COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

April 4, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **2005-2006 SINGLE AUDIT REPORT**

Attached is the Single Audit Report (Report) for the County for fiscal year 2005-2006. The audit was performed by the independent accounting firm KPMG LLP, along with Vasquez & Company LLP. Federal law requires the County to have an annual audit of all expenditures that were funded by federal assistance received by the County. This year, the audit covered expenditures of approximately $3.3 billion.

The Report identifies a number of areas where County departments are not in compliance with federal assistance requirements for matters such as timely reporting and sub-recipient monitoring. County departments are in general agreement with the auditors' findings and have agreed in most cases to take corrective action. In a few instances, departments do not agree with the findings. The statuses of prior year audit findings are also included in the Report. In most cases the prior year recommendations have been implemented or are in progress of implementation.

JTM-JN-CY:bh
Transmittal to Board05-06

Attachment

c: David E. Janssen
Sachi A. Hamai
Audit Committee
Public Information Office
Affected Department Heads
Departmental Grant Coordinators

Single Audit Report
County of Los Angeles
Year ended June 30, 2006
with Report of Independent Auditors

Single Audit Report
County of Los Angeles
Year ended June 30, 2006
with Report of Independent Auditors

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KPMG LLP
Suite 2000
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Los Angeles, CA 90071-1568

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*

The Honorable Members of the Board of Supervisors
County of Los Angeles, California:

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 Los Angeles, California (the County), as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 22, 2007, which included a reference to the reports of 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.

Our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, grants, and other matters did not include the entities audited by the other auditors referred to in the previous paragraph. The findings, if any, of those other auditors are not included herein.

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 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 record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-01.

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 not a material weakness.

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

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 noted certain matters that we reported to management of the County in a separate letter dated January 22, 2007.

This report is intended solely for the information and use of the County's Board of Supervisors and 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.

KPMG LLP

January 22, 2007

VASQUEZ & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS

801 South Grand Avenue, Suite 400 • Los Angeles, CA 90017-4646 • Ph. (213) 629-9094 • Fax (213) 996-4242 • www.vasquezcpa.com

Report of Independent Auditors on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

The Honorable Members of the Board of Supervisors
County of Los Angeles, California

Compliance

We have audited the compliance of the County of Los Angeles, California (the 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 its major federal programs for the year ended June 30, 2006. 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 operations of the Community Development Commission which received $252,845,728 in federal awards which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2006. Our audit, described below, did not include the operations of the Community Development Commission which are covered in a separate audit performed 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 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 year ended June 30, 2006. However, the results of our auditing procedures disclosed other 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 Findings 06-02 to 06-25.

Registered with Public Company Accounting Oversight Board
Member of Private Companies Practice Section & Center for Public Company Audit Firms

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*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 non compliance 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. We noted no matters involving the internal control over compliance and its operation that we consider to be a material weakness.

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

Vargas + Company LLP

Los Angeles, California
February 15, 2007

KPMG

VASQUEZ & COMPANY LLP

355 South Grand Avenue, Suite 2000
Los Angeles, CA 90071

801 South Grand Avenue, Suite 400
Los Angeles, CA 90071

Independent Auditors' Report on Supplementary Information

The Honorable Members of the Board of Supervisors
County of Los Angeles, California:

We have audited and reported separately herein on 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 Los Angeles, California (the County) as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements. Our report included a reference to the reports of other auditors.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Los Angeles' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The supplementary information included in schedule of expenditures of federal awards 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.

KPMG LLP

KPMG LLP

Vasquez & Company LLP

Vasquez & Company LLP

Los Angeles, California
January 22, 2007

Federal Grantor/PassThrough Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA #)		Federal Expenditures
U.S. Agency for International Development			
Direct Program			
International Search and Rescue Operations	98.001		$ 591,240
Total U.S. Department for International Development			591,240
U.S. Department of Agriculture			
Passed through the California Department of Social Services			
Dollar Value of Food Stamps Issued	10.551	*	813,576,256
Food Stamp Program Administration - NAFS	10.561	*	106,341,225
Passed Through California Department of Education			
Summer Food Service Program for Children	10.559		26,069
Summer Food Service Program for Children	10.559		624,235
			650,304
Child Nutrition Program - School Lunch	10.555		4,017,648
Child Nutrition Program - School Breakfast	10.556		2,660,623
Total U.S. Department of Agriculture			927,246,056
U.S. Department of Commerce			
Direct Program			
Coastal Impact Assistance Program	11.419		435,000
Total U.S. Department of Commerce			435,000
U.S. Department of Education			
Direct Programs			
Supplemental Education Opportunity	84.007		16,048
Pellgrants	84.063		159,763
Passed through the California Department of Alcohol and Drugs			
Drug-Free Schools and Communities - Friday Night LIV	84.186		75,000
Drug-Free Schools and Communities - School Based	84.186		400,000
Drug-Free Schools And Communities (DFSC) - Club LIV	84.186		75,000
			550,000
Passed through the Los Angeles County Office of Education			
Fed - Education Aid Disabled Student	84.027	*	13,832,574
Total U.S. Department of Education			14,558,385
U.S. Department of Health and Human Services			
Direct Programs			
Bioterrorism	93.003		27,426,715
Bioterrorism Hospital Preparedness Program	93.003		23,798,372
			51,225,087
Special Projects of National Significants / PHC	93.928		318,308
Special Projects of National Significants /IT	93.928		343,811
Special Projects of National Significants MSM Youth	93.928		231,823
			893,942

Federal Grantor/PassThrough Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA #)		Federal Expenditures
U.S. Department of Health And Human Services (cont'd)			
Direct Programs (cont'd)			
Epidemiology HIV/AIDS Res Afr-Amer and Hispanic	93.943		391,988
HIV Risk Behavior Surveillance MSM	93.943		122,896
Rapid Testing	93.943		1,454,861
Simplified Procedures for Routine HIV Screening	93.943		79,294
STD-Test HIV Seronegative	93.943		140,243
			2,189,282
HIV/AIDS Surveillance and Seroprevalence	93.944		3,189,978
Morbidity And Risk Behavior Surveillance	93.944		511,175
Monitoring Atypical HIV Strains In Los Angeles Co	93.944		72,984
			3,774,137
HIV Emergency Relief Project Grant	93.914	*	38,527,292
HIV Prevention Project	93.940	*	13,312,139
Los Angeles County Youth Treatment Services - SAMH	93.959	*	100,000
Office of Minority Health	93.006		114,277
Child Mental Health Initiative Grant	93.104		144,433
Tuberculosis/CDC Cooperative Agreement	93.116		5,370,957
Active Varicella Surveillance and Epid Studies	93.185		241,744
Childhood Lead Poisoning Case Management	93.197		686,817
Families Coming Together to Fight Substance Abuse	93.243		231,231
State Epidemiology and Lab Surveilance Responses	93.283		894,734
Child Health and Disability Program	93.778		4,914,179
Scholarships for Disadvantaged Students	93.925		47,783
Intervention Epi Res Study of HIV/AIDS DAART	93.941		201,522
Comprehensive STD Preventions Systems	93.977		3,276,129
Refugee Preventive Health Services	93.978		1,043,110
Passed through the California Department of Aging			
Area Agency on Aging III C-I	93.045	*	5,225,018
Area Agency on Aging III C-II	93.045	*	4,047,688
			9,272,706
AAA III USDA CI	93.053		789,912
AAA III USDA CII	93.053		621,849
			1,411,761
Title VII:Elder Abuse Prevention	93.041		84,785
Title VII - Ombudsman	93.042		178,183
Area Agency on Aging - III - D	93.043		436,733
Area Agency on Aging III B	93.044	*	5,559,327
AAA Title III E	93.052		3,044,220

Federal Grantor/PassThrough Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA #)		Federal Expenditures
U.S. Department of Health And Human Services (cont'd)			
Passed through the California Department of Alcohol and Drugs			
Alcohol Block Grant	93.959	*	40,368,604
Fed Female Offender	93.959	*	369,241
New Prenatal Set - Aside	93.959	*	3,457,483
SABG New HIV Set - Aside	93.959	*	3,711,718
Substance Abuse Prev and Treatment Projects	93.959	*	185,916
SAPT Block Grant Adolescent Treatment	93.959	*	1,617,975
SAPT Prevention Set-Aside	93.959	*	12,788,291
			62,499,228
Fed Drug Medi-Cal (Prenatal and Drug)	93.778		25,032,744
Passed through the California Department of Education			
Child Day Care Program (Block Grant)	93.575	*	7,780,321
Child Day Care Program	93.596	*	2,659,896
Passed through the California Department of Health Services			
Medi-Cal Eligibility Determination	93.778		172,829,079
IHSS - PCSP Health Related	93.778		51,479,357
			224,308,436
Family Planning	93.217		802,796
Health Facilities Inspection	93.777		10,035,775
Care ACT Title II	93.917		3,594,134
Maternal and Child Health	93.994		3,712,824
Child Support Enforcement Title IV D	93.563	*	118,196,006
Health Care Program Children in Foster Care	93.658	*	7,401,801
Passed through the California Department of Social Services			
Calworks - FG/U Assistance	93.558	*	338,973,348
Adult Protective Services	93.558	*	10,439,684
Calworks Legal Immigrants (MC)	93.558	*	13,597,397
Calworks Diversion - Federal	93.558	*	12,272
Calworks Single	93.558	*	440,037,650
Calworks TANF Timed-Out Assistance	93.558	*	37,034,269
EA Foster Care Admin and Asst (Title IV-A)	93.558	*	51,681,026
Kingap Admin and Asst	93.558	*	35,266,627
			927,042,273
Probation IV-E Admin and Asst	93.658	*	320,000
AFDC - FC - Admin and Asst	93.658	*	125,069,769
Childrens Welfare Srvs Title IV E	93.658	*	200,324,311
Foster Parent Training	93.658	*	853,212
Foster Family Licensing	93.658	*	556,431
Group Home Month Visits/CWD	93.658	*	1,114,576
Cohort 1	93.658	*	518,434
			328,756,733

Federal Grantor/PassThrough Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA #)		Federal Expenditures
U.S. Department of Health And Human Services (cont'd)			
Passed through the California Department of Social Services (cont'd)			
Refugee Resettlement	93.566		3,094,648
Refugee Employment Social Services	93.566		2,341,241
			5,435,889
Promoting Safe And Stable Families Program (PSSF)	93.556	*	11,806,959
Refugee Targeted Assistance Program	93.584		1,310,928
Chafee Education And Training Vouchers Prog (ETV)	93.599		46,789
Childrens Welfare Srvs IV B(Dir Cost)	93.645		8,815,295
Childrens Welfare Srvs Title XX	93.667		22,303,033
Independent Living Skills - Childrens Services	93.674		9,757,227
Childrens Welfare Srvs XIX (Health Reel)	93.778		20,173,929
Adoptions - Administration and Assistance	93.659	*	103,261,060
Passed through the California Department of Community Services and Development			
CSBG 05F - 4620	93.569		3,470,084
CSBG 06F-4722	93.569		2,447,109
CSBG American Indian 06F - 4760	93.569		325,762
CSBG American Indian 05F - 4662	93.569		184,303
			6,427,258
Passed through the California Department of Mental Health			
Mckinney Homeless ACT Program	93.150		1,746,292
Mental Health Services: Block Grant	93.958		14,438,200
Total U.S. Department of Health and Human Services			2,074,522,336
U.S. Department of Housing and Urban Development			
Direct Programs			
Homeless Foster Youth Program (HFYP)	14.235		2,271,545
HUD Lead Hazard Control Grant	14.900		60,863
Passed through the L.A. County Community Development Commission			
CDBG Grant - Santa Clarita Service Center	14.218		9,911
Health Authority Law Enforcement Task (CDBG)	14.218		62,000
Code Enforcement Team (Second District) (CDBG)	14.218		14,295
Project Star (Studying, Tutoring, And Reading)	14.218		22,000
Project Star (La Puente/Graham Library)	14.218		19,175
Hacienda Heights Community Recreation Program	14.218		25,611
Burke's Club Drug Prevention and Gang Intervention	14.218		56,377
Adventure Park Recreation Program	14.218		65,418
Amigo Park Mobile Recreation Program	14.218		26,788
Mayberry Park Recreation Program	14.218		103,840
Roosevelt Pool Program	14.218		100,830
Steinmetz Park Senior Center Expansion Project	14.218		122,361
Pathfinder Senior Recreation Program	14.218		6,996
Stephen Sorensen Park Community Building Proj	14.218		11,843
Loma Alta Park Recreation Program	14.218		21,929
Pamela Park Recreation Program	14.218		22,000

Federal Grantor/PassThrough Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA #)		Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through the L.A. County Community Development Commission (cont'd)			
Pearblossom Park Recreation Program	14.218		21,289
Community Development Block Grant	14.218		1,859,506
CCE East Los Angeles -1st District	14.218		551,799
CCE 5th District	14.218		173,033
CCE - 2nd District	14.218		360,500
CCE 4th District	14.218		42,966
Homeowners Fraud Prevention Program	14.218		32,204
Success Through Awareness And Resistance (Star)	14.218		25,955
Lennox Station Community Youth Center	14.218		22,218
Rowland Heights Youth Athletic League Program	14.218		62,740
Pamela Park Youth Athletic League Program	14.218		34,986
Century Sher Youth Activity League Ctr Firestone	14.218		9,428
Century Station Code Enforcement Project	14.218		34,158
			3,922,156
Passed through the Los Angeles Homeless Services Authority			
Transitional Housing Program	14.235		94,273
Total U.S. Department of Housing and Urban Development			6,348,837
U.S. Department of Homeland Security			
Direct Programs			
Urban Search And Rescue EMW-2003-CA-0291	97.025		597,368
Urban Search And Rescue EMW-2004-CA-0450	97.025		319,231
Urban Search And Rescue EMW-2005-CA-0260	97.025		158,517
Urban Search And Rescue EMW-2003-CA-0101	97.025		3,347,033
Urban Search And Rescue EMW-2006-CA-0196	97.025		1,270
			4,423,419
Terrorism Early Warning (TEW) Resource Center (2005)	97.007		153,497
Terrorism Early Warning Expansion Project	97.008		235,428
Passed through the California Office of Emergency Services			
State Domestic Preparedness Program GR 03	97.004	*	2,360,904
State Domestic Preparedness Program GR 03.2	97.004	*	7,937,590
State Homeland Security Program 04	97.004	*	7,641,819
			17,940,313
Earthquake (Northridge)	97.036	*	133,247,054
2005 Winterstorms	97.036	*	6,379,155
2005 Winterstorms #2	97.036	*	298,603
			139,924,812
Hazard Mitigation Grant	97.039		4,255,307
Fire Mngmnt Asst Grant - Topanga Fire	97.046		577,134
State Homeland Security Program 05	97.067	*	3,473,250
Passed through the California Department of Mental Health			
Crisis Counseling Program for Hurricane Katrina VI	97.032		7,130
Total U.S. Department of Homeland Security			170,990,290

Federal Grantor/PassThrough Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA #)		Federal Expenditures
U.S. Department of Justice			
Direct Programs			
Asset Seizure and Forfeiture	16.000		5,641
Asset Forfeiture	16.000		3,923,930
			3,929,571
NU Sciences and Technology (2003-IJ-CX-KO08)	16.560		245,995
2004 Solving Cold Cases with DNA-384 (2005-DN-BX-K	16.560		25,960
DNA Capacity Enhancement Program (2005-DA-BX-K035)	16.560		116,231
			388,186
DNA Capacity Enhancement	16.564		424,933
DNA Forensic Casewrk Backlog Red. Pgm (2004-DN-BX-K084)	16.564		225,961
			650,894
Local Law Enforcement Block Grant	16.592		309,000
Community Law Enforcement And Recovery (Clear) Dir	16.592		100,000
Abolish Chronic Truancy (ACT)	16.592		190,000
Strategies Against Gang Environments (SAGE)	16.592		310,124
Crash (Local Law Enforcement Block Grant)	16.592		114,000
Clear (Local Law Enforcement Block Grant)	16.592		81,000
L.A. Bridges (Local Law Enforcement Block Grant)	16.592		116,000
Local Law Enforcement Block Grant (LLEBG)	16.592		208,000
Local Law Enforcement Block Grant	16.592		642,165
			2,070,289
Bulletproof Vest Partnership Grant	16.607		28,047
Bulletproof Vest Partnership	16.607		20,033
Bulletproof Vest Reimbursement	16.607		44,073
			92,153
COPS High Int Crim Alien App and Pros (HICAAP)	16.710		1,092,941
COPS 2002 COPS Technology Grant	16.710		54,325
COPS Creating A Culture of Integrtity	16.710		18,735
COPS 2003 Public Trust Iniative (2003HSWXK002)	16.710		1,492
Community Prosecution Project / Viper (2003GPCX015)	16.710		101,965
RCPI 2004 Integrity Initiative	16.710		310,901
COPS Technology Grant-CF28 (2003-CK-WX-0281)	16.710		1,569,897
RCPI Integrity/Public Trust Initiative (2005-CK-WX)	16.710		232,244
			3,382,500
Drug Enforcement Administration	16.001		59,047
State Criminal Alien Assistance Program	16.606	*	12,530,034
Mental Health Court Transition Project	16.580		8,401

Federal Grantor/PassThrough Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA #)		Federal Expenditures
U.S. Department of Justice (cont'd)			
Passed through the California Office of Emergency Services			
Project Safe Neighborhood	16.609		157,148
Project Safe Neighborhood	16.609		104,212
Project Safe Neighborhood (US05S20190)	16.609		86,892
			348,252
Elder Abuse Advocacy & Outreach Program (EAAOP-BYRN)	16.575		28,957
Special Emphasis Victim Assistance Program (SEVAP)	16.575		110,000
Victim Witness Assistance Program (VWAP)	16.575		1,636,653
			1,775,610
Lancaster Gang Violence Suppression	16.588		46,998
Stalking and Threat Assessment Team (STAT)	16.588		164,485
			211,483
Comm Oriented Multi Agency Narcotics Enforcement	16.738		852,411
Clearing House Electronic Surveillance System (CHESS)	16.738		280,266
			1,132,677
Coverdell Forensic Sciences Improvement Act Prog	16.560		89,330
Elder Abuse Advocacy & Outreach Program (EAAOP-VOCA)	16.579		156,510
Passed through the City of Los Angeles			
City Clear (OJJDP)	16.541		191,084
City Clear (OJJDP) Pgm (C-108396)	16.541		172,881
			363,965
City Clear (Jag)	16.738		437,818
City Clear (Jag) Pgm (C-108396)	16.738		12,459
			450,277
Passed through the Office for Victims of Crime			
Urban High Crime Neighborhood Initiative (OVC)	16.582		127,337
Total U.S. Department of Justice			27,766,516
U.S. Department of Labor			
Passed through the California Department of Employment Development			
WIA Adult	17.258	*	13,150,699
WIA Rapid Response	17.258	*	1,034,076
WIA 15% Title I-A (Healthcare Worker Formula)	17.258	*	1,156,561
			15,341,336
WIA Dislocated Worker	17.260	*	11,965,798
WIA 15% Title I-D Incentive Funds	17.260	*	128,000
			12,093,798
National Emergency Grant (NEG)	17.261		481,938
National Emergency Grant (NEG) Storm	17.261		144,318
			626,256
WIA Youth	17.259	*	14,040,283

Federal Grantor/PassThrough Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA #)		Federal Expenditures
U.S. Department of Labor (cont'd)			
Passed through the California Department of Aging			
Older American Title V Project	17.235		2,151,170
Total U.S. Department of Labor			44,252,843
U.S. Department of Transportation			
Direct Program			
Airport Improvement Program	20.106		2,320,347
Passed through the California Department of Transportation			
Bridge Retrofit Program	20.205	*	493,198
Surface Transportation Program (STP)	20.205	*	6,103,789
Highway Bridge Rehabilitation	20.205	*	3,724,893
Hazard Elimination Safety	20.205	*	58,430
1998/1999 Demonstration	20.205	*	450,075
Transportation Enhancement Activities	20.205	*	1,091,873
Regional Surface Transportation Program	20.205	*	250,061
Emergency Relief Program	20.205	*	5,616,967
Transportation, Community, and System Preservation	20.205	*	97,759
			17,887,045
Los Angeles County Subregional Planning	20.505		36,236
Public Transportation for Non Urbanized Areas	20.509		450,060
Passed through the California Office of Traffic Safety			
Traffic Safety CB0213	20.600		913,044
Total U.S. Department of Transportation			21,606,732
U.S. Department of Treasury			
Direct Program			
Gang Resistance, Education And Training	21.052		43,349
Total U.S. Department of Treasury			43,349
U.S. Federal Emergency Management Agency (FEMA)			
Passed through the California Department of Economic Opportunity			
Food Basket Distribution	83.523		12,967
Total U.S. Federal Emergency Management Agency			12,967
U.S. Office of Library Services			
Passed through the California State Library			
Public Library Staff Education Program	45.310		10,938
Total U.S. Office Library Services			10,938

Federal Grantor/PassThrough Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA #)	Federal Expenditures
U.S. Office of the President		
Direct Program		
High Intensity Drug Traffic (HIDTA)	99.027	111,426
Total U.S. Office of the President		111,426
Total Federal Expenditures		$ 3,288,496,915

* Denotes a major program as defined by OMB Circular A-133.

See accompanying Notes to Schedule of Expenditures of Federal Awards and the Report of Auditors on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.

NOTE 1 GENERAL

The accompanying Schedule of Expenditures of Federal Awards represents all Federal programs of the County of Los Angeles, California (the County). All federal financial assistance received directly from federal/state agencies as well as federal financial assistance passed through other government agencies are included in the schedule.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified-accrual basis of accounting, as described in Note 1 of the notes to the County's basic financial statements. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the County's basic financial statements.

NOTE 3 SUBRECIPIENT AWARDS

Of the federal expenditures presented in the schedule of expenditures of federal awards, the County provided a significant amount of funding to various subrecipients. Due to the extensive number of federal programs and large volume of subrecipients, it is not practical to display the detailed subrecipient information in the schedule of expenditures of federal awards.

NOTE 4 SUMMARY OF COMMUNITY SERVICES BLOCK GRANT – CSBG CFDA #93.569

The following summarizes the federal expenditures for the County's Community Services Block Grant (CSBG), U.S. Department of Health and Human Services, passed through the California Department of Community Services and Development, CFDA #93.569 for the year ended June 30, 2006.

Program name	Grant no.		Expenditure amount
CSBG	05F-4620	$	3,470,084
CSBG	06F-4722		2,447,109
CSBG - American Indian	06F-4760		325,762
CSBG - American Indian	05F-4662		184,303
		$	6,427,258

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on the financial statements:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified:	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements noted:	No

Federal Awards

Internal control over its major programs:	
• Material weakness(es) identified:	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for its major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.561, 10.551	Food Stamp Cluster
84.027	Special Education Cluster
93.914	HIV Emergency Relief Grant
93.940	HIV Prevention Project
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.575, 93.596	Child Day Care Program Cluster
93.563	Child Support Enforcement Title IVD
93.556	Promoting Safe and Stable Families
93.558	CalWORKS
93.658	Foster Care – Title IVE
93.659	Adoptions – Administration and Assistance
16.606	State Criminal Alien Assistance Program
97.004, 97.067	Homeland Security Grant Cluster
97.036	Public Assistance Grant
93.044, 93.045	Aging Cluster
17.258, 17.259, 17.260	Workforce Investment Act (WIA) Cluster
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	$9,865,491
Auditee qualified as a low-risk auditee:	No

Section II - Financial Statement Findings

Item 06-01: Retroactive Recognition of Remaining Infrastructure and Easements

Observation
As required by Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments (GASB Statement No. 34), the County restated its July 1, 2005 balances to reflect the retroactive recognition of the remaining infrastructure assets and easements acquired prior to July 1, 2001. The total amount of this adjustment was approximately $13 billion. During our audit procedures related to this adjustment, we noted a variety of matters that indicated appropriate controls were not in place that would have ensured that this adjustment was recorded accurately.

These matters included a variety of clerical errors that resulted in significant adjustments to the amounts of assets recorded including double counting of fee interest for an airport; input errors on square footage of maps; measurement errors on maps; and errors in amounts inputted into databases used for recording the adjustment. In addition, we noted two fundamental issues in the approach used to determine the adjustment including no process for verification of the completeness of maps used to determine the adjustment and use of simple estimates of square footage on maps instead of engineers' calculations.

Each step in the process of auditing this adjustment uncovered another set of errors and required significant challenges to the basic approach taken by the County. Although we understand that the subject matter of this adjustment is very unique and not a part of the County's routine accounting processes, the audit process indicated that the County did not have adequate internal controls in place to ensure the accuracy of the infrastructure and easement adjustments.

Impact
The lack of adequate controls over the determination of the infrastructure and easement adjustments resulted in several revisions to the County's infrastructure and easement adjustments.

Recommendation
We recommend that the County strengthen its existing policies and procedures for implementing new accounting pronouncements. Should departments other than the Auditor-Controller be responsible for the gathering of data necessary to properly implement the accounting pronouncement, we recommend that the Auditor-Controller periodically review the underlying data collected by other departments to ensure the completeness, accuracy and presentation and disclosure of the information.

Management Response
We agree with the recommendation. Although the County has a long-term record of successfully implementing new accounting pronouncements, there were unique issues which led to the observations noted by the auditors. The observations pertain to a singular aspect of GASB Statement No. 34, specifically the infrastructure, rights-of-way, and easements that were required to be recognized in the County's financial statements. Many of these assets (particularly roads and flood control channels) were decades old, supporting documentation was not consistently available, and the County was required to rely upon non-accounting specialists and other nontraditional methods to develop the asset values retroactively.

Management Response (cont'd)
The Auditor-Controller will continue to monitor all new accounting standards and pronouncements to ensure that the County's financial statements remain compliant. Special attention will be given in future where non-accounting expertise and reliance on other County departments is required to ensure the adequacy of planning time, the oversight of data collection, and the review of account balances and/or disclosure requirements.

Section III – Federal Award Findings

CFDA#s 10.561, 10.551 - Food Stamp Cluster

Finding# 06-02 – Reporting

Condition
In the course of our review of selected required reports, we noted that 1 out of the 12 required DFA-256 Reports and 1 out of the 4 FNS-209 Reports were submitted beyond the specified due dates.

Criteria
The State requires submission of the Food Stamp Program Participation and Benefit Issuance Report (DFA-256) within 20 days after the end of each month and the Quarterly Status of Claims Against Households Report (FNS-209) within 30 days after the close of each quarter.

Recommendation
The Department of Public Social Service (DPSS) should ensure that required reports are submitted timely and approvals for extensions, if necessary, are obtained.

Views of Responsible Officials and Planned Corrective Action
DPSS agrees with this recommendation.

DPSS developed an automated production system that quickly produces State reports once data is available. The Department reorganized and consolidated its reporting components, which has minimized data hand-offs and streamlined the past process.

Finding# 06-03 – Eligibility

Condition
Of the 40 participants selected for testing, three did not have documentation supporting their income.

Criteria
Existing federal regulations require performance of eligibility determination and/or re-determinations in accordance with the requirements of the Food Stamp Program. The Food Stamps program is intended to benefit primarily low income families of U.S. citizens and eligible non-citizens.

Recommendation
DPSS should ensure adequate documentation supporting participant income is obtained and kept on file.

Views of Responsible Officials and Planned Corrective Action
DPSS agrees with the recommendation.

DPSS issued Administrative Memorandum (AM) 06-22 dated December 20, 2006, addressing the Food Stamp Case Review Checklist. The AM referenced BOOST Handbook procedures, DPSS policy and included a checklist for proper case documentation, review and filing to ensure correct eligibility determination.

Implemented December 20, 2006

CFDA# 84.027 - Special Education Cluster

Finding# 06-04 - Eligibility

Condition
One out of the 40 participant's Individualized Education Plan (IEP) files we reviewed was last updated in 2002.

Criteria
An Individualized Education Plan should be done periodically for the determination/redetermination of participant's eligibility for special education in accordance with the 14 categories of disability that qualify a participant for special education. Reassessments must be conducted when circumstances warrant or, in the case of the Department's existing policy, once every three years.

Recommendation
To ensure that program beneficiaries are limited to eligible individuals and to facilitate monitoring of the needs and progress of participants under the County's special education program, the Department of Mental Health should ensure that IEPs are kept current for all participants.

Views of Responsible Officials and Planned Corrective Action
As we explained to the audit team repeatedly during the audit, the Department of Mental Health is acutely aware of the need for periodic reviews of each student's progress in residential placement and psychotherapy. We routinely request the IEP team meetings be convened in at least six month intervals in order to comply with this provision of the statute and regulations. However, the Department of Mental Health has no authority or responsibility over any of the 82 school districts to compel them to convene such meetings.

California Education Code 56340 specifically states, "Each district, special education local plan area, or county office shall initiate and conduct meetings for the purpose of developing, reviewing, and revising the individualized education program of each individual with exceptional needs in accordance with paragraph (2) of subsection (b) of Section 300.343 of Title 34 of the Code of Federal Regulations." The Department of Mental Health is neither a school district, nor a special education local planning area (SELPA) nor a county office of education.

Section 56341 of the California Education Code defines and describes the membership of the IEP team, all of whom are school district employees, except the parent of the student. Therefore, the Department of Mental Health can only request that the local school district convene the IEP team meetings at a time and place convenient to the parent and to the school district staff that are required to attend.

As a corrective measure resulting from the audit finding, the Department of Mental Health will document in the progress notes of every student, the attempts to communicate with the school district and the parent to convene necessary IEP meetings. In addition, we have prepared a form letter that will be sent to the school districts if they are unresponsive or untimely in their responses to our telephonic communications. This letter will be another indicator in the medical records of the Department of Mental Health that will demonstrate our attempts to get the school districts to comply with their statutory requirement to convene IEP meetings timely.

CFDA# 93.914 - HIV Emergency Relief Grant

Finding# 06-05 - Subrecipient Monitoring, During the Award Monitoring

Condition

a. Fiscal reviews for 7 of the 25 subrecipients selected have not been done for the past three years. Desk reviews have been alternatively done by the Contract Monitoring Division (CMD).

b. For 18 of the 25 subrecipients selected, fiscal reviews have been done recently but have not yet been finalized.

Criteria

Pass-through entities are required to have a system in place to monitor the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements, that agency's accounting records and internal controls are adequate and that performance goals are achieved.

Recommendation

Limitations on existing resources may make it difficult, if not impossible, to conduct fiscal site reviews of subrecipients within the three-year period required by County policies. However, failure to conduct reviews for several consecutive periods increases the risk of significant deficiencies in the subrecipients' financial control processes and disallowed costs not being detected in a timely manner. Desk reviews can provide valuable information as far as the financial viability of the subrecipient is concerned. However, such may prove to be inadequate for monitoring purposes in the long run. CMD, in coordination with the Department of Public Health, should ensure that fiscal audits of subrecipients are done periodically.

Views of Responsible Officials and Planned Corrective Action

The Contract Monitoring Division (CMD) continues its efforts to ensure sufficient resources are provided to monitor department contracts. Currently, CMD is in the process of recruiting additional staff. Furthermore, the FY 07-08 budget request includes an item for an additional supervisor, which will permit the timelier issuance of final reports.

CFDA# 93.940 - HIV Prevention Project

Finding# 06-06 - Subrecipient Monitoring, During the Award Monitoring

Condition

a. Fiscal reviews for 6 of the 25 subrecipients selected have not been done for the past three years. Desk reviews have been alternatively done by the CMD.

b. For 16 of the 25 subrecipients selected, fiscal reviews have been done recently but have not yet been finalized.

Criteria

Pass-through entities are required to have a system in place to monitor the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements, that agency's accounting records and internal controls are adequate and that performance goals are achieved.

Finding# 06-06 - Subrecipient Monitoring, During the Award Monitoring (cont'd)

Recommendation
Limitations on existing resources may make it difficult, if not impossible, to conduct fiscal site reviews of subrecipients within the three-year period required by County policies. However, failure to conduct reviews for several consecutive periods increases the risk of significant deficiencies in the subrecipients' financial control processes and disallowed costs not being detected in a timely manner. Desk reviews can provide valuable information as far as the financial viability of the subrecipient is concerned. However, such may prove to be inadequate for monitoring purposes in the long run. CMD, in coordination with the Department of Public Health, should ensure that fiscal audits of subrecipients are done periodically.

Views of Responsible Officials and Planned Corrective Action
The Contract Monitoring Division (CMD) continues its efforts to ensure sufficient resources are provided to monitor department contracts. Currently, CMD is in the process of recruiting additional staff. Furthermore, the FY 07-08 budget request includes an item for an additional supervisor, which will permit the timelier issuance of final reports.

CFDA# 93.959 - Block Grants for Prevention and Treatment of Substance Abuse

Finding# 06-07 - Subrecipient Monitoring, During the Award Monitoring

Condition
a. Fiscal reviews for 13 of the 25 subrecipients selected have not been done for the past three years. Desk reviews have been alternatively done by the Contract Monitoring Division (CMD).

b. For 12 of the 25 subrecipients selected, fiscal reviews have been done recently but have not yet been finalized.

Criteria
Pass-through entities are required to have a system in place to monitor the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements, that agency's accounting records and internal controls are adequate and that performance goals are achieved.

Recommendation
Limitations on existing resources may make it difficult, if not impossible, to conduct fiscal site reviews of subrecipients within the three-year period required by County policies. However, failure to conduct reviews for several consecutive periods increases the risk of significant deficiencies in the subrecipients' financial control processes and disallowed costs not being detected in a timely manner. Desk reviews can provide valuable information as far as the financial viability of the subrecipient is concerned. However, such may prove to be inadequate for monitoring purposes in the long run. CCMD, in coordination with the Department of Alcohol and Drug Prevention, should ensure that fiscal audits of subrecipients are done periodically.

Views of Responsible Officials and Planned Corrective Action
The Contract Monitoring Division (CMD) continues its efforts to ensure sufficient resources are provided to monitor department contracts. Currently, CMD is in the process of recruiting additional staff. Furthermore, the FY 07-08 budget request includes an item for an additional supervisor, which will permit the timelier issuance of final reports.

CFDA#s 93.575, 93.596 - Child Day Care Program Cluster

Finding# 06-08 - Special Tests and Provisions

Condition
Based on the testwork performed, we noted the following:

- 1 of 25 provider files does not have the current Childcare Provider Agreement and Provider Fees Policy Statement on file.
- 9 out of 25 childcare provider folders reviewed did not have duly completed and reviewed provider file checklist.

Criteria
Childcare Provider Agreement and Provider Fees Policy Statement set out the terms with which DCFS contracts childcare service providers. Signature of the authorized representatives of both parties on said documents signify a meeting of the minds as far as responsibilities and expected contract deliverables are concerned.

The Childcare Funding Terms and Conditions outlines the required documents that DCFS needs to obtain and maintain on file as far as licensed, in-home and other exempt service providers are concerned. A properly completed and signed checklist documents the provider file review process.

Recommendation
To ensure that required documents, particularly those relating to provider licenses and safety certifications, are obtained and kept on file prior to execution of childcare provider services agreement, DCFS should ensure that required checklists are completed and reviewed by authorized officers.

Failure to keep current provider agreements and fees policy statements on file exposes DCFS to the risk of not being able to legally enforce the contract requirements. DCFS should therefore ensure that properly executed provider agreements and policy statements are kept current and on file.

Views of Responsible Officials and Planned Corrective Action
DCFS Child Care Program staff will implement a regular two (2) week internal review of a random sampling of cases effective March 15, 2007.

Child Care Supervisors will review cases and verify that they have a Provider Fee and Policy Statement as well as a Provider File Checklist on file. The program manager will oversee this process. If the supervisor's review finds mistakes or any of the aforementioned documents are missing, the employee will be counseled and a plan for improved performance will be jointly developed.

CFDA# 93.563 - Child Support Enforcement Title IVD

Finding# 06-09 – Reporting

Condition
19 of the 41 reports examined (CS34, CS35, CS157, CS356 and CS1257) were submitted beyond the due date set by the State. Reports that were submitted late were delinquent between 1 to 12 days.

Finding# 06-09 – Reporting (cont'd)

Criteria
Under the Plan of Cooperation between the State and the Child Support Service Department (CSSD), the County is required to submit certain reports within specified due dates.

Recommendation
We recommend that CSSD comply with the reporting requirements set forth in its contract with the State. We also recommend that CSSD consider renegotiating more reasonable report due dates with the State.

Views of Responsible Officials and Planned Corrective Action
We concur with the finding and will immediately implement measures to strengthen our internal coordination to expedite the submission process, such as instituting back-up plans to avoid unnecessary delays in cases where designated staff is not available for review or approval. At this junction, we do not plan to petition to renegotiate the submission dates as the submission deadlines are established statewide. However, when needs arise, we will ask for extensions and obtain written approvals from the State.

CFDA# 93.556 - Promoting Safe and Stable Families (PSSF)

Finding# 06-10 - Subrecipient Monitoring, Subrecipient Audits

Condition
We noted that 2 out of the 25 subrecipients tested did not have current Single Audit reports on file.

Criteria
Pass through entities are required to ensure that subrecipients expending $500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient's audit period,

Recommendation
We recommend that DCFS ensure that up-to-date Single Audit reports are obtained from subrecipients, as applicable, and that subrecipients take timely and appropriate corrective action on all audit findings, if any.

Views of Responsible Officials and Planned Corrective Action
The subrecipient agencies notified DCFS that they would submit the Fiscal Year 2005-06 Single Audit reports by March 2007. This time frame is within the allowable nine months of the end of the audit period.

Finding# 06-11 - Subrecipient Monitoring, During the Award Monitoring

Condition
3 out of 11 Family Preservation (FP) subrecipients selected for testing did not have their technical reviews for fiscal year ended June 30, 2006. Technical reviews cover verification of effective implementation of the FP programs, including policy, budget, referrals, network collaboration and compliance with the service and fiscal dates, and identification of issues.

Finding# 06-11 - Subrecipient Monitoring, During the Award Monitoring (cont'd)

Criteria
Pass-through entities are required to have a system in place to monitor the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements, that agency's accounting records and internal controls are adequate and that performance goals are achieved.

Recommendation
Technical reviews for all subrecipients should be done annually, in accordance with DCFS' existing policies.

Views of Responsible Officials and Planned Corrective Action
The Family Preservation Program was unable to complete the required technical reviews due to extreme staff shortage. In Fiscal Year 2006-07, the Family Preservation Program will ensure that all Family Preservation Agencies are adequately monitored, specifically in respect to compliance with the required technical reviews.

Finding# 06-12 - Subrecipient Monitoring, During the Award Monitoring

Condition
During our review of subrecipient monitoring activities, we noted that several attendance sheets were missing for the Family Preservation monthly roundtable meetings and Family Support quarterly meetings.

Criteria
Attendance sheets document subrecipients/contractors compliance with the mandatory attendance on meetings conducted by DCFS.

Recommendation
DCFS should ensure that attendance sheets for the required monthly and quarterly meetings are kept on file.

Views of Responsible Officials and Planned Corrective Action
DCFS staff has conducted all quarterly Family Support meetings on time and immediately after the Child Abuse Prevention, Intervention and Treatment (CAPIT) meetings. We did not always have separate attendance sheets for the CAPIT and Family Support Agencies quarterly meetings that were held on the same date.

DCFS staff will have each agency representative sign an attendance sheet for all future Family Support quarterly meetings. We will file all attendance sheets by month and year of meeting and keep them with the other Family Support documentation for that fiscal year.

Finding# 06-13 - Matching, Level of Effort, Earmarking

Condition
As of June 30, 2006, expenses adjusted as of the 3rd quarter for Family Preservation, Family Support, Adoption Promotion and Time Limited Family Reunification represent 25%, 48%, 14% and 13%, respectively of total program expenses for the Promoting Safe and Stable Families (PSSF) program.

Based on our inquiries, it also appears that there is no monitoring system in place to ensure compliance with the minimum earmarking requirements for the PSSF program.

Criteria
Existing federal compliance provisions relating to earmarking require the County to expend a significant portion, defined as 20 percent, on each of the following: programs of family preservation services, community-based family support services, time-limited family reunification services, and adoption promotion and support services.

Recommendation
We recommend that DCFS establish a system that will monitor compliance with the earmarking requirements applicable to the program.

Views of Responsible Officials and Planned Corrective Action
The Claiming and Revenue Unit of the Accounting Services Section provides a quarterly *Expenditures Claimed vs. Allocation Report* to the Program Manager effective the first quarter of Fiscal Year 2006-07. This report indicates the total Federal Allocation and the 20% minimum requirements for each of the Promoting Safe and Stable Families (PSSF) components. It also includes the percentage spent against the 20% target and a comparison from the previous fiscal year's expenditures for monitoring/tracking purposes. This report along with the detailed report of expenditures by contractor, also prepared by the Accounting Services' Financial Reporting Unit, will help the Program Manager to develop strategies on how to maximize the 20% requirement. We send the *Expenditures Claimed vs. Allocation Report* to all Budget Liaisons who are responsible for updating Office Heads on matters affecting their bureaus/offices.

DCFS has revised the fourth quarter claim for Fiscal Year 2005-06 for each of the PSSF programs estimated expenses that will be submitted by March 31, 2007. As shown below, DCFS will be in compliance with the 20% minimum requirements with all components except the Adoption Promotion and Support Services (APSS). Community based organizations within APSS had delays in hiring professional staff with the appropriate requirements therefore could not provide services.

	Adjusted	%
Family Preservation	3,773,584	25%
Family Support	6,110,620	41%
Adoption Promotion & Support Svcs.	2,112,844	14%
Time Limited Family Reunification	2,995,257	20%

CFDA#93.558 –CalWORKS

Finding# 06-14 - Reporting

Condition
5 out of 40 program reports examined were submitted beyond the due date required. Reports that were submitted late were delinquent between 1 to 8 days.

Criteria
Based on the agreement with the Health and Human Services Agency California Department of Social Services, the County is required to submit the following program reports:

a. CA – 237 CW (Caseload Movement Report) – This report is due by the 18th calendar day of the month following the report month.

b. CA – 253 CW (Reasons for Discontinuances of Cash Grant Report) – This report is due by the 18th calendar day of the month following the report month.

c. CA – 255 CW (Reasons for Denials and Other Non-Approcals of Applications for Cash Grant) – This report is due by the 18th calendar day of the month following the report month.

b. WTW 25 and WTW 25A (CalWORKs Welfare-To-Work Monthly Activity Report of All (Other) Families and Two-Parent Separate State Program) –This report is due by the 20th calendar day of the month following the report month.

c. WTW 30 (TANF Work Participation Rate) – This report is due 75 days after the last day of the reporting month.

Recommendation
We recommend that DPSS ensure that required reports are submitted within specified deadlines.

Views of Responsible Officials and Planned Corrective Action
DPSS agrees with this recommendation.

Our Bureau of Contract & Technical Services/Information Services Section now submits the following DPSS reports required by the State in a timely manner: CA-237 CW, CA-253 CW, CA-255 CW, WTW 25 & WTW 25A, and WTW 30.

Implemented August 2005

Finding# 06-15 - Subrecipient Monitoring, During the Award Monitoring

Condition
21 of the 40 monthly management reports required from subrecipients were not submitted within 15 days from the end of the reporting month end. Reports that were submitted late were delinquent between 2 to 29 days.

Finding# 06-15 - Subrecipient Monitoring, During the Award Monitoring (cont'd)

Criteria
Pass-through entities are required to have a system in place to monitor the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements, that agency's accounting records and internal controls are adequate and that performance goals are achieved.

Existing policies require submission of monthly management reports by subrecipients of the CalWORKS program.

Recommendation
DPSS should ensure that required monthly management reports are obtained from subrecipients within the required period.

Views of Responsible Officials and Planned Corrective Action
DPSS agrees with this recommendation.

Corrective action was implemented with the release of BAS-CMD Contract Memo #06-15, dated September 18, 2006. The purpose of the release was to follow up on the required reports and to announce that contractors must submit Monthly Management and Single Audit reports in a timely manner to be in compliance with OMB A–133 requirements.

Implemented September 18, 2006

Finding# 06-16 - Special Tests and Provisions, DA Sanction

Condition
For 13 out of the 40 participants selected, we noted that either the Form 594-G or the 2-way Gram or both were missing. We also noted that 2 out of the 40 participants tested who should have been sanctioned were erroneously aided 100%.

Criteria
The following federal requirements relating to special tests and provisions apply to this program:

a. DA Sanction
   When an individual is not cooperating in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, the County must deduct an amount equal to not less than 25 percent from the assistance that would otherwise be provided to the family of an individual and may deny the family all assistance. This is documented by Forms 594-G and the 2-way Gram.

b. Gain Sanction
   The County must reduce or terminate the assistance payable to the family for refusal to work subject to any good cause or other exemptions established.

Finding# 06-16 - Special Tests and Provisions, DA Sanction (cont'd)

Criteria (cont'd)

c. Gain Exemption

If an individual is an adult single custodial parent caring for a child under the age of six, the County may not reduce or terminate assistance for the individual's refusal to engage in required work if the individual demonstrates an inability to obtain needed child care based upon the following reasons: (a) unavailability of appropriate child care within a reasonable distance from the individual's home or work site; (b) unavailability or unsuitability of informal child care by a relative or under other arrangements; and (c) unavailability of appropriate and affordable formal child care arrangements. Compliance with this requirement is evidenced by completion of Form 6050 and submission of appropriate supporting documentation (e.g., birth certificates and medical certificates and records)

Recommendation

DPSS should ensure that uncooperative participants are properly sanctioned as required under existing federal requirements. The Department should also ensure that required forms are completed and kept on file to document compliance with these requirements.

Views of Responsible Officials and Planned Corrective Action

DPSS agrees with this recommendation.

DPSS issued Administrative Memorandum (AM) 06-22, dated December 20, 2006, addressing the Food Stamp Case Review Checklist. The AM referenced BOOST Handbook procedures, DPSS policy and included a checklist for proper case documentation, review and filing to ensure correct eligibility determination. In addition, Child Support Two-Way Gram training was jointly developed between DPSS and CSSD which covered policy, procedures and documentation relative to this specific audit area. Training roll-out was in December 2006 and included all CalWORKs and Food Stamps eligibility staff.

Implemented December 20, 2006

CFDA# 93.658 - Foster Care – Title IVE

Finding# 06-17 - Subrecipient Monitoring, Subrecipient Audits

Condition

5 out of the 25 foster care providers selected for review did not have updated Single Audit reports on file as of June 30, 2006.

Criteria

Pass through entities are required to ensure that subrecipients expending $500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient's audit period,

Recommendation

We recommend that DCFS ensure that up-to-date Single Audit reports are obtained from subrecipients, as applicable and that subrecipients take timely and appropriate corrective action on all audit findings, if any.

Finding# 06-17 - Subrecipient Monitoring, Subrecipient Audits (cont'd)

Views of Responsible Officials and Planned Corrective Action
DCFS Contracts Administration takes the position that four out of the five providers were in compliance or not required to be in compliance with the Audited Financial Statement/Single Audit Report requirements, and as such were listed as not in compliance in error. DCFS granted two agencies extensions to submit the Audited Financial Statement/Single Audit Report. One agency is required to submit Single Audit Reports on a three-year cycle, which is not due until September 30, 2007. One agency had a name change in 2005; therefore the reports were filed under the new name. We concur the fifth provider is not in compliance but the agency has not had any children or youth placed since 2003 and has not received any contract payments, therefore they are not required to submit an Audited Financial Statement or Single Audit Report.

Finding# 06-18 - Subrecipient Monitoring, During the Award Monitoring

Condition
a. The required periodic Foster Family Agency/Group Home evaluation reviews conducted by the Out of Home Management Unit were not done for fiscal year ended June 30, 2006 for 2 out of 25 subrecipients tested.

b. Fiscal audits of foster care subrecipients are not done on cyclical basis by the Department. Out of the 25 subrecipients selected for testing, 22 did not have fiscal reviews during fiscal year ended June 30, 2006.

Criteria
Pass-through entities are required to have a system in place to monitor the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements, that agency's accounting records and internal controls are adequate and that performance goals are achieved.

Recommendation
We understand that resource limitations make it difficult if not impossible to conduct periodic fiscal site reviews of subrecipients. However, failure to conduct reviews for several consecutive periods increases the risk of significant deficiencies in the subrecipients' financial control processes and disallowed costs not being detected in a timely manner. DCFS should consider implementing fiscal audits of all subrecipients, at least on a staggered basis instead of just basing audits purely on referrals.

DCFS should also ensure that required periodic evaluation reviews are conducted on all foster care subrecipients.

Views of Responsible Officials and Planned Corrective Action
Condition a
DCFS takes the position that at least one of the two providers did not meet the guideline for which a review was required. This one agency has not had any children or youth placed since 2004 and therefore had no population to review. The second agency is a probation site only. It has no DCFS children and therefore, we only reviewed staff files for Probation only homes. It came to our attention that the second agency existed as a contracted Probation only site in July 2006. We subsequently conducted a visit on August 8, 2006 after the period of the Single Audit Review.

Finding# 06-18 - Subrecipient Monitoring, During the Award Monitoring (cont'd)

Condition b
DCFS will identify and refer foster care agencies that have a large overpayment balance and have not responded to our requests for repayment(s), to the Auditor Controller for a fiscal audit. The department will not refer a foster care agency for a re-audit unless a specific fiscal issue is brought to the department's attention by either program staff, or through an anonymous referral to the fraud hotline.

We will also contact the Auditor-Controller's Contract Monitoring Division to discuss retaining their services to conduct subrecipient monitoring to ensure compliance with reporting requirements.

Finding# 06-19 - Special Tests and Provisions

Condition
During our review, 2 out of 25 cases did not have the signature of the eligibility worker on the Checklist of Health and Safety Standards for Approval of Family Caregiver Home (SOC 817) and Relative or Non Relative Extended Family Member Caregiver Assessment (SOC 818).

Criteria
According to County Fiscal Letter I-56-04 regarding Clarification of the Relative Approval Monitoring Process, the completed forms SOC 815, 817, and 818 are required for case documentation. Relative or nonrelated extended family member homes cannot be considered as approved until the date all items are completed and cannot be claimed for Title IV-E funds until after that date.

Recommendation
The signature of an authorized case social worker (CSW) supports the validity and propriety of assessments made. DCFS should therefore ensure that forms SOC 817 and 818 bear the signature of the CSW prior to filing of related claims for Title IV-E funds.

Views of Responsible Officials and Planned Corrective Action
The Department has established a division of staff to complete the relative and non-relative assessment. The assessment staff is responsible for completing and returning all documents (SOC 815, 817, and 818) to the case carrying social worker who will place them in the case folder. The assessment staff also retains copies of all completed forms in central files for support of future audits. This includes criminal clearance information.

A variance in knowledge and awareness exists as to the assessment process. This must be fully addressed with training and continued collaboration when completing assessments between the field social work staff and those responsible for completing the assessment of relative and non-relative caretakers. The Department will continue supervisory practices to monitor and ensure compliance with the record maintenance regulation.

CFDA# 16.606 – State Criminal Alien Assistance Program

Finding# 06-20 – Allowable Costs/Activities Allowed or Unallowed

Condition
We noted that 58 of the 395 daily timecards and 5 of the 75 weekly timecards that were selected for review were missing.

Finding# 06-20 – Allowable Costs/Activities Allowed or Unallowed (cont'd)

Criteria
Existing SCAAP program guidelines require retention of records for a period of at least three years following the closeout of the grant. Such records include inmate, statistical and financial records as well as timesheets supporting the charges made by correctional officers and other employees considered eligible under the program guidelines.

Recommendation
Noncompliance with program guidelines especially those pertaining to adequacy of supporting documents for otherwise reimbursable costs puts the validity and propriety of transactions in question. Since the entire SCAAP funding is currently being utilized to subsidize salaries and wages of correctional officers and other eligible personnel specified in the program guidelines, it is imperative that the Sheriff's Department ensure that effective attendance records filing and tracking system are put into place.

Views of Responsible Officials and Planned Corrective Action
Effective January 1, 2005, the Department's Pay and Leave Management Unit developed a filing process and an automated numerical tracking system to enhance the storage and retrieval of all time and attendance documents maintained by this unit. Storage and retrieval of time and attendance records has significantly improved from prior-year audit findings.

CFDA#s 97.004, 97.067 - Homeland Security Grant Cluster

Finding# 06-21 - Subrecipient Monitoring

Condition
Other than equipment review, none of the 25 subrecipients selected for testing had been audited to test compliance with the provisions of the grant as well as controls in place to ensure compliance.

We also noted that Office of Emergency Management (OEM) has started obtaining copies of Single Audit reports from its subrecipients. However, review of said reports and monitoring of corrective action on audit findings has yet to be performed.

Criteria
Pass-through entities are required to have a system in place to monitor the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements, that agency's accounting records and internal controls are adequate and that performance goals are achieved.

Pass-through entities are also required to ensure that subrecipients expending $500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that these required audits are completed within 9 months of the end of the subrecipient's audit period and the subrecipient takes timely and appropriate corrective action on all audit findings.

Finding# 06-21 - Subrecipient Monitoring (cont'd)

Recommendation
Failure to conduct subrecipient monitoring activities increases the risk of significant deficiencies in the subrecipients' financial control processes and disallowed costs not being detected in a timely manner. We recommend that the Auditor-Controller's Office, in coordination with OEM, expand the scope of its existing review process beyond equipment review and include compliance with the significant provisions of the grant agreement as well as related controls over said compliance requirements.

OEM should also ensure that a formal review and monitoring process of Single Audit reports submitted by its subrecipients and corrective plans of action for reported deficiencies, if any, are put into place.

Views of Responsible Officials and Planned Corrective Action
Office of Emergency Management
The Office of Emergency Management (OEM) has retained the services of the Auditor- Controller's Monitoring Section to conduct sub-recipient monitoring to ensure compliance with reporting requirements.

Auditor-Controller Contract Monitoring
In August 2006, the Office of Emergency Management (OEM) retained the services of the Los Angeles County Auditor-Controller (A-C) to conduct Office of Homeland Security (OHS) grant sub-recipient monitoring. The A-C will conduct site inspections and review audited financial statement (OMB A-133 monitoring) for a selected number of sub-recipients. In addition, the A-C will review OEM's compliance with the OHS sub-grantee requirements. The A-C will report the results of the reviews to OEM so that OEM can notify the sub-recipients to provide a corrective action plan.

CFDA# 97.036 - Public Assistance Grant

Finding# 06-22 - Allowable Costs/Activities Allowed or Unallowed

Condition

Based on our audit of the payroll expenses for Department of Public Work (DPW), we noted that 15 out of 20 employees selected for testing showed that rates billed were higher than the actual employee rate. Per inquiry with County employee, DPW provides Capital Project Management Services for LAC+USC Replacement Hospital Project and as such they use a standard billing rate based on the type and level of service they provide which is higher than the actual employee rate.

Criteria

OMB A-133 Compliance Supplement states that for performance of eligible permanent restoration, straight-time salaries and benefits of a subgrantee's permanently employed personnel are eligible.

Moreover, OMB Circular A-87 states that costs must be necessary and reasonable for the performance and administration of Federal Awards and that total cost of Federal awards is comprised of the allowable direct cost of the program, plus its allocable portion of allowable indirect costs, less applicable credits.

Finding# 06-22 - Allowable Costs/Activities Allowed or Unallowed (cont'd)

Recommendation
Unless specifically allowed by the granting agency, DPW should not use standard billing rates in lieu of employees' actual salary rates.

Views of Responsible Officials and Planned Corrective Action
The County concurs with the intent of the recommendation, however, it would be impractical and cost prohibitive for DPW to change its billing practices for one or two projects to exclude DPW's overhead rate from the County's internal billing process. Also, DPW needs to bill for the productive hourly rate and employee benefits (which are an allowable cost for the grant) which the auditor's did not take into account when coming up with the salary rate.

The LAC+USC Medical Center Replacement Project budget is approximately $820 million, of which $608 million in cost is considered FEMA eligible. FEMA has approved to reimburse the County $420 million for the project costs. The County believes that the remaining FEMA eligible cost of $188 million ($608,000,000 less $420,000,000) can be used by other County expenditures to more than offset any ineligible costs that have been or will be inadvertently claimed.

In addition, this project is 95% complete and therefore, for the next Fiscal Year minimal charges will be incurred related to DPW employee expenses.

CFDA# 93.044, 93.045 – Aging Cluster

Finding# 06-23 - Allowable Costs/Activities Allowed or Unallowed

Condition

In the course of our audit of the randomly selected timesheets for the Department of Community and Senior Services (DCSS), we noted that one out of the 40 timesheets reviewed was not signed by the employee nor was it approved by a supervisor as required by existing county policy.

Criteria
OMB Circular A-87 mandates that to be allowable, costs should be adequately supported. Properly completed, signed and approved timesheets support the validity and accuracy of time charges made to a program.

Recommendation
DCSS should ensure that timesheets are properly signed by employees and approved by supervisors prior to processing of payroll to ensure that hours reported and charged to program are accurate and valid.

Views of Responsible Officials and Planned Corrective Action
Sufficient internal controls have been instituted to ensure that all timecards include proper signatory approvals. In addition, to ensure proper signatures on the hard copies of our timecards, timecards submitted through our automated system require the appropriate approvals.

Finding# 06-24 - Reporting

Condition

We noted that although reconciliation of amounts reported in the cost statements and those recorded in the County's general ledger system (e-Caps) is currently being done, there is no evidence that such reconciliations are being reviewed by an authorized officer of DCSS.

Criteria
Required reports for Federal awards should include all activity during the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

Periodic reconciliation of cost statements submitted to the State with the underlying general ledger records ensures that amounts claimed for reimbursement are accurate and facilitates timely disposition of discrepancies, if any.

Recommendation
To further strengthen its existing controls, DCSS should consider requiring the officer in charge of reviewing and approving the reconciliation statements to document the review process either by affixing his/her signature on the statements or by some other means.

Views of Responsible Officials and Planned Corrective Action
We have implemented a process which requires the approving officer to review all of the documents supporting the cost statement(s) prior to his/her approval of the cost statement(s). The officer will use a checklist to ensure that all documentation that supports each cost statement(s) has been reviewed and attached to the cost statement(s) prior to his/her approval.

CFDA# 17.258, 17.259, 17.260 – Workforce Investment Act

Finding# 06-25 - Reporting

Condition

We noted that although reconciliation of amounts reported in the cost statements and those recorded in the County's general ledger system (e-Caps) is currently being done, there is no evidence that such reconciliations are being reviewed by an authorized officer of DCSS.

Criteria
Required reports for Federal awards should include all activity during the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

Periodic reconciliation of cost statements submitted to the State with the underlying general ledger records ensures that amounts claimed for reimbursement are accurate and facilitates timely disposition of discrepancies, if any.

Finding# 06-25 – Reporting (cont'd)

Recommendation
To further strengthen its existing controls, DCSS should consider requiring the officer in charge of reviewing and approving the reconciliation statements to document the review process either by affixing his/her signature on the statements or by some other means.

Views of Responsible Officials and Planned Corrective Action
We have implemented a process which requires the approving officer to review all of the documents supporting the cost statement(s) prior to his/her approval of the cost statement(s). The officer will use a checklist to ensure that all documentation that supports each cost statement(s) has been reviewed and attached to the cost statement(s) prior to his/her approval.

CFDA# 84.027 – Special Education Cluster

Finding 05-01 - Subrecipient Monitoring

Condition
The following findings related to subrecipient monitoring were noted:

- Financial viability (fiscal) reviews were not conducted during the fiscal year for 6 of the 34 in-state subrecipients and/or contract providers sampled.
- Fiscal reviews were not performed for all of the 16 out-of-state providers sampled.
- During the fiscal year, seven subrecipients were subject to a single audit. Management failed to obtain single audit reports for three of the said seven subrecipients.

Recommendation
Management should perform the required fiscal reviews and enforce established policies requiring subrecipients to submit single audit reports in a timely manner to be in compliance with OMB A-133 requirements.

Current Year Response
- Of the 22 subrecipients that did not submit their financial statements for viability analysis, 21 have complied with the requirements. Fiscal Audit and Monitoring Section had performed the financial viability reviews. The remaining one (1) agency is expected to comply by December 31, 2006.
- Of the three (3) subrecipients receiving more than $500,000 in federal awards that failed to submit their single audit reports, two (2) submitted their single audit reports, the other one (1) will be submitting their single audit for FY 2005-06 and that will be sometime in April 2007.

Current Status
Implemented December 31, 2006

Finding 05-02 - Subrecipient Monitoring

Condition
Federal award information (e.g., CFDA title and number, amount of award, award name, name of federal agency) and applicable compliance requirements at the time of the award were not included in contract agreements with the subrecipients. DMH Contract Development and Administration Division made no written communication with subrecipients to make them aware of the federal award information. In addition, in the financial summary attached to the contract agreements, the federal award amount under Special Education Grant (IDEA) is combined with the State Grant and is described as SB90JIDEA AB3632.

Recommendation
Management should include in subrecipient contracts the required federal award information (e.g., CFDA title and number, award name, name of federal agency and amount of federal funds) and applicable compliance requirements at the time of the award.

Current Year Response
All DMH future contracts will incorporate the federal award information and will separately identify the Special Education Grant (IDEA) in the Contract Financial Summary.

Finding 05-02 - Subrecipient Monitoring (cont'd)

Current Status
Partially implemented - Target date of completion June 30, 2008

CFDA #93.556 - Promoting Safe and Stable Families; CFDA #93.658 - Foster Care Program; CFDA #93.659 – Adoptions, Administration and Assistance

Finding 05-03 - Allowable Costs and Activities

Condition
There were 3 of 30 selected invoices that were employee reimbursements for damages to personal vehicles during the course of work performed for Department of Children and Family Services (DCFS). Based on the review, all three employee reimbursements were substantiated and approved by the DCFS' Safety and Compliance Section based on the County's Policies and Procedures. However, these reimbursements are not claimable administrative costs for this federal program. The total amount of the three invoices was $51,687. These costs are part of pooled administrative costs which are allocated to the programs based on the results of the time study.

Recommendation
DCFS management should properly review and approve direct and allocable costs to ensure that the costs/activities are allowable based on the program requirements.

Current Year Response
The Department adjusted the County Expense Claim and claimed reimbursements for damage to personal vehicles to County Cost. In addition, DCFS management will review all invoices to ensure compliance with OMB A-133 requirements.

Current Status
Implemented April 1, 2006

CFDA #93.556 - Promoting Safe and Stable Families; CFDA #93.658 - Foster Care Program; CFDA #93.659 – Adoptions, Administration and Assistance; CFDA #10.551, 10.561 - Food Stamps; CFDA #93.558 - CalWORKS

Finding 05-04 - Cash Management

Condition
Advances are made to the departments by the state of California on a monthly basis. These advances are posted to the assigned departmental bank and program by the Auditor-Controller's Office. The departments receive remittance advices as a notification for the receipt of the funds. The monthly advances are monitored and reconciled to the program expenditures by the State on a quarterly basis. It was noted that the departments have no reasonable procedures established to monitor interest earned on the advances.

Recommendation
Management should implement reasonable cash management procedures to monitor and minimize the time elapsing between the transfers of funds and to ensure that interest earned is remitted back to the federal agency at least on a quarterly basis.

Finding 05-04 - Cash Management (cont'd)

Current Year Response
The County disagrees with this finding. We believe that the Federal/State Cash Management Improvement Act (CMIA) agreement supersedes the general guidance in this area. The State has significant influence over the time frames for which the County receives these funds and when the County must disburse the funds. These time frames are designed for the County to receive funding in a manner that coincides with the disbursement requirements. We also disagree due to the absence of specific State and/or federal guidance in this area, despite the prevalence of other very detailed program and financial reporting requirements.

Current Status
N/A

CFDA #93.556 - Promoting Safe and Stable Families

Finding 05-05 - Subrecipient Monitoring

Condition
The following findings related to program reviews required to be performed on subrecipients were noted:

- 26 of 29 selected Family Preservation (FP) subrecipients did not have their technical reviews conducted within the current fiscal year
- 3 of 29 FP technical review reports were not available for examination
- 18 of 24 quarterly program status reports for Family Support (FS) subrecipients were not available for examination
- 14 of 45 FP and/or FS subrecipients attended one or less of the two mandatory meetings.

In addition, the following findings related to during the award monitoring activities were noted:

- 3 of 45 subrecipients have neither the financial report nor the single audit reports on file.
- 1 of 45 subrecipients has the financial report on file but not the single audit report
- 17 of 45 subrecipients don't have the current financial and single audit reports on file.

Recommendation
Management should establish and enforce policies requiring a regular and consistent monitoring of subrecipients who receive federal and state funding and assign a staff to properly monitor the agencies in order to ensure compliance with OMB A-133 requirements.

Current Year Response
The Department entered into a three-year contract with our contractors on August 1, 2005. Accounting, financial reporting and internal control standards were established to ensure all necessary reports, audits and other fiscal reviews are in place and result in full compliance with federal guidelines.

Finding 05-05 - Subrecipient Monitoring (cont'd)

Current Year Response (cont'd)
A Contract Program Manager was assigned to ensure all Family Support Program Services are executed per the contract between the County of Los Angeles Department of Children and Family Services and the Contractor. This person is responsible for overseeing the day-to-day activities of the contract such as inspections and any and all tasks, deliverables, goods and services, and other work provided by the Contractor.

- Two technical reviews will be conducted during each fiscal year of the contract. Further assistance is provided as requested or required to ensure that all agencies are in compliance with State and federal requirements.
- All Agency Technical Review Reports are documented and kept for review by the County monitor.
- Quarterly Program Status Reports have been substituted for Family Support Program Monthly Summary Reports. The Monthly Summary Reports are required each month and are part of the Monthly Reimbursement Invoice. The Department will not reimburse subrecipients unless they submit the Monthly Summary Report.
- All subrecipient Program Managers are required to attend mandatory meetings, or they are to send a representative from their agency.
- Single Audit Reports will be on file for all agencies that are required to complete them.

Current Status
Implemented July 2006

CFDA #93.563 - Child Support Enforcement Title IV D

Finding 05-06 - Cash Management

Condition
The total ARS and Court Trustee Balance Reconciliations contained two unreconciled items. The first item pertains to a reconciling difference from February 17, 1995 to November 30, 1998 of $1,095,782, and the second item pertains to a reconciling difference from December 1, 1998 to December 31, 2004 of $671,921.

Recommendation
Child Support Services Department (CSSD) should implement policies and procedures to ensure that reconciling items are researched and resolved on a timely basis.

Current Year Response
These reconciling items are due to system conversion and are determined to be irreconcilable.

Pursuant to CSS Letter 05-32, State Disbursement Unit (SDU) – Funds Transition Plan, the target closing date of remittance of these irreconcilable fund balances to the State of California is June 1, 2007. However, due to the two-year stale-dated warrant provision for the Los Angeles County, the trust fund cannot be fully closed until May 1, 2008, two years after the transition to SDU.

Current Status
Partially implemented - Target implementation date June 1, 2007

CFDA #93.563 - Child Support Enforcement Title IV D

Finding 05-07 - Equipment and Real/Property Management

Condition
Based on the testwork performed, one out of eight items selected for physical inspection could not be located.

Recommendation
Management should implement policies and procedures to ensure that information provided in the property documents is accurate.

Current Year Response
In September 2006, a log was created to ensure accurate tracking of all fixed asset movements. Supervisors have been instructed to note the date and purpose of the move and the new location of equipment (labeled with county tags) in the newly created log. If the equipment does not return for an extended period of time or has been determined to remain permanently at the new location, Facility Management will be notified and the fixed asset coordinator will in turn make the necessary modification in the appropriated property document.

Current Status
Implemented October 1, 2006

CFDA #93.563 - Child Support Enforcement Title IV D

Finding 05-08 - Reporting

Condition
10 of the 24 monthly reports examined (CS 34 and CS 35 reports) were submitted beyond the due date required by the Plan of Cooperation. Reports that were submitted late were delinquent between 1- 6 days.

Recommendation
CSSD should report information required by the State of California Health and Human Services Agency in a timely manner.

Current Year Response
The timely reporting of CS 34/35 to the State did not start until January 2006.

It is due to the countywide problem that resulted from the conversion of the Countywide Accounting Procurement System (CAPS) to the new eCAPS. The problem arose either from untimely availability of monthly financial reports or the unbalanced financial reports due to inaccurate system mapping. Consequently, the approval of CS 34/35 reports was delayed due to late completion of the trust fund reconciliation.

Current Status
Implemented February 1, 2006

CFDA #93.563 - Child Support Enforcement Title IV D

Finding 05-09 - Special Tests and Provisions

Condition
Of the 40 sample files, there was one instance where the number of days to enforce the obligation extended beyond 30 days. Management indicated that this exception was due to delays in creating an account. The wage assignment was not generated timely even though active employment information was available.

Recommendation
Management should ensure that activities to initiate income withholding be performed within the 30-day requirement.

Current Year Response
CSSD has monitoring mechanisms in place to ensure that accounts are created timely and automated enforcement actions are taking place as required.

Current Status
Implemented July 1, 2006

CFDA #93.658 - Foster Care Program

Finding 05-10 - Allowable Costs and Activities

Condition
Two of the 36 case files selected for testwork used the incorrect assistance subsidy rates for Regional Centers for the current fiscal year which resulted in underpayments of $1,338.

Recommendation
Management should perform internal sampling audits to ensure that state prescribed rates for Regional Centers in the APPS System are utilized when issuing the assistance subsidy payments.

Current Year Response
Revenue Enhancement has assigned a staff person to perform the random sampling quality assurance review for the State prescribed rates for Regional Centers in the APPS system.

Current Status
Implemented August 2006

Finding 05-11 - Eligibility

Condition
There were 6 of 36 case files selected for testing that were not available for review.

Recommendation
Management should adopt and maintain a systematic storage system so that case files can be readily located.

Current Year Response
Revenue Enhancement Management has submitted a request to DCFS Administration to expand the existing departmental storage vendor contract to include the Foster Care Eligibility cases. The Department of Children and Family Services Contract Division Section has selected a vendor and they are negotiating the terms of the agreement and payment issues.

Current Status
Target implementation date - May 2007

Finding 05-12 - Special Tests and Provisions

Condition
One of 40 case files selected for testing did not have the required supporting documentation on file.

Recommendation
Management should adopt a checklist of required documents, and have adequate review and approval procedures to ensure that proper documentation is retained in the case files.

Current Year Response
The Department has established a division of staff to complete the relative and non-relative assessment. The assessment staff is responsible for completing and returning all documents (SOC 815, 817, and 818) to the case carrying social worker who will place them in the case folder. The assessment staff also retains copies of all completed forms in central files for support of future audits. This includes criminal clearance information.

A variance in knowledge and awareness exists as to the assessment process. This must be fully addressed with training and continued collaboration when completing assessments between the field social work staff and those responsible for completing the assessment of relative and non-relative caretakers. The Department will continue supervisory practices to monitor and ensure compliance with the record maintenance regulation.

The Department continuously trains and educates staff on the requirements. The division responsible for assessing these families has convened additional training sessions and increased its collaboration with case carrying social workers and managers to ensure regulatory compliance. Further, a training and information module is being developed to assist staff in becoming more aware of the expectations, activities and follow-up necessary to appropriately document and retain information in case records.

Current Status
Implemented December 22, 2006

CFDA #93.659 – Adoptions, Administration and Assistance

Finding 05-13 - Special Tests and Provisions

Condition
Based on testwork performed, the following findings were noted:

- 3 of 50 selected case files were not available for review
- 3 of 50 case files had the Form AD4320 but did not have complete signature approvals by the adoptive parents.

Recommendation
DCFS should keep complete and adequate supporting documentations.

Current Year Response
The Acting Division Chief will send a memorandum to all Adoptions staff regarding the proper procedures for closing cases and sending them to the archives by December 15, 2006.

In addition, the Adoptions management is developing a FYI reminding staff that forms/documents require Children Social Worker and Supervising Children Social Worker signatures (including home studies and the AD4320) and must be signed in order to be considered approved and valid. The signed original copies must be maintained in the case file. The FYI will be sent out by December 31, 2006.

Current Status
Implemented December 31, 2006

CFDA #93.914 - HIV Emergency Relief Project

Finding 05-14 - Subrecipient Monitoring

Condition
The Fiscal Monitoring Instrument (FMI) is the guide utilized to provide evidence of the procedures performed to support the issuance of the Financial Evaluation Report. Based on the testwork performed, the following findings were noted:

- 6 out of 50 items selected did not have Fiscal Monitoring Instruments (FMIs) and Financial Evaluation Reports
- 2 out of 50 items selected did not have FMIs, although the related Financial Evaluation Reports were issued
- 21 out of 50 items selected have no final Financial Evaluation Reports, only draft copies are available for 19 out of 50 items selected, fiscal reviews were not performed within the 3-year period County policy, but desk reviews were performed for the current year
- 4 out of 50 items selected did not have the Plan of Corrective Action on findings noted on the fiscal reviews
- 5 out of 50 items selected did not have Quality Management reviews.

Finding 05-14 - Subrecipient Monitoring (cont'd)

Recommendation
The Centralized Contract Monitoring Division (CCMD) should ensure compliance with the performance of the fiscal reviews for programs at least once in three years, verifying that the subrecipients are in compliance with the requirements applicable to the federal program, including the audit requirements of OMB Circular A-133. Moreover, CCMD should keep complete documentation, including Financial Reviews and FMIs, to support the review performed. The Office of Aids Program and Policy (OAPP) also perform Quality Management Reviews for all programs at least once a year.

Current Year Response
Since FY 04-05, the Contract Monitoring Division (CMD) has increased its performance of annual Desk financial viability reviews of sub-recipients in an effort to supplement our monitoring efforts and ensure compliance with the triennial audit requirements. CMD has been short staffed since its inception. Therefore, the performance of annual Desk financial viability reviews has been a useful tool in identifying high-risk contractors and prioritizing fiscal monitoring activities.

In addition, CMD continues its efforts to ensure sufficient resources are provided to monitor department contracts. Currently, CMD is in the process of recruiting additional staff. The FY 07-08 budget request includes an item for an additional supervisor which will permit the timelier issuance of final reports. CMD has updated its filing system to ensure complete documentation is maintained in an orderly fashion to support all reviews performed.

CMD is also working to obtain the remaining outstanding CAPs. Once received, they will be assessed to determine if they adequately address the findings noted in the reports.

OAPP has implemented an annual agency-wide Quality Management (QM) review for all programs. Quality Management staff is coordinating their QM reviews with the annual Facilities and Operations reviews scheduled for each agency.

Current Status
Target implementation date - June 30, 2007

CFDA #93.940 - HIV Prevention Project

Finding 05-15 - Subrecipient Monitoring

Condition
The Fiscal Monitoring Instrument (FMI) is the guide utilized to provide evidence of the procedures performed to support the issuance of the Financial Evaluation Report. Based on the testwork performed, the following findings were noted:

- 5 out of 50 items selected did not have Financial Monitoring Instruments (FMIs) and Financial Evaluation Reports
- 1 out of 50 items selected did not have FMIs, although the related Financial Evaluation Reports were issued
- 15 out of 50 items selected have no final Financial Evaluation Reports, only draft copies were available for 19 out of 50 items selected, fiscal reviews were not performed within the 3-year period County policy, but desk reviews were performed for the current year
- 4 out of 50 items selected did not have the Plan of Corrective Action on findings noted on the fiscal reviews.

Finding 05-15 - Subrecipient Monitoring (cont'd)

Recommendation
Centralized Contract Monitoring Division (CCMD) should ensure compliance with the performance of the fiscal reviews for programs at least once in three years to verify that the subrecipients are in compliance with the requirements applicable to the federal program, including the audit requirements of OMB Circular A-133. Moreover, CCMD should keep complete documentation, including Financial Reviews and FMIs, to support the review performed.

Current Year Response
Since FY 04-05, CMD has increased its performance of annual Desk financial viability reviews of sub-recipients in order to supplement our monitoring efforts and ensure compliance with the triennial audit requirements. CMD has been short staffed since its inception. Therefore, the performance of annual Desk financial viability reviews has been a useful tool in identifying high-risk contractors and prioritizing fiscal monitoring activities.

In addition, CMD continues its efforts to ensure sufficient resources are provided to monitor department contracts. Currently, CMD is in the process of recruiting additional staff. The FY 07-08 budget request includes an item for an additional supervisor which will permit the timelier issuance of final reports.

CMD has updated its filing system to ensure complete documentation is maintained in an orderly fashion to support all reviews performed.

CMD is also working to obtain the remaining outstanding CAPs. Once received, they will be assessed to determine if they adequately address the findings noted in the reports.

Current Status
Target implementation date - June 30, 2007

CFDA #93.959 - Substance Abuse Prevention and Treatment

Finding 05-16 - Subrecipient Monitoring

Condition
The Fiscal Monitoring Instrument (FMI) is the guide utilized to provide evidence of the procedures performed to support the issuance of the Financial Evaluation Report. Based on the testwork performed, the following findings were noted:

- 3 out of 50 items selected did not have FMI and Financial Evaluation Reports
- 1 out of 50 items selected had the FMI but not the Financial Evaluation Report
- 18 out of 50 items have no final Financial Evaluation Reports, only draft copies were available
- 34 out of 50 items selected did not have fiscal reviews performed within the 3-year period County policy, but had desk reviews performed in the current year.

Finding 05-16 - Subrecipient Monitoring (cont'd)

Recommendation
Centralized Contract Monitoring Division (CCMD) should perform fiscal reviews for programs at least once in three years to ensure that the subrecipients are in compliance with the requirements applicable to the federal program, including the audit requirements of OMB Circular A-133. Moreover, CCMD should keep complete documentation, i.e., Financial Reviews and FMIs, to support the review performed.

Current Year Response
Since FY 04-05, CMD has increased its performance of annual Desk financial viability reviews of sub-recipients in order to supplement our monitoring efforts and ensure compliance with the triennial audit requirements. CMD has been short staffed since its inception. Therefore, the performance of annual Desk financial viability reviews has been a useful tool in identifying high-risk contractors and prioritizing fiscal monitoring activities.

In addition, CMD continues its efforts to ensure sufficient resources are provided to monitor department contracts. Currently, CMD is in the process of recruiting additional staff. Furthermore, the FY 07-08 budget request includes an item for an additional supervisor which will permit the timelier issuance of final reports. CMD has updated its filing system to ensure complete documentation is maintained in an orderly fashion to support all reviews performed.

Status
Target implementation date - June 30, 2007

CFDA #97.004 - Preparedness Equipment Support Cluster

Finding 05-17 - Subrecipient Monitoring

Condition
There are no subrecipient monitoring activities performed for 50 of the 50 subrecipients reviewed.

Recommendation
The Office of Emergency Management (OEM) should develop and perform subrecipient monitoring procedures to ensure that federal awards are used for authorized purposes. This will ensure that subrecipients know and comply with the terms and conditions of the grant.

Current Year Response
Office of Emergency Management
Due to lack of staff, the subrecipient monitoring of all the subrecipients has not been performed.

Finding 05-17 - Subrecipient Monitoring (cont'd)

Current Year Response (cont'd)
Auditor-Controller Contract Monitoring
The following are the steps we plan to follow:

- Develop a monitoring instrument – The monitoring instrument will be used to evaluate the Office of Emergency Management (OEM) and a selected number of subrecipients' compliance with the Homeland Security Grant Program (HSGP) funding requirements. The monitoring instrument will cover the same areas that the State plans to review.
- Evaluate OEM's and subrecipients' compliance with HSGP funding requirements for Grant Years (GY's) 2001, 2002, 2003, 2004, 2005, and 2006. Review a representative sample of transactions from each GY to evaluate OEM's and subrecipients' compliance with HSGP requirements.
- Findings will be discussed with OEM management and the subrecipients. A report will be issued at the completion of each GY's review containing the results of the review along with recommendations. The reports will be issued to the Emergency Management Council.
- Monitor A-133 financial reporting requirements – Evaluate OEM's efforts to ensure that the subrecipients' complied with A-133 financial reporting requirements for Grant Years 2001, 2002, 2003, 2004, and 2005. Select a sample of Agencies that submitted audited financial statements to determine if any of the reportable conditions identified in the footnotes impacted HSGP funding. We will report the results of our review to OEM so that they can notify the subrecipients to provide a corrective action plan.
- Issue a report to the Board of Supervisors summarizing the results of our review of GY's 2001, 2002, 2003, and 2004.
- As necessary, meet/discuss findings and recommendations with Board Offices, County Counsel and CAO.
- Meet with Department management to discuss the status of the HSGP monitoring.

Current Status
Office of Emergency Management
The Office of Emergency Management has contracted with the Auditor-Controller's Department to perform the subrecipient monitoring. The Auditor-Controller commenced this effort on August, 2006.

Auditor-Controller Contract Monitoring
Partially implemented. We have completed the reviews for grant years 2001, 2002 and 2003. We have provided OEM with the 2001 monitoring results. Our target implementation date is June 30, 2007.

CFDA #17.258,17.259,17.260 - Workforce Investment Act (WIA)

Finding 05-18 - Allowable Costs and Activities

Condition
In a sample of 50 subrecipient invoices and respective payment vouchers, 4 were not approved and 12 did not have the proper level of approval.

Finding 05-18 - Allowable Costs and Activities (cont'd)

Recommendation
The County should stress the importance of maintaining strong internal controls over payments made to subrecipients. Program personnel should review all subrecipient expenditures to help ensure that overpayments are not made and charged to the federally funded program.

Current Year Response
Contract Management Division reviews and approves all invoices and submits them to our Finance Division for payments. In addition, eCAPS has been fully implemented for all contractor payments which include internal controls over payment authorization levels.

Current Status
Implemented March 2006

CFDA #93.044, 93.045 - Aging Cluster; CFDA #17.258, 17.259, 17.260 – WIA

Finding 05-19 - Allowable Costs and Activities

Condition
In the review of 11 monthly reconciliations between the cost statements and general ledger, 4 reconciliations were noted to have not been approved and 3 were missing.

Recommendation
The review and approval of monthly cost pool allocation summaries should be documented and retained by the County.

Current Year Response
We have reorganized our Finance Division so that the cost statements have the appropriate levels of approval. In addition, cost statements are distributed to all Program Managers for approval.

Current Status
Implemented March 2006

CFDA #17.258, 17.259, 17.260 - WIA

Finding 05-20 - Cash Management

Condition
There appears to be a lack of separation of duties with the approval and processing of cash drawdowns. The fiscal supervisor approves the expenditure summaries, prepares drawdown calculations, and processes the actual monthly cash drawdown.

Recommendation
The County should consider having different employees perform the tasks pertaining to the approval and processing of cash drawdowns.

Current Year Response
We filled a Fiscal Officer 1 position in September 2006 and have separated the duties as recommended.

Finding 05-20 - Cash Management (cont'd)

Current Status
Implemented September 2006

CFDA #17.258, 17.259, 17.260 - WIA

Finding 05-21 - Reporting

Condition
Of the 25 reports remitted to the State of California Employment Development Department selected for testing, the annual and 8 program reports were noted to be missing and not available for review. In addition, 3 of the monthly program reports were remitted late by 3, 7 and 19 days respectively.

Recommendation
The County should implement controls to retain all reports and its respective underlying data remitted to their pass-thru agency. Further, management should ensure the timely submission of all reports.

Current Year Response
All reports to the Employment Development Department have been submitted electronically by the due dates and hard copy reports are maintained for audit purposes.

Current Status
Implemented August 2006

CFDA #17.258,17.259,17.260 - WIA

Finding 05-22 - Subrecipient Monitoring

Condition
The County performs an annual program/fiscal review for each subrecipient. For these program/fiscal reviews, management obtains a corrective action plan, if necessary. In addition to the program/fiscal reviews, management also obtains a Single Audit Report and related corrective action plan.

Review of the subrecipient monitoring log which details the status of the program, fiscal, and Single Audits of all subrecipients disclosed the following discrepancies:

- The log did not contain a site visit date when one in fact had occurred
- The log reflected no Corrective Action Plan received when one was present in the file reviewed.

Further, of the 25 subrecipients selected, the following exceptions were noted:

- Five were delinquent in receiving Corrective Action Plans related to the program and fiscal reviews
- Two had received Corrective Action Plans but were not appropriately reviewed by management
- One did not receive a program or fiscal review.

Finding 05-22 - Subrecipient Monitoring (cont'd)

Recommendation
The County should strengthen its current controls over subrecipient monitoring to ensure that subrecipients are complying with federal grant requirements.

Current Year Response
We have strengthened our controls to ensure that the summary log is updated on a continuous basis based on:

1) Monitoring reports that are issued by the Auditor-Controller
2) Corrective Action Plans received by the subrecipients or
3) Correspondence sent to the subrecipients

Current Status
Implemented July 2006

CFDA #93.044,93.045 - Aging Cluster

Finding 05-23 - Reporting

Condition
Of the 34 reports remitted to the California Department of Aging that were reviewed, 22 monthly, 2 quarterly and 5 annual reports were noted to have been remitted late. Reports that were submitted late were delinquent between 3 - 27 days.

Recommendation
The County should implement controls to ensure the timely submission of all reports.

Current Year Response
We are working to strengthen our controls to ensure that the reports to the California Department of Aging are submitted on time.

Current Status
Partially implemented July 2006

CFDA #93.044, 93.045 - Aging Cluster

Finding 05-24 - Subrecipient Monitoring

Condition
Of the 46 subrecipients selected for testing, Corrective Action Plans remitted for 9 subrecipients were noted to have not been reviewed appropriately by management. Further, management did not obtain a Single Audit Report for 2 subrecipients.

Recommendation
The County should strengthen its current controls over subrecipient monitoring to obtain and review all Single Audit Reports and Corrective Action Plans for subrecipients as required by the federal grant requirements.

Finding 05-24 - Subrecipient Monitoring (cont'd)

Current Year Response
We have controls in place to ensure that, if a subrecipient does not submit its Single Audit Report by the required deadline, its payments are suspended until such time that a report is received. The County has strengthened its controls over the review of corrective action plans.

Current Status
Implemented July 2006

CFDA #16.606 - State Criminal Alien Assistance Program

Finding 05-25 - Allowable Costs and Activities

Condition
During procedures over the SCAAP federal reporting requirements, the following exceptions were noted:

- of the 796 employee timesheets sampled, 130 were missing
- for two employee timesheets, there was no supervisor approval
- the reported overtime of three employees did not match respective pay registers.

Recommendation
The Sheriff's department should implement policies and procedures to ensure accurate federal reporting. Furthermore, management should retain documentation to support all information included in their SCAAP application. Such documentation should include timesheets and the corresponding payroll registers and listings of all excluded administrative personnel by facility. Changes to administrative personnel should be monitored to ensure only eligible employees are included in the application for federal funds.

Current Year Response
It is assumed that since the majority of the remaining employees whose records were missing were assigned to similar units of assignment, the records may have been destroyed by a 2005 flood in the Department's Alhambra, California main timekeeping location, wherein a significant number of time records were ruined.

Effective January 1, 2005, the Department's PLM Unit has developed a filing process and an automated numerical tracking system to enhance the storage and retrieval of all time and attendance documents maintained by this unit. A copy of that process was included in the 2003-2004 audit response and is also submitted with this response.

In response to the absence of signature approvals, existing policy requires that all documents without the proper authorization are returned to the Unit Commander for correction. If the document is incomplete, a violation of policy notice is prepared and will accompany the notice. The PLM Unit will follow-up on this issue and ensure a violation of policy notice was in fact submitted.

Differences with pay registers may be due to late data entry or due to various pay period deadlines and reporting. One must keep in mind that pay periods are two weeks in arrears and may reflect monthly overtime in two different calendar months. Further research and discussion with the auditor may be necessary to identify monies actually received in a given month.

Finding 05-25 - Allowable Costs and Activities (cont'd)

Current Year Response (cont'd)
The complexity of the Los Angeles County Civil Service Rules System and the lengthy job class specification processes controlled by the County's Department of Human Resources does not make it feasible for the Sheriff's Department to implement a system for the sole benefit of identifying administrative classifications. The broad duties defined in the Department's Deputy Sheriff and Custody Assistant classifications ensure maximum usage of these positions, thus creating a more efficient operation. The Department's Custody Support Services Unit has implemented a system of documenting staff that perform administrative and other non-eligible duties, by employee, their position, and salary, and excludes them from the SCAAP salary calculation.

Current Status
Implemented January 1, 2005

CFDA #10.551, 10.561 - Food Stamps

Finding 05-26 - Allowable Costs and Activities

Condition
A time study is used to allocate program costs to various programs. 40 time study cluster sheets were reviewed to verify proper approval. Of the 40 time study cluster sheets, there were 8 exceptions where there was no approval noted by the District Supervisor, 7 of which the time study observer signed off for both the employee and district supervisor.

Recommendation
The County should maintain strong internal controls over the approval of the time study process. Management should verify that the person approving the time study is separate from the person conducting the time study.

Current Year Response
DPSS distributed a memo to time study observers and district supervisors in January 2006 that addressed the initial audit finding. The memo stated that observers were permitted to sign off and initial for employees in the field or out of the office. In addition, the memo clarified that should observers sign off for employees in the field or out of office, they are not allowed to also sign off for direct supervisors.

Current Status
Implemented January 2006

Finding 05-27 - Eligibility

Condition
During procedures over 35 sample cases, the following exceptions were noted:

- During the eligibility compliance testing, one instance of a participant reporting in a statement of facts, $11,000 of some form of grant or tuition aid with no corresponding supporting documentation in the case file was noted.
- One case file was also noted to be missing a statement of facts for the 04-05 period during which they received food stamp benefits. Hence, there is no basis for determining participant eligibility.
- Three cases where the information in the recipient's case file didn't match the information in the LEADER system were noted.

Recommendation
Eligibility determination workers should collect and retain supporting documentation to verify eligibility of food stamp applicants in accordance with applicable federal grant guidelines. Additionally, management should implement policies and procedures to ensure underlying eligibility data reconciles to the LEADER eligibility system.

Current Year Response
DPSS will implement corrective action to comply with the recommendation.

Current Status
Target implementation date - January 31, 2007

Finding 05-28 - Reporting

Condition
4 of the 12 monthly DFA-256 reports examined were submitted beyond the due date required by the State. The February - April 2005 DFA-256 reports were late by 3-7 days. Additionally, the June 2005 DFA-256 report was not remitted to the State until September 14, 2005, overdue by 56 days.

Recommendation
Management should report information required by its cognizant agency within a timely manner.

Current Year Response
DPSS implemented timely reporting of the subject reports to the state in August 2005.

Status
Implemented August 2005

CFDA #97.036 - Public Assistance Cluster

Finding 05-29 - Allowable Costs and Activities

Condition
Of the 25 employees tested, management over-claimed reimbursement totaling $4,282 in overhead costs for 14 individuals.

Finding 05-29 - Allowable Costs and Activities (cont'd)

Recommendation
Management should ensure that its billing process for payroll and employee benefits expenses does not include overhead. All additional billings beyond actual payroll and employee benefit expenses should be properly documented and approved by the federal cognizant agency.

Current Year Response
The inaccurate claiming was caused by the County's Department of Public Works (DPW) internal billing process to include overhead in its rates when billing the LAC+USC Medical Center Replacement Project. It would be impractical and cost prohibitive to exclude DPW's overhead rate from the County's internal billing process and business practice. However, this project has exhausted all FEMA funding and therefore, this finding is no longer applicable.

Current Status
N/A

CFDA #93.596 - Child Day Care Program

Finding 05-30 - Reporting

Condition
Based on the testwork performed, it was noted that the Child Care Annual Aggregate Report (CDD-800), 7 out of the 12 CDD-80IA reports, and the annual financial and compliance audit were submitted late by 2 to 30 days.

Recommendation
Management should monitor its report submission to ensure that required reports are submitted timely.

Current Year Response
All reports (annual CDD-800, and the monthly CDD 801-A and 801-B) identified in the finding have been submitted in a timely manner since this finding was brought to the Department's attention.

To facilitate all contracted agencies' ability to submit timely reports, CDD has made these reports available electronically on its website. The Department takes the following steps to ensure accurate and timely submission of all CDD required reports:

- Rather than wait for the hard copy request to arrive in the mail, the Child Care HSA I, has a tickler file on her calendar to remind her to check the CDD website for both reports each month.
- The State now issues an electronic receipt for each report notifying the sender that it has been received on time and that it has passed. For example, the 801-A is due no later than the 15th of each month - if we submit on the 16th, the system prints a "late" receipt. Both the HSA I and the program manager review the receipts and data each month to ensure the accuracy and timeliness of reports and sign off in a tracking log every month for all reports

Both State CDD and Simpson & Simpson auditors reviewed the Child Care Program in FY 2005-06, and found the section to be in 100% compliance with regard to this issue.

Current Status
Implemented November 2005

CFDA #93.596 - Child Day Care Program

Finding 05-31 - Reporting

Condition
20 of the 50 provider file checklists did not have proper management review and were missing appropriate child care agent signatures.

Recommendation
Management should implement controls to ensure that an appropriate review and approval is implemented over provider file checklists.

Current Year Response
Per CDD Funding Terms and Conditions, the Department has implemented the following controls for provider folders.

- Provider file checklists are now in all provider files.
- Child Care Program Management and Child Care Program Eligibility Supervisors conduct regular internal reviews of both Family and Provider files every two weeks.

Last name alphabetized files are sent to Eligibility Supervisors no later than two days before the management meeting to ensure the files are being reviewed without the Supervisor having time to examine the case for errors. For example, if the letter "J" is selected, supervisors must bring a case, with a last name beginning with J, from each of their workers files to the management meeting. Staff reviews the selected cases along with the accompanying provider file. If for any files, checklists have errors (or checklists missing), the review sheet is placed in the employee's central file with the Program Manager. At the end of the year, if there are more than 10% errors found for an employee in the random case audits, the supervisor counsels the employee. If improvement is not noticed (error rate remains above 10%), it is noted in the employee's annual performance evaluation.

Both State CDD and Simpson & Simpson auditors reviewed the Child Care Program in FY 2005-06, and found the section to be in 100% compliance with regard to this issue.

Current Status
Implemented November 2005

Finding 05-32 - Allowable Costs and Activities

Condition
Based on the procedures performed, 2 of the 30 timesheets requested cannot be found.

Recommendation
Management should implement controls and retain documentation to support all hours worked for the program.

Finding 05-32 - Allowable Costs and Activities (cont'd)

Current Year Response
The Central Human Resource Payroll Section does not have the space capacity to retain timesheets at its Headquarters location.

Human Resource is working with its Bureau of Information Services (BIS) staff on adopting an online time reporting program as part of the Electronic Human Resources countywide project. The BIS director identified a time reporting package offered by SAGA that is being tested at the Department of Health Services. The Department is awaiting the results of the test and application of the system from the department.

Automation of time recording along with electronic archiving of time history documentation promises the best means of controlling and maintaining time records.

Current Status
Target implementation date - September 2007

CFDA #93.558 - CAL Works

Finding 05-33 - Allowable Costs and Activities

Condition
Procedures were performed to verify whether the assistance payments were properly given to participants. Based on the testwork performed, the following were noted:

- 9 out of 50 items selected did not have the case file folder or the folders provided do not contain the relevant information
- 2 out of 50 items selected pertain to participants who were paid in an amount that was different from what was recomputed

Recommendation
The Department of Public and Social Services should retain adequate supporting documents and adhere to policies and procedures to make sure that aid is granted only to eligible individuals.

Current Year Response
DPSS does not agree with 8 of the 9 Eligibility findings. The Department provided documentation to refute 8 of the 9 audit findings. The Department will implement corrective action to comply with the recommendation.

Current Status
Target implementation date - January 31, 2007

Finding 05-34 - Eligibility

Condition
Procedures were performed to verify whether the assistance payments were made to eligible individuals. Based on the testwork performed, the following were noted:

- 4 out of 50 items selected pertains to participants whose QR7s were not received, thus, assistance should not have been paid out
- 10 out of 50 items selected did not have the case file folder or the folders provided do not contain the relevant information
- 5 out of 50 items selected did not have school record information for children under 18
- 7 out of 50 items selected did not have the Home Interview files, so test on whether the children lives with the parent at the time of aid cannot be verified
- 4 out of 50 items selected did not have the birth certificates of the individuals claimed, so proof of citizenship cannot be verified
- 11 out of 50 items selected have no proof of earned or unearned income
- 1 out of 50 items selected did have a valid Social Security Number card on file.

Recommendation
The Department of Public and Social Services should retain adequate supporting documents and adhere to policies and procedures to make sure that aid is granted only to eligible individuals.

Current Year Response
DPSS will implement corrective action to comply with recommendation.

Current Status
Target implementation date - January 31, 2007

Finding 05-35 - Reporting

Condition
27 of the 30 reports examined were submitted beyond the due date required. Reports that were submitted late were delinquent between 3 - 75 days.

Recommendation
The Department should report information required by the State of California Department of Public and Social Services in a timely manner.

Current Year Response
The subject reports, CA-237 CW, CA-253 CW, CA-255 CW, WTW 25 & WTW 30 required by the State are now reported in a timely manner.

Current Status
Implemented August 2005

Finding 05-36 - Subrecipient Monitoring

Condition
9 of the 35 Monthly Management Reports required from subrecipients were not submitted within 15 days from the end of the reporting month end. Reports that were submitted late were delinquent between 2 - 15 days.

During the fiscal year, 25 subrecipients were subject to a single audit. Management failed to obtain single audit reports for 19 of the said 25 subrecipients.

Recommendation
Management should follow up on the required reports and require subrecipients to submit single audit reports in a timely manner to be in compliance with OMB A-133 requirements

Current Year Response
DPSS issued Contract Memo #06-15 in September 2006, to follow up on the required reports. The memo states that contractors are required to submit single audit reports in a timely manner to be in compliance with OMB A-133 requirements.

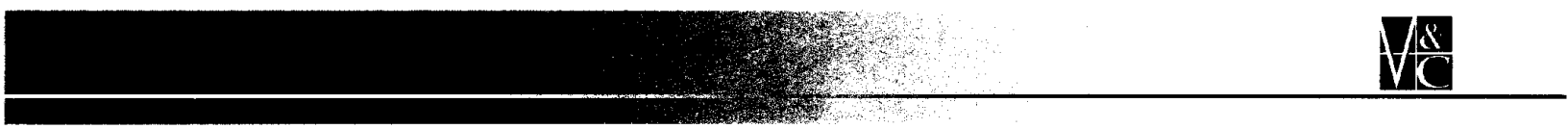
Current Status
Implemented September 18, 2006

Finding 05-37 - Special Tests and Provisions

Condition
The results of the procedures performed related to each of the above requirements are as follows:

- 22 out of 50 items selected did not have the required forms on file
- 7 out of 50 items did not have the Form 6050 on file
- 26 out of 50 items selected have the Form 6050 on file but not for the appropriate period and 2 out of 50 items selected did not have the Form 6050 on file. In addition, 21 out of 50 items selected are not adequately supported by required documentation.

Recommendation
DPSS management should adopt a checklist of required documents and have adequate review and approval procedures to ensure that proper documentation required in the case files is kept based on the program requirements.

Current Year Response
DPSS does not agree with 9 of 22 DA Sanction findings, all 7 GAIN and Sanction findings, all 28 GAIN Exemption findings and 6 of 21 Supporting Documents findings. The Department provided documentation to refute the audit findings. The Department will implement corrective action.

Current Status
Target implementation date - January 31, 2007