the expenditures claimed for reimbursement, the County claimed an escrow deposit of \$229,640 that did not meet the criteria of an actual expenditure within 15 days of the reimbursement draw down.

Effect

The County has claimed reimbursement for costs that were unallowable due to a misunderstanding that the disbursement of an escrow deposit was considered an actual expenditure.

Recommendation

We recommend that the County review the policies for allowable costs and develop and implement procedures to ensure that only allowable costs are claimed for reimbursement within the allowable timeframe.

Status

County has not experienced similar timing lag problems between HUD drawdown and expenditure since this single, isolated case. Tighter internal control measures and closer monitoring of projects preclude reoccurrence.

COUNTY OF SAN MATEO
Schedule Of Prior Year Findings and Questioned Costs (Continued)
For The Fiscal Year Ended June 30, 2001

Federal Award Findings and Questioned Costs (Continued)

Finding 00-6 **U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**
HOME Investment Partnership Program, CFDA Number 14.239
Administered by the San Mateo County Human Services Agency

Criteria

Under the special tests and provisions guidelines for housing quality standards, during the period of availability for HOME assisted rental housing, the participating jurisdiction must perform on-site inspections to determine compliance with property standards and verify information submitted by owners no less than every two years for projects containing five to twenty-five units.

Condition

The County was unable to provide supporting documentation indicating whether these inspections were performed and whether there were any findings needing corrective action.

Context

The County has never established formal written procedures regarding reviewing and documenting housing quality standards inspections of subrecipients. Management has represented that these reviews are being performed in accordance with the HOME regulations but are not formally documented.

Effect

It is undeterminable whether these inspections are being completed in accordance with the HOME regulations as there are no written procedures that can be reviewed for comparison to the HOME regulations and there is not formal documentation that can be reviewed to determine the compliance with this requirement.

Recommendation

We recommend that management establish written procedures regarding reviews and documentation of housing quality standards inspections of HOME assisted units during the period of affordability.

Status

County Housing Staff has implemented a tracking system linking each HOME-assisted project to a master file and indicating how often on-site inspections according to HQS criteria are to be monitored. Each project has a separate file containing an HQS inspection checklist. Staff is being trained to conduct HQS inspections and to date, two HCD Staff have undergone training.