



COUNTY OF LOS ANGELES, CALIFORNIA

Single Audit Report
(Restated)

June 30, 2004

COUNTY OF LOS ANGELES, CALIFORNIA

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**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 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, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect 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 04-01.

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.

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*.

This report is intended solely for the information and use of the County's Board of Supervisors and management, as well as officials of applicable 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.

Our previously issued report did not contain the reportable condition (Item 04-01) in internal control over financial reporting. Item 04-01 was previously reported as a reportable condition in internal control in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with U.S. Office of Management and Budget Circular A-133.

KPMG LLP

December 10, 2004



KPMG LLP
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Los Angeles, CA 90071-1568

**Report on Compliance with Requirements Applicable to Each Major
Program and on Internal Control over Compliance in Accordance
with U.S. Office of Management and Budget Circular A-133**

The Honorable 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 each of its major federal programs for the year ended June 30, 2004. The County's major federal programs are identified in the summary of auditors' 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 \$272,337,710 in federal awards, \$270,189,621 of which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2004. The County acts as a pass-through entity for \$2,148,089 (CFDA 14.218) of federal awards received by the Community Development Commission. Our audit, described below, did not include the operations of the Community Development Commission as the component unit had a separate stand alone 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.

As described in the findings noted in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding activities allowed or unallowed and allowable cost/cost principles (Findings 04-06, 04-43, and 04-46), cash management (Finding 04-47), eligibility (Finding 04-48) equipment and real property management (Finding 04-21), subrecipient monitoring (Findings 04-03, 04-04, 04-14, 04-15, 04-44, and 04-45) and special tests and provisions (Finding 04-51) that are applicable to its Block Grants for Prevention and Treatment of Substance Abuse, State Criminal Alien Assistance, Aging Cluster, Child Support Enforcement Title IV D programs, Children's Welfare Services Title XX, Special Education Cluster, and CALWorks programs. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2004. The results of our auditing procedures also 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 04-05, 04-07, 04-09, 04-10, 04-12, 04-17, 04-20, 04-25, 04-28, 04-30 through 04-35, 04-38, 04-40, 04-42, 04-49, and 04-50.

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 the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable conditions we identified are described in the accompanying schedule of findings and questioned costs as Findings 04-02 through 04-04, 04-06 through 04-16, 04-18 through 04-27, 04-29, 04-31 through 04-33, 04-35 through 04-41, 04-43 through 04-48, 04-50 and 04-51.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2004 and have issued our report thereon dated December 10, 2004, which refers to the reports of other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the County's Board of Supervisors and management, as well as officials of applicable 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

August 1, 2005, except as to the schedule of expenditure of federal awards, which is as of December 10, 2004, and to the Special Education Cluster (CFDA 84.027) and CALWorks program (CFDA 93.558), which are as of August 18, 2006.

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

(Restated)

Description	Federal catalog of domestic assistance number (CFDA #)	Federal expenditures
U.S. Agency for International Development		
Direct Program:		
International Search and Rescue Operations	98.001	\$ 685,692
U.S. Department of Agriculture		
Direct Program:		
Nursery Pest Mitigation	10.025	9,972
Control of Invasive Weeds	10.025	234,207
Subtotal expenditures – 10.025		244,179
Passed through the California Department of Aging:		
AAA III USDA CI	10.570	781,350
AAA III USDA CII	10.570	455,604
Subtotal expenditures – 10.570		1,236,954
Passed through the California Department of Education:		
Summer Food Service Program for Children	10.559	25,062
Summer Food Service Program for Children	10.559	237,117
Subtotal expenditures – 10.559		262,179
Child Nutrition Program – School Lunch	10.555	4,298,620
Child Nutrition Program – School Breakfast	10.556	2,779,628
Passed through the California Department of Food and Agriculture:		
Shell Eggs Standard Enforcement	10.162	3,686
Passed through the California Department of Social Services:		
Food Stamps:		
Dollar Value of Food Stamps Issued	* 10.551	719,233,862
SAWS Prospective Budgeting – Food Stamps	* 10.561	2,252,384
NAFS:		
Food Stamp Program Administration – NAFS	* 10.561	102,559,635
Subtotal expenditures – 10.551, 10.561		824,045,881
Total U.S. Department of Agriculture		832,871,127
U.S. Department of Commerce		
Direct programs:		
2001 Tech Opportunity Prog Appl-Coastal Monitoring Program	11.552	94,489
Coastal Impact Assistance Program	11.419	104,974
Total U.S. Department of Commerce		199,463

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

(Restated)

Description	Federal catalog of domestic assistance number (CFDA #)	Federal expenditures
U.S. Department of Education		
Direct programs:		
Supplemental Education Opportunity	84.007	\$ 16,000
College Work – Study	84.033	661
Perkins Loan Program	84.038	5,172
Pell Grants	84.063	188,258
Passed through the California Department of Alcohol and Drugs:		
Drug-Free Schools and Communities:		
Club Live	84.186	75,000
School Based	84.186	381,623
Friday Night Live	84.186	75,000
Subtotal expenditures – 84.186		531,623
Passed through the Los Angeles County Office of Education		
Fed – Educ. Aid Disabled Student	* 84.027	14,034,309
Total U.S. Department of Education		14,776,023
U.S. Department of Health and Human Services		
Direct programs:		
Bioterrorism	* 93.003	13,540,308
Bioterrorism Hospital Preparedness Program	* 93.003	1,076,246
Subtotal expenditures – 93.003		14,616,554
Office of Minority Health	93.006	503,544
Tuberculosis/CDC Cooperative Agreement	93.116	6,099,078
Active Varicella Surveillance & EPID Studies	93.185	238,903
Childhood Lead Poisoning Case Management	93.197	718,000
Hansen's Disease	93.215	336,523
State Epidemiology and LAB Surveillance Responses	93.283	718,217
Child Health and Disability Program	* 93.778	4,837,241
HIV Emergency Relief Project Grant	93.914	40,476,232
Ryan White Title III Funding – Early Intervention	93.918	132,790
Scholarships for disadvantaged students	93.925	14,810
Special Projects of National Significants – PHC	93.928	150,342
Special Projects of National Significants – IT	93.928	382,281
Subtotal expenditures – 93.928		532,623
HIV Prevention Project	93.940	15,660,687
HIV/STD Counseling in Testing – AMB Clinic ER	93.941	265,068
Intervention EPI Res Study of HIV/AIDS-DAART	93.941	274,085
Subtotal expenditures – 93.941		539,153

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

(Restated)

Description	Federal catalog of domestic assistance number (CFDA #)	Federal expenditures
Epidemiology HIV/AIDS Res African American and Hispanic	93.943	\$ 297,910
HIV Risk Behavior Surveillance MSM	93.943	31,841
Rapid Testing	93.943	167,351
Subtotal expenditures – 93.943		<u>497,102</u>
HIV Aids Surveillance and Seroprevalence	93.944	4,804,955
Comprehensive STD Prevention Systems	93.977	4,396,804
Monitor Prevalence of SED and TV Infection in Person	93.978	20,619
Refugee Preventive Health Services	93.978	1,022,982
Subtotal expenditures – 93.978		<u>1,043,601</u>
Passed through the California Department of Aging:		
Title VII:		
Elder Abuse Prevention	93.041	65,934
Ombudsman	93.042	173,494
Ombudsman Initiative	93.042	417,000
Subtotal expenditures – 93.042		<u>590,494</u>
Area Agency on Aging III D	93.043	278,337
Area Agency on Aging III B	* 93.044	5,980,864
Area Agency on Aging III C-I	* 93.045	5,118,987
Area Agency on Aging III C-II	* 93.045	3,470,998
Subtotal expenditures – 93.045		<u>8,589,985</u>
TA – Discretionary	93.576	469,947
Passed through the California Department of Alcohol and Drugs:		
Federal Drug Medi-Cal (Perinatal and Drug)	* 93.778	14,240,431
Alcohol Block Grant	* 93.959	44,052,659
Federal Female Offender	* 93.959	371,550
New Perinatal Set-Aside	* 93.959	3,666,949
SABG New HIV Set-Aside	* 93.959	4,255,827
SAPT Block Grant Adolescent Treatment	* 93.959	1,562,943
SAPT Prevention Set-Aside	* 93.959	15,608,808
Substance Abuse Prevention and Treatment Projects	* 93.959	187,584
Subtotal expenditures – 93.959		<u>69,706,320</u>
Passed through the California Department of Education:		
Child Day Care Program	* 93.596	9,352,351

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

(Restated)

Description	Federal catalog of domestic assistance number (CFDA #)	Federal expenditures
Passed through the California Department of Employment Development: AAA Title III E	93.052	\$ 1,607,847
Passed through the California Department of Health Services:		
Family Planning	93.217	650,791
Child Support Enforcement Title IV D	*	93.563 115,915,339
Community Services Block Grant American Indian 02F-4362	*	93.569 292,583
Community Services Block Grant 03F-4317	*	93.569 4,854,300
Community Services Block Grant 04F-4445	*	93.569 1,906,520
Community Services Block Grant American Indian 04F-4487	*	93.569 145,095
Subtotal expenditures 93.569		<u>7,198,498</u>
Health Care Program – Children in Foster Care	*	93.658 6,531,391
Health Facilities Inspection	*	93.777 11,279,500
IHSS – PCSP Health Related	*	93.778 22,266,172
Medi-Cal Eligibility Determination	*	93.778 138,153,492
Subtotal expenditures – 93.778		<u>160,419,664</u>
CARE Act Title II	93.917	3,072,565
Maternal and Child Health	93.994	3,309,000
Passed through the California Department of Mental Health:		
McKinney Homeless Act Program	93.150	2,046,731
Mental Health Services: Block Grant	93.958	15,153,216
Passed through the California Department of Social Services:		
Children's Welfare Services – Title XX	*	93.667 12,151,483
Promoting Safe and Stable Families (PSSF)	93.556	15,757,864
Calworks Diversion – Federal	*	93.558 59,351
Calworks Single	*	93.558 449,724,492
Calworks Tanf Timed-Out Assistance	*	93.558 73,538,535
SAWS Welfare Data Tracking Implementation Program	*	93.558 2,988,960
SAWS Prospective Budgeting – Calworks	*	93.558 3,666,404
Calworks – FG/U Assistance	*	93.558 602,516,392
Calworks Legal Immigrants (MC)	*	93.558 9,588,828
EA Foster Care Admin & Asst (Title IV-A)	*	93.558 41,310,207
Kingap Administration and Assistance	*	93.558 33,396,378
Adult Protective Services	*	93.558 4,292,615
Subtotal expenditures – 93.558		<u>1,221,082,162</u>

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

(Restated)

Description	Federal catalog of domestic assistance number (CFDA #)	Federal expenditures
Refugee Resettlement	93.566	\$ 2,945,978
Refugee Employment Social Services	93.566	2,743,658
Subtotal expenditures – 93.566		<u>5,689,636</u>
Refugee Elderly Services	93.576	437,044
Refugee Targeted Assistance Program	93.584	1,501,465
Chafee Education and Training Vouchers Program (ETV)	93.599	162,394
Post-Adoptive Services	93.603	1,414,524
Children's Welfare Services IV-B – Direct Cost	93.645	9,107,703
AFDC – Foster Care – Administration and Assistance	*	93.658 165,259,891
Children's Welfare Services Title IV-E	*	93.658 181,775,878
Foster Family Licensing	*	93.658 911,350
Foster Parent Training	*	93.658 711,281
Group Home Month Visits/CWD	*	93.658 1,585,058
Cohort 1	*	93.658 25,456
Probation IV-E Administration and Assistance	*	93.658 320,000
Subtotal expenditures – 93.658		<u>350,588,914</u>
Adoptions – Administration and Assistance	93.659	89,257,991
Independent Living Skills – Children Services	93.674	8,571,781
Children's Welfare Services XIX (Health Reel)	*	93.778 16,984,667
Total U.S. Department of Health and Human Services		<u>2,265,333,650</u>
U.S. Department of Homeland Security		
Direct Programs:		
Weapons of Mass Destruction	97.005	453,857
Urban Search and Rescue – Hurricane Isabel	97.025	18,028
Group of 8 Summit	97.036	10,747
Firefighter Assistance Grant	97.044	313,461
Passed through the California Department of Economic Opportunity:		
Food Basket Distribution	97.024	13,443
Passed through the California Office of Emergency Services:		
State Domestic Preparedness Program Group 01	97.004	2,056,206
State Domestic Preparedness Program Group 02	97.004	1,880,634
State Domestic Preparedness Program Group 03	97.004	1,663,358
State Domestic Preparedness Program Group 03,2	97.004	2,475,460
Subtotal expenditures – 97.004		<u>8,075,658</u>
Earthquake (Northridge)	97.036	96,001,193
2003 California Wildfires	97.036	562,242
Subtotal expenditures – 97.036		<u>96,563,435</u>

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

(Restated)

Description	Federal catalog of domestic assistance number (CFDA #)	Federal expenditures
Hazard Mitigation Grant	97.039	\$ 721,017
Emergency Operations Planning	97.051	973,534
Total U.S. Department of Homeland Security		<u>1,071,551</u>
U.S. Department of Housing and Urban Development		
Direct programs:		
Homeless Foster Youth Program (HFYP)	14.235	2,259,680
HUD Lead Hazard Control Grant	14.900	664,525
National Rec Area Vac Lot Weeding	14.999	3,006
Passed through the City of Santa Clarita:		
CDBG Grant – Santa Clarita Services Center	14.218	36,746
Passed through the LA County Community Development Commission:		
Adventure Park Recreation Program	14.218	98,347
Amigo Park Mobile Recreation Program	14.218	34,977
Burke's Club Drug Prevention and Gang Intervention	14.218	71,590
Case Expediting/Department Liaison	14.218	20,055
CCE East Los Angeles – 1st District	14.218	405,909
CCE – 2nd District	14.218	240,000
CCE – 5th District	14.218	200,000
Century Physical Fitness Program	14.218	3,687
Century Sheriffs Youth Activity League Center Firestone	14.218	15,377
Century Station Code Enforcement Project	14.218	6,377
Charter Oak Youth Athletic League Program	14.218	60,401
Hacienda Heights Recreation Program	14.218	47,556
Industry Station Youth Athletic League Program	14.218	65,896
Lennox Station Community Youth Center	14.218	31,971
Mayberry Park Recreation Program	14.218	164,598
Pamela Park Youth Athletic League Program	14.218	34,934
Pathfinder Senior Recreation Program	14.218	22,045
Roosevelt Park Youth Athletic League Program	14.218	93,546
Roosevelt Pool Program	14.218	81,805
Rowland Heights Youth Athletic League Program	14.218	100,000
Salazar Park Youth Athletic League	14.218	63,499
Steinmetz Park Senior Center Expansion Project	14.218	105,472
Success through Awareness and Resistance (STAR)	14.218	28,031
Sunshine Park Summer Youth Program	14.218	11,817
Temple Station Youth Athletic League Portrero Park	14.218	44,202
Valleydale Park Computers	14.218	15,997
Valleydale Park Youth Athletic League Program	14.218	80,000
Subtotal expenditures – 14.218		<u>2,148,089</u>

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

(Restated)

Description	Federal catalog of domestic assistance number (CFDA #)	Federal expenditures
Passing through the Los Angeles Homeless Services Authority:		
Transitional Housing Program	14.235	\$ 226,212
Total U.S. Department of Housing and Urban Development		<u>5,338,258</u>
U.S. Department of Justice		
Direct programs:		
Drug Enforcement Administration	16.001	50,398
Gang Free Communities Program	16.544	134,075
Coverdell Forensic Sciences Improvement Act Program	16.560	9,302
Asset Seizure and Forfeiture	16.592	28,166
Asset Forfeiture	16.592	1,838,225
Abolish Chronic Truancy (ACT)	16.592	432,346
Community Law Enforcement and Recovery (CLEAR)	16.592	299,089
Crash (Local Law Enforcement Block Grant)	16.592	206,000
L.A. Bridges (Local Law Enforcement Block Grant)	16.592	210,000
Local Law Enforcement Block Grant (LLEBG)	16.592	857,980
Local Law Enforcement Block Grant (LLEBG)	16.592	3,523,705
Local Law Enforcement Block Grant	16.592	271,000
CLEAR Local Law Enforcement Block Grant (LLEBG)	16.592	147,000
Strategies Against Gang Entrants (SAGE)	16.592	518,404
Subtotal expenditures – 16.592		<u>8,331,915</u>
State Criminal Alien Assistance Program	* 16.606	11,917,807
COPS Technology Grant 2002	16.710	122,149
COPS Creating a Culture of Integrity	16.710	75,992
COPS High Intent Crime Alien Apprehend and Prosecute (HICAAP)	16.710	85,968
COPS RCPI Integrity Curriculum Conference	16.710	27,412
COPS 2002 RCPI Initiative	16.710	112,368
COPS 2002 RCPI Integrity Center	16.710	178,799
COPS 2003 Institute Initiative (2003CKWXK007)	16.710	136,583
COPS 2003 Public Trust Initiative (2003HSWXK002)	16.710	259,838
COPS in Schools	16.710	33,170
COPS in Schools (200SHWX0312)	16.710	217,229
COPS in Schools (200SHWX0378)	16.710	74,572
COPS Domestic Violence Test Site Program	16.710	219,588
Community Prosecution Project/VIPER (2003GPCX015)	16.710	5,932
Subtotal expenditures – 16.710		<u>1,549,600</u>
Passed through the Bureau of Justice Assistance:		
Community Gun Violence Prosecution Program (CGPP)	16.609	641,353
Project Sentry/Juvenile Gun Prosecution (JGP)	16.609	593,868
Subtotal expenditures – 16.609		<u>1,235,221</u>

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

(Restated)

Description	Federal catalog of domestic assistance number (CFDA #)	Federal expenditures
Passed through the Community Oriented Policing Services:		
Community Law Enforcement and Recovery (CLEAR)	16.592	\$ 1,011,046
COPS Drug Endangered Children (COPS DEC)	16.710	77,325
Passed through the Office for Victims of Crime:		
Urban High Crime Neighborhood Initiative (OVC)	16.582	94,425
Passed through the Office of Justice Programs:		
Win Program	16.523	243,508
Anti-Drug Abuse/T.H.I.S.P.	16.579	246,217
Community Oriented Multi-agency Narcotics Enforcement	16.579	816,988
Subtotal expenditures – 16.579		<u>1,063,205</u>
Passed through the California Department of Corrections:		
Title V – Delin Prevention Program – Lenox School District	16.548	107,937
Total U.S. Department of Justice		<u>25,825,764</u>
U.S. Department of Labor		
Passed through the California Department of Aging:		
Older American Title V Project	17.235	2,100,388
Passed through the California Department of Employment Development:		
Welfare to Work:		
Formula	17.253	3,478,114
Workforce Investment Act:		
Title I-A	* 17.258	5,368,336
Adult	* 17.258	12,729,052
Rapid Response	* 17.258	755,609
15% Title I-A (Healthcare Worker – Formula)	* 17.258	50,382
25% Actor's Fund	* 17.258	93,206
Subtotal expenditures – 17.258		<u>18,996,585</u>
Youth	* 17.259	14,545,015
Governor's Discretionary	* 17.259	110,038
Subtotal expenditures – 17.259		<u>14,655,053</u>
Dislocated Worker	* 17.260	10,315,646
National Emergency Grant (NEG)	17.261	545
Total U.S. Department of Labor		<u>49,546,331</u>

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

(Restated)

Description	Federal catalog of domestic assistance number (CFDA #)	Federal expenditures
U.S. Department of Transportation		
Direct Program:		
Airport Improvement Program	20.106	\$ 1,556,289
Passed through the California Department of Employment Development:		
Traffic Safety CB0213	20.600	403,186
Passed through the California Department of Transportation:		
Bridge Retrofit Program	20.205	3,200,442
Public Land Highway Grant	20.205	52,103
Transportation Enhancement Activities	20.205	49,898
1998/1999 Demonstration	20.205	4,567,884
Surface Transportation Program (STP)	20.205	3,499,853
Regional Surface Transportation Program	20.205	2,171,532
Congestion Mitigation and Air Quality Program	20.205	5,809
Los Angeles County Subregional Planning	20.205	16,466
Highway Bridge Rehabilitation	20.205	1,761,686
Subtotal expenditures – 20.205		<u>15,325,673</u>
Public Transportation for nonurbanized areas	20.509	1,589,047
Los Angeles County Subregional Planning	20.505	6,977
Vacant Lot Weed Clearance:		
Century Freeway	20.999	692
Federal Aviation	20.999	2,922
Subtotal expenditures – 20.999		<u>3,614</u>
Total U.S. Department of Transportation		<u>18,884,786</u>
U.S. Department of Treasury		
Direct Programs:		
Gang Resistance, Education, and Training	21.052	<u>35,723</u>
U.S. Federal Emergency Management Agency		
Direct Programs:		
Urban Search and Rescue	83.526	204,169
Weapons of Mass Destruction	83.529	128,370
Passed through the California Department of Economic Opportunity:		
Food Basket Distribution	83.523	5,809

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

(Restated)

Description	Federal catalog of domestic assistance number (CFDA #)	Federal expenditures
Passed through the California Office of Emergency Services:		
Earthquake (Northridge)	83.544	\$ 19,945,625
Hazard Mitigation Grant	83.548	10,650
Total U.S. Federal Emergency Management Agency		<u>20,294,623</u>
U.S. Office of Library Services		
Passed through the California State Library:		
Working with Kids @ Your Library Internship Program	45.310	<u>7,513</u>
U.S. Office of the President		
Direct Program:		
High Intensity Drug Traffic Assistance (HIDTA)	99.027	<u>111,426</u>
Total Expenditures of Federal Awards		<u>\$ 3,341,053,559</u>

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

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

COUNTY OF LOS ANGELES, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

(Restated)

(1) General

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the County of Los Angeles, California (the County). The County's reporting entity is defined in the notes to the County's basic financial statements.

(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.

(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.

(4) Summary of Community Action Program – CSBG CFDA #93.569

The following summarizes the County's Community Action Program – Community Services Block Grant (CSBG), U.S. Department of Health and Human Services, passed through the California Department of Health Services CFDA #93.569 federal expenditures for the year ended June 30, 2004:

Program name	Grant number	Expenditure amount
CSBG	04F-4445	\$ 1,906,520
CSBG – American Indian	03F-4362	292,583
CSBG	03F-4317	4,854,300
CSBG – American Indian	03F-4487	145,095
Total Community Action Program – CSBG		<u>\$ 7,198,498</u>

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Schedule of Findings and Questioned Costs

Year ended June 30, 2004

(Restated)

(1) Summary of Auditors' Results

(a) Basic Financial Statements

Type of auditors' report issued: **Unqualified Opinion.**

- Material weaknesses identified? **None noted.**
- Reportable conditions identified that are not considered to be material weaknesses? **Yes ***

Noncompliance material to financial statements noted? **None noted.**

(b) Federal Awards

Internal control over major programs:

- Material weaknesses identified? **None noted.**
- Reportable conditions identified that are not considered to be material weakness(es)? **Yes ***

Type of auditors' report issued on compliance for major programs:

- State Criminal Alien Assistance Program – Qualified
- Bioterrorism Hospital Preparedness Program – Unqualified
- Child Support Enforcement Title IV D – Qualified
- Community Services Block Grant – Unqualified
- Child Day Care Program – Unqualified
- Health Care Program – Children in Health Care Program – Children in Foster Care – Unqualified
- Children's Welfare Services Title XX – Qualified
- Medicaid Cluster – Unqualified
- Block Grants for Prevention and Treatment of Substance Abuse – Qualified
- Food Stamp Cluster – Unqualified
- Workforce Investment Act – Unqualified
- Aging Cluster – Qualified
- Special Education Cluster – Qualified *
- CALWorks – Qualified *

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **Yes ***

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

(Restated)

Identification of major programs:

CFDA number(s)	Name of federal program or cluster
16.606	State Criminal Alien Assistance Program **
93.003	Bioterrorism Hospital Preparedness Program
93.563	Child Support Enforcement Title IV D **
93.569	Community Services Block Grant
93.596	Child Day Care Program **
93.658	Health Care Program – Children in Health Care Program – Children in Foster Care **
93.667	Children’s Welfare Services Title XX
93.777, 93.778	Medicaid Cluster
93.959	Block Grants for Prevention and Treatment of Substance Abuse
10.551, 10561	Food Stamp Cluster **
17.258, 17.259, 17.260	Workforce Investment Act (WIA) **
93.044, 93.045	Aging Cluster **
84.027	Special Education Cluster *
93.558	CALWorks *

Dollar threshold used to distinguish between Type A and Type B program:

- **Type A – Federal award expenditures equal to or exceeding \$10,023,161.**

Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133? **No.**

* Represents revised information from the previously issued report

** Certain clarifications were made in the Specific Requirement section of Items 04-06, 04-08, 04-12, 04-19, 04-21, 04-31, 04-34, and 04-38; in the Condition section of Items 04-10, 04-19, and 04-41; the Effect section of Items 04-12, 04-19, and 04-31; the Questioned Costs section of Items 04-12 and 04-20 and the Recommendation section of Item 04-19.

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

(Restated)

(2) Findings Relating to the Basic Financial Statements Reported in Accordance with Government Auditing Standards

Item 04-01 – Federal Award Expenditure Reconciliation

Information on the Federal Programs: All federal programs in the schedule of expenditures of federal awards.

Specific Requirement: Federal awards submitted to the federal awarding agency should include all activity of the reporting period, should be supported by underlying accounting or performance records, and should be fairly presented in accordance with program requirements.

Condition: We noted that the County Auditors' Office had not obtained reconciliations of the total amount of federal program expenditures reported on the schedule of expenditures of federal awards to the County's General Ledger from each department that received federal funding.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: The County Auditors' Office was initially unable to provide reconciliations of amounts reported in the schedule of expenditures of federal awards. However, the County Auditors' Office was successful in ultimately obtaining the majority of the required reconciliations during the audit.

Recommendation: We recommend that the County Auditors' Office acquire the appropriate program expenditure information from each department that received federal funding to reconcile the amounts reported in the schedule of expenditures of federal awards to its general ledger.

Views of responsible officials and planned corrective actions: We concur with the intent of KPMG's recommendation. As noted above, the Auditor-Controller was able to obtain reconciliations from the departments for the majority of the federal expenditures for the year ended June 30, 2004. The Auditor-Controller will continue to work with the grant coordinators to emphasize the importance of completing a reconciliation of the final expenditures to CAPS. Workshops will also be held for individual departments on an as-needed basis.

(3) Findings and Questioned Costs Relating to Federal Awards

Item 04-02 – Suspension & Debarment

Information on the Federal Program: Block Grants for Prevention and Treatment of Substance Abuse – CFDA #93.959

Specific Requirement: Nonfederal entities are prohibited from contracting with or making subawards under covered contract transactions to parties that are suspended or debarred, or whose principals are suspended or debarred (45 CFR 75).

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

(Restated)

Condition: Certificates of Suspension and Debarment were not obtained before making subrecipient awards. In addition, the contracts did not contain specific language requiring verification of such federal suspension and debarment certificates. Of the 50 files reviewed, none of them had been debarred.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to obtain Certificates of Suspension and Debarment could result in noncompliance with the federal grant guidelines.

Recommendation: Policies and procedures should be implemented that require a signed Certificate of Suspension and Debarment be on file prior to the issuance of a subaward. Additionally, the inclusion of a suspension and debarment clause should be required in all County contracts with qualifying Subrecipient vendors. We further recommend that the County consult the "Federal Excluded Parties" website (<http://epls.arnet.gov>), in addition to the internal County site, to ensure that contractors have not been suspended from federal funding.

Views of responsible officials and planned corrective actions: We concur. We have included a provision in our contracts that addresses this recommendation. This provision becomes effective on July 1, 2005 for contracts that are being renewed for FY 2005-2006. The remainder of the contracts will include this language beginning July 1, 2006 when they are renewed next year.

Item 04-03 – Subrecipient Monitoring

Information on the Federal Program: Block Grants for Prevention & Treatment of Substance Abuse – CFDA #93.959

Specific Requirement: The County is responsible for monitoring its subrecipient's activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements, ensures that the required audits are performed, and requires prompt corrective action on any audit findings by the subrecipient (A-102 Common Rule).

Condition: The County had 54 subrecipients for the Block Grants for Prevention & Treatment of Substance Abuse. Of the 54 subrecipients, 45 were subject to the single audit requirement. However, only 19 submitted reports to the County.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Lack of monitoring subrecipient activities resulted in noncompliance with the federal grant guidelines.

Recommendation: We recommend that the County enforce established policies requiring that subrecipients submit their single audit reports in a timely manner.

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Views of responsible officials and planned corrective action: We concur with this recommendation. Currently, 44 of the 45 subrecipients have submitted their SA report to our office and were forwarded to the state.

Item 04-04 – Subrecipient Monitoring

Information on the Federal Program: Block Grants for Prevention & Treatment of Substance Abuse – CFDA #93.959

Specific Requirement: The County is responsible for monitoring its subrecipient's activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements, ensures that the required audits are performed, and requires prompt corrective action on any audit findings by the subrecipient (A-102 Common Rule).

Condition: Out of 25 providers selected for testing, only 7 were subject to fiscal review. Further, 12 of the providers selected had not been audited for more than three years.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to properly monitor and issue timely reports on subrecipients' activities through the use of audits and other fiscal reviews result in noncompliance with federal guidelines (A-102 Common Rule).

Recommendation: We recommend that the County enforce established policies by requiring the performance of timely monitoring and issuance of reports on subrecipient activities.

Views of responsible officials and planned corrective action: We concur with the KPMG recommendation. CCMD has already taken actions to increase and perform adequate fiscal reviews of the Alcohol and Drug Program Administration's (ADPA) subrecipients. In October 2001, the department consolidated all fiscal monitoring of department contracts within CCMD. However, CCMD staffing was not increased in direct proportion with its increased responsibilities.

In an effort to ensure CCMD was provided with sufficient resources to monitor department contracts, the department's budget request for fiscal year 2004-05 included a request for ten additional fiscal monitoring positions, which were subsequently approved by the Board of Supervisors and the Chief Administrative Office. To date, CCMD has filled three of the additional positions. We are also in the process of filling the remaining seven positions. The additional positions will make a material difference in CCMD's ability to perform adequate fiscal reviews of ADPA's subrecipients in accordance with the triennial audit requirements. Beginning in FY 2004-05, CCMD increased its performance in financial viability reviews, which supplement the triennial audit requirement by assessing subrecipient financial viability.

Item 04-05 – Reporting

Information on the Federal Program: Block Grants for Prevention & Treatment of Substance Abuse – CFDA #93.959

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(Restated)

Specific Requirement: The OMB A-133 Compliance Supplement states that reports be submitted timely, include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

Condition: It was noted that for the third quarter ending March 31, 2004, ADPA underreported cumulative expenditures by \$4,037,485. The Division corrected this in its final cost report for the fiscal year ending June 30, 2004. This oversight resulted in a \$4,037,485 understatement for the quarter.

Questioned Costs: N/A

Systemic or Isolated: Isolated

Effect: Failure to issue accurate quarterly reports resulted in noncompliance with A-102 Common Rule.

Recommendation: Steps should be taken to improve the accuracy of quarterly reports.

Views of responsible officials and planned corrective actions: ADPA has established written protocols to ensure that data reported on the QFFMR and the state are accurate as demonstrated by the correction of reported data for FY 2003-04 in the Final Cost Report to the state as noted by the Auditors.

Item 04-06 – Allowable Costs

Information on the Federal Program: State Criminal Alien Assistance Program – CFDA #16.606

Specific Requirement: OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, Selected Items of Cost, Part 8, Compensation for Personal Services, Section h, Support of salaries and wages:

- Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
- Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports. Such documentary support will be required where employees work on:
 - (a) More than one federal award,
 - (b) A federal award and a nonfederal award,
 - (c) An indirect cost activity and a direct cost activity,

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- (d) Two or more indirect activities, which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.
- Personnel activity reports or equivalent documentation must meet the following standards:
 - (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee.

The U.S. Department of Justice, Office of Justice programs' State Criminal Alien Assistance Program (SCAAP) 2004 Application states the following:

- Correction officers include employees, officers, and contractual staff whose primary responsibility is the care, custody, or supervision of persons detained (pretrial detention) and incarcerated (convicted and sentenced inmates). Employees, officers, and contractual staff whose primary responsibility is providing noncustody services to the facility or its inmate population are not eligible for inclusion in the SCAAP salary calculation.

Condition: Out of 35 timesheets selected for testing, one did not have evidence of proper review and approval and 12 could not be located. Additionally, the Sheriff's Department does not classify their employees into the categories determined and set forth by the SCAAP Funding Request Application Guidance issued June 17, 2003.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to maintain timesheets to substantiate allowable costs and properly approving the timesheets resulted in noncompliance with the federal grant guidelines on the County level. Additionally, failure to properly classify employees into categories determined and set forth by the SCAAP Funding Request Application Guidance issued June 17, 2003 resulted in noncompliance.

Recommendation: All timesheets should be filed and have proper evidence of review and approval. We also recommend that the Sheriff Department expand their current employees classification categories to include additional job functions for the Correctional Officers that are performing noneligible services. The Department should further ensure that only allowable positions and personnel are included in the Correctional Officer Salary Computation.

Views of responsible officials and planned corrective actions: Although all official pay registers for these Court Services and Custody employees were provided, the audit findings indicated 12 of 35 timecards were not located. The audit was conducted at the Pay and Leave Management Unit (PLM) of Personnel Administration, Alhambra Building, which stores and maintains all time records processed by

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(Restated)

this centralized timekeeping unit. However, in addition to the Alhambra centralized office, timekeeping is also processed and maintained at our satellite North County office. It can only be assumed that the 12 missing employee time records were damaged and/or destroyed in a major flood due to excessive rain, as all the ruined time records pertained to the same audited time period and the same audited units.

Effective January 1, 2005, the PLM Unit of the Sheriff's Department has developed a filing process and an automated tracking system to enhance the storage and retrieval of all time and attendance documents maintained at the Alhambra Building. This process has also been given to the North County satellite office and other decentralized timekeeping offices within the Department.

In addition, audit findings revealed one time card did not have evidence of proper review and approval. Existing policy requires that all documents without the proper authorization are to be returned to the Unit Commander for correction. If the document is incomplete, a violation of policy notice is prepared and will accompany the document.

Item 04-07 – Reporting

Information on the Federal Program: State Criminal Alien Assistance Program – CFDA #16.606

Specific Requirement: The A-102 Common Rule requires that reports be submitted timely, include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

Condition: The County's Automated Jail Information System (AJIS) has not been properly updated to accurately capture the data for the inmates that are released directly from the Courthouse. Therefore, an estimation of the average length of stay has been the recent procedure.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to submit reports, which include actual length of stay for inmates, resulted in instance of noncompliance with the federal grant guidelines.

Recommendation: The AJIS should be upgraded so that the system can interface and capture the data for inmates that are released directly from the courthouse.

Views of responsible officials and planned corrective actions: The Los Angeles County Sheriff's Department is in the process of developing the Jail Information Management System (JIMS) in an effort to address the accurate tracking of court releases, along with a variety of other needs. While the Department recognizes the need to update its inmate information management, funding is, and has been a critical issue. As soon as a funding source is identified, the Department can move forward to update its systems.

The Sheriff's Department feels it is unnecessary to spend additional tax dollars upgrading an obsolete system that is currently being used beyond its fully designed capabilities. AJIS will be phased out when our new inmate information system comes online. AJIS was not designed to tackle the cumbersome

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average length of stay (ALOS) calculation required today. Upgrading AJIS will require significant Data Systems Bureau (DSB) resources. In addition, ALOS is currently calculated by an industry-standardized method that has historically been used.

The average length of stay (ALOS) is not a component of the SCAAP application. The records of undocumented inmates, with four (4) or more days in the department's jail system, are included in the application. The actual booking date and release date for each inmate is included in the records provided with the application. Therefore, the actual number of days inmates serve in the Department's custody is calculated.

Item 04-08 – Eligibility

Information on the Federal Program: Food Stamp Cluster – CFDA #10.551 & 10.561

Specific Requirement: The A-102 Common Rule requires that nonfederal entities receiving federal awards (e.g., County management) establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Condition: There appears to be a lack of consistency within districts as to the role of the Quality Control (QC) employees. For instance, in the Norwalk Districts, the QC employee rotates up to three different functions within the district.

Questioned Costs: N/A

Systemic or Isolated: Isolated

Effect: Failure to establish and maintain properly designed and operating internal controls resulted in noncompliance with the federal grant guidelines.

Recommendation: These functions should be separated in order to prevent possible errors. The County should further clarify the QC employee's responsibility by having a consistent policy that each of the district coordinators can follow.

Views of responsible officials and planned corrective actions: DPSS agrees with the recommendation. We will issue an Administrative Memorandum to re-emphasize departmental policy on the role of Quality Control Monitors to clarify their responsibilities and ensure that the policy is consistently applied by districts. The status target implementation date is May 31, 2005.

Item 04-09 – Reporting

Information on the Federal Program: Food Stamps – CFDA #10.551 & 10.561

Specific Requirement: The A-102 Common Rule requires that reports be submitted timely, include all activity of the reporting period, be supported by applicable accounting or performance records, and be fairly presented in accordance with program requirements.

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Condition: The DFA-256 (Food Stamps Program Participation and Benefit Issuance Report) is due to the state by the 20th day of each month. It was submitted late for 11 out of 12 months of the year.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to submit timely reports resulted in noncompliance with the federal guidelines.

Recommendation: Monthly Food Stamps reports should be filed with the state by the required due date.

Views of responsible officials and planned corrective actions: DPSS agrees with the recommendation. DPSS currently submits the DFA-256 report to the state by the required due date. 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 processes. This process was implemented July 31, 2004.

Item 04-10 – Allowable Costs

Information on the Federal Program: Aging Cluster CFDA #93.044 & 93.045

Specific Requirement: The County must follow procedures related to substantiation of costs that conform to federal laws and regulations and standards identified in the A-102 Common Rule.

Condition: The subrecipient provides an electronically submitted report with the total number of meals served. However, documentation is not provided to support this submission thus the County is not able to reconcile the count sheets to the summary of meals served.

Questioned Costs: N/A

Systemic or Isolated: Isolated

Effect: Lack of documentation to support the total number of meals served resulted in an instance of noncompliance with the federal grant guidelines.

Recommendation: The County should require subrecipients to provide verifiable documentation supporting the number of meals served.

Views of responsible officials and planned corrective actions: The Department agrees with the finding. Currently, the subrecipients maintain a log (sign-in sheet) that contains the signatures of clients who receive meals as part of the Nutrition programs. The subrecipients utilize the log/sign-in sheet to serve as the basis for completing and submitting claims/invoices to the Area Agency on Aging (AAA) MIS/Program Accounting Section. However, the AAA is currently working with the Internal Services Department to develop an automated system that would capture the number of meals served by each contractor. This new system will work as follows: (1) each client will sign-in; (2) each client will then scan a credit-type card that represents the meal they will receive; (3) the meals will be automatically tracked in the system (by site/location) in real-time; and (4) the agency will reconcile the number of signatures

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against the number of meals scanned on a daily basis. This procedure will allow the Department to receive an electronic confirmation of meals served and would be the basis upon which the invoices/billings are processed for payment. This new system is tentatively scheduled to commence during fiscal year 2005-06. Additionally, during the monitoring reviews, the monitors will continue to test the information submitted on the invoices against the number of signatures contained in each contractor's sign-in sheet as well as the information scanned.

Item 04-11 – Allowable Costs

Information on the Federal Program: Aging Cluster CFDA #93.044 & 93.045

Specific Requirement: The County must follow procedures related to substantiation of costs that conform to federal laws and regulations and standards identified in the A-102 Common Rule.

Condition: There is no formal or documented review over the monthly Cost Statements generated from the Cost Allocation System.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Lack of a formal documented review may result in an instance of noncompliance with the federal grant guidelines.

Recommendation: A review of the monthly cost statements should be performed and documented by the County.

Views of responsible officials and planned corrective actions: The Department agrees with the finding. As previously noted, the Finance Section has already implemented a procedure to ensure that the Cost Statement is distributed to each Program Manager or designated staff on a monthly basis for review and approval of all charges related to his/her program. We will ensure that documentation is maintained to substantiate this process.

Item 04-12 – Allowable Costs

Information on the Federal Program: Aging Cluster CFDA #93.044 & 93.045

Specific Requirement: OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, Selected Items of Cost, Part 8, Compensation for Personal Services, Section h, Support of salaries and wages:

- Charges to federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
- Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked

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solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

- Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports. Such documentary support will be required where employees work on:
 - (a) More than one federal award,
 - (b) A federal award and a nonfederal award,
 - (c) An indirect cost activity and a direct cost activity,
 - (d) Two or more indirect activities which are allocated using different allocation bases, or
 - (e) An unallowable activity and a direct or indirect cost activity.
- Personnel activity reports or equivalent documentation must meet the following standards:
 - (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee.

Condition: During payroll testing, it was noted that employees allocate their time based on budget considerations and an assessment performed by management a few years ago. As a result, the allocation of direct payroll costs to the program is not based on actual hours employees work.

Questioned Costs: \$1,560 [\$13,000,682 (total federal expenditures) * 8% (maximum% of administration expense) * 0.15% (% exception noted)]

Systemic or Isolated: Systemic

Effect: Failure to properly allocated direct payroll costs resulted in noncompliance with the standards identified in OMB Circular A-87.

Recommendation: County employees should allocate direct payroll costs based on actual hours or on time studies conducted annually.

Views of responsible officials and planned corrective actions: The Department partially agrees with the finding. The program staff were not instructed on how to charge their time on their timecards. The Finance Section provides program managers with a Staffing Analysis on employee's salaries and benefit costs which is used as a planning tool. It is incumbent upon the program managers to align the employee's workload with the grant award in order to maximize revenue. Additionally, program staff have been

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instructed to accurately report their time based on their actual hours worked. The Interim Director has issued the following memos to that effect: 1) "Accurate Program Time Reporting" issued on August 17, 2004, 2) "Accurate Completion of Timecard" issued on September 9, 2004, 3) "Timecard Completion" issued on March 21, 2005, and 4) "Accurate Timecard Reporting" issued on March 22, 2005.

Item 04-13 – Reporting

Information on the Federal Program: Aging Cluster CFDA #93.044 & 93.045

Specific Requirement: The A-102 Common Rule requires that reports be submitted timely, include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

Condition: The final budget and close out report did not have formal documented evidence of review and approval.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Lack of proper review of reports may result in the submission of reports with inaccurate or incomplete information that could result in noncompliance with the federal grant guidelines.

Recommendation: All reports should be signed and dated as reviewed and approved.

Views of responsible officials and planned corrective actions: The Department agrees with the finding. The Program Accounting Section is responsible for the completion and submission of these reports. The general practice in the Department requires that the Supervisor or Program Manager complete a formal, documented review and approval of each report submitted to the funding authority. Although authorized staff reviewed the Final Budget and Closeout Report, the omission of signatures on these reports was an inadvertent error/oversight that will be remedied immediately.

Item 04-14 – Subrecipient Monitoring

Information on the Federal Program: Aging Cluster CFDA #93.044 & 93.045

Specific Requirement: The County is responsible for monitoring its subrecipients' activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements, ensures that the required audits are performed, and requires that prompt corrective action on any audit findings by the subrecipient (A-102 Common Rule).

Condition: Out of 24 subrecipient files tested, 6 did not have a comprehensive program assessment report indicating that these subrecipients were not given a comprehensive monitoring assessment during the fiscal year. Of the remaining 18 files, none contained documentation noting follow-up of findings through resolution.

Questioned Costs: N/A

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Systemic or Isolated: Systemic

Effect: Failure to properly monitor subrecipient activities resulted in noncompliance with the federal grant guidelines.

Recommendation: We recommend that the County enforce established policies by requiring the performance of timely monitoring and issuance of reports, including appropriate follow-up on findings.

Views of responsible officials and planned corrective actions: The Department agrees with the finding. The Department has already developed a standard monitoring manual that outlines the internal control procedures that will be employed for monitoring subrecipients. Moreover, the Department has also recently instituted a Contract Compliance Division (CCD) that will be responsible for conducting program monitoring reviews (on-site visits) and issuing reports for all subrecipients at least once during the fiscal year. The CCD will request a corrective action plan from each subrecipient that is noncompliant; all findings will be followed-up; and technical assistance will be provided to ensure that subrecipients implement any noted recommendations. The Department has also contracted with a public accounting firm to conduct fiscal monitoring reviews, which will include two (2) on-site visits along with two (2) follow-up visits. Any findings that remain outstanding at year's end will be followed up during the next cycle of reviews by either the CCD or the contract public accounting firm.

Item 04-15 – Subrecipient Monitoring

Information on the Federal Program: Aging Cluster CFDA #93.044 & 93.045

Specific Requirement: The County is responsible for monitoring its subrecipient's activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements, ensures that the required audits are performed, and requires prompt corrective action on any audit findings by the subrecipient (A-102 Common Rule).

Condition: Out of a total sample of 24 subrecipients selected for testing, 5 had not submitted the required single audit reports.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to properly monitor subrecipient activities resulted in noncompliance with the federal grant guidelines.

Recommendation: We recommend that the County impose appropriate sanctions on subrecipients that do not submit their single audit reports in a timely manner.

Views of responsible officials and planned corrective action: The Department agrees with the finding. The Department has established internal control policies that require each subrecipient to submit an audit report based on OMB A-133 requirements. Since the completion of this audit review, the AAA program staff has received the missing audit reports noted in the finding (see attached). Additionally, the CCD has

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centralized the audit resolution function in order to ensure that all audit reports are submitted in a timely manner.

Item 04-16 – Suspension & Debarment

Information on the Federal Program: Aging Cluster CFDA #93.044 & 93.045

Specific Requirement: Nonfederal entities are prohibited from contracting with or making subawards under covered contract transactions to parties that are suspended or debarred or whose principals are suspended or debarred.

Condition: The Department of Community and Senior Citizens Services Program Administration does not obtain Certificates of Suspension and Debarment from their subrecipients prior to renewing their yearly contracts. Of 24 files reviewed, none of them contained documentation showing that the subrecipient had been checked against the federal website for suspension or debarment compliance. We noted that none of the 24 had been debarred.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to obtain certificates of suspension and debarment of subrecipients could result in noncompliance with federal grant guidelines.

Recommendation: Policies and procedures should be implemented that require a signed certificate of suspension and debarment be on file prior to the issuance of a subaward. Additionally, the inclusion of a suspension and debarment clause be required in all County contracts with qualifying subrecipient vendors. We further recommend that the County consult the “Federal Excluded Parties” website (<http://epls.arnet.gov>), in addition to the internal County site to ensure that contractors have not been suspended from federal funding.

Views of responsible officials and planned corrective actions: The Department agrees with the finding. The Department has instituted a procedure whereby a certificate of suspension/debarment is kept on file for each subrecipient as part of the contract document. Additionally, the AAA Contracts Section will maintain a file of receipts indicating that both the federal and County debarment websites are verified to ensure that subrecipients are not listed thereon.

Item 04-17 – Reporting

Information on the Federal Program: Aging Cluster CFDA #93.044 & 93.045

Specific Requirement: The A-102 Common Rule requires that reports be submitted timely, include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

Condition: Of the 10 monthly financial status reports tested, 9 were submitted late.

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Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to submit reports in a timely manner resulted in noncompliance with the federal grant guidelines.

Recommendation: Policies and procedures should be implemented to ensure the timely submission of all fiscal reports.

Views of responsible officials and planned corrective actions: The Department agrees with the finding. The fiscal reports are prepared and approved by the Program Accounting Section and submitted to the funding authority by the AAA MIS Section. The Department will ensure that these reports are prepared, reviewed, approved, and submitted within the required deadlines by allowing sufficient lead-time to coordinate completion.

Item 04-18 – Reporting

Information on the Federal Program: Aging Cluster CFDA #93.044 & 93.045

Specific Requirement: The A-102 Common Rule requires that reports be submitted timely, include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

Condition: The Department does not have procedures to ensure that information in the performance reports SPR 101, 103, 104, and 105 have been reviewed for accuracy and completeness. Of the eight performance reports tested, none included evidence of review by a supervisor.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Absence of a supervisory review may result in the submission of incomplete and inaccurate reports causing noncompliance with the federal grant guidelines.

Recommendation: Policies and procedures should be implemented to ensure that a supervisory review of all fiscal reports is performed and documented.

Views of responsible officials and planned corrective actions: The Department agrees with the finding. Each program performance report will be reviewed by the AAA Program Manager and signed as evidence of approval prior to submission to the funding authority. The Program Manager will instruct staff to attach supporting documentation to each report in order to substantiate the reported data.

Item 04-19 – Reporting

Information on the Federal Program: Child Support Enforcement Title IV D – CFDA #93.563

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Specific Requirement: The A-102 Common Rule requires that nonfederal entities receiving federal awards (e.g., County management) establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Condition: Management has engaged a service provider to process child support receipts and disbursements. Management relies on data provided by the service provider to prepare required federal reports. However, management does not test the service providers' internal controls surrounding this process.

Questioned Costs: N/A

Systemic or Isolated: Isolated

Effect: Lack of policies and procedures in place to monitor service providers could result in noncompliance with the federal grant guidelines.

Recommendation: Implement a system to monitor service providers to ensure they have proper internal controls over child support receipts and disbursements.

Views of responsible officials and planned corrective actions: We concur with this recommendation. The department will include this requirement in the new RFPs as well as in the agreements for new contracts.

Item 04-20 – Reporting

Information on the Federal Program: Child Support Enforcement Title IV D – CFDA #93.563

Specific Requirement: Federal awards submitted to the federal awarding agency should include all activity of the reporting period, should be supported by underlying accounting or performance records, and should be fairly presented in accordance with program requirements.

Condition: The Total ARS and Court Trustee Balance Reconciliations contained two unreconciled items. U1 included a reconciling difference from February 17, 1995 to November 30, 1998 of \$1,095,782 and U2 included a reconciling difference from February 17, 1995 through June 30, 2004 of \$669,846.

Questioned Costs: \$1,095,782 (reconciling difference from February 17, 1995 to November 30, 1998) and \$671,921 (reconciling difference from December 1, 1998 to December 31, 2004)

Systemic or Isolated: Isolated

Effect: Failure to dispose of unreconciled differences resulted in noncompliance with the federal grant guidelines.

Recommendation: Policies and procedures should be implemented to ensure that reconciling items are researched and cleared on a timely basis.

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Views of responsible officials and planned corrective actions: We concur with this recommendation. We will continue to consult with the state and County Counsel to determine the proper disposition of unidentified funds. The state is currently reviewing this issue as part of the process of transitioning all child support trust funds into a Single State Wide System. It is anticipated that this issue will be completely resolved when the State Disbursement Unit (SDU) is fully implemented.

Item 04-21 – Equipment and Real Property

Information on the Federal Program: Child Support Enforcement Title IV D – CFDA #93.563

Specific Requirement: The A-102 Common Rule requires that equipment be used in the program for which it was acquired or, when appropriate, other federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

Condition: A required physical inventory of equipment acquired under federal awards was not taken within the last two years. Therefore, the County did not have a system in place to ensure whether any differences between the physical inventory and equipment records were resolved.

Questioned Costs: N/A

Systemic or Isolated: Isolated

Effect: Lack of a timely and complete physical inventory of equipment resulted in noncompliance with the federal grant guidelines.

Recommendation: The County should conduct a physical inventory of equipment at least once every two years and reconcile those counts to equipment records.

Views of responsible officials and planned corrective actions: We concur with this recommendation. CSSD Facilities Management will ensure that a physical inventory be conducted at least once every two years and reconciled to the equipment records.

Item 04-22 – Suspension & Debarment

Information on the Federal Program: Child Support Enforcement Title IV D – CFDA #93.563

Specific Requirement: Nonfederal entities are prohibited from contracting with or making subawards under covered contract transactions to parties that are suspended or debarred or whose principals are suspended or debarred (45 CFR 75).

Condition: Certificates of Suspension and Debarment were not received for one of its three contractors. In addition, the County did not review the Federal EPLS Excluded Parties Listing System to ascertain if any of its three contractors was listed as suspended or debarred.

Questioned Costs: N/A

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Systemic or Isolated: Systemic

Effect: Failure to obtain Certificates of Suspension and Debarment of subrecipients could result in noncompliance with federal grant guidelines.

Recommendation: Policies and procedures be implemented that require a signed certificate of suspension and debarment be on file prior to the issuance of a subaward. Additionally, the inclusion of a suspension and debarment clause be required in all County contracts with subrecipient vendors receiving individual awards of \$100,000 or more. We further recommend that the County consult the “Federal Excluded Parties” website (<http://epls.arnet.gov>), in addition to the internal County site to ensure that contractors have not been suspended or debarred from federal funding.

Views of responsible officials and planned corrective actions: We agree with this recommendation. CSSD management has fully implemented this recommendation. The required solicitation and contract language regarding federal debarment has been and will be added to all current and future RFPs and contracts. Contract management will also review the federal EPLS to ensure that the contractors are not listed as suspended or debarred.

Item 04-23 – Allowable Costs

Information on the Federal Program: Community Services Block Grant – CFDA #93.569

Specific Requirement: The County must follow procedures related to substantiation of costs that conform to federal laws and regulations and standards identified in the A-102 Common Rule.

Condition: Of the 25 files reviewed, KPMG noted one employee who did not bill the time spent on the CSBG program to the proper charge code. As such, management made an internal adjustment to bill the appropriate time for the employee. However, the County billed the CSBG Program for employee’s hours without proper documentation of authorization.

Questioned Costs: N/A

Systemic or Isolated: Isolated

Effect: Failure to retain supporting documentation with proper authorization could result in noncompliance with federal grant guidelines.

Recommendation: The County should monitor sufficient evidence of documentation and authorization supporting program costs.

Views of responsible officials and planned corrective actions: The Department partially agrees with the finding. The Department did not bill the CSBG program without appropriate substantiation but rather the employee’s hours that were reported in the Department’s monthly Cost Statement were extracted directly from the bimonthly timecards. Occasionally a Program Manager, or his/her designee, requests adjustments to an employee’s reported hours in order to truly reflect the actual hours worked for a particular program. The adjustment process is initiated by the Program Manager who prepares a memo requesting such

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modifications and submits it to the Finance Section for processing. These adjustments are reflected in the following month's Cost Statement. In this instance, even though the Finance Section's staff member recalled obtaining a memo from the CSBG Program Manager/staff requesting an adjustment, unfortunately this memo was inadvertently misplaced.

The Department has already implemented a procedure to ensure that documentation is maintained for all adjustments made on the Cost Statement. Moreover, the Cost Statement is distributed to each Program Manager or designated staff on a monthly basis for review and approval of all charges related to his/her program. We will ensure that documentation is maintained to substantiate this process. Although the recommendation states that the Department must review expenditures periodically instead of at the year's end, the Program Accounting Section performs revenue drawdowns every two months, which requires an analysis of expenditures prior to doing so.

Item 04-24 – Allowable Costs

Information on the Federal Program: Community Services Block Grant – CFDA #93.569

Specific Requirement: The County must follow procedures related to substantiation of costs that conform to federal laws and regulations and standards identified in the A-102 Common Rule.

Condition: One employee's reported hours were adjusted at the end of the year. The adjustment resulted in a reduction of approximately \$4,000 to the CSBG administrative billings.

Questioned Costs: \$4,000

Systemic or Isolated: Isolated

Effect: Lack of quarterly controls to ensure the accuracy and completeness of administrative billings resulted in noncompliance with federal grant guidelines.

Recommendation: The County should review program expenditures periodically (quarterly) instead of once at year end to ensure accuracy and completeness of program costs.

Views of responsible officials and planned corrective actions: The Department agrees with the finding. The employee in question, an accountant, processes billings for various programs. The adjustment noted in the finding resulted from a request that was initiated by the CSBG Program Manager to have the Accountant review the hours worked for each of her programs at the year's end. This request was made in order to ensure that the hours charged to each of the Accountant's programs were accurately reflected in the Cost Statement, particularly for expenditures related to CSBG. Additionally, as previously mentioned, the Department has instituted a procedure that will ensure that the appropriate Program Manager or his/her designated staff member reviews the Cost Statement on a monthly basis.

Item 04-25 – Reporting

Information on the Federal Program: Community Services Block Grant – CFDA #93.569

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Specific Requirement: The A-102 Common Rule requires that reports be submitted timely, include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

Condition: 8 out of the 9 fiscal reports sampled were not submitted by their due dates. These reports are due within 15 days after the reporting period end.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to submit reports in a timely manner resulted in noncompliance with the federal grant guidelines.

Recommendation: Policies and procedures should be implemented to ensure the timely submission of all fiscal reports.

Views of responsible officials and planned corrective actions: The Department agrees with the finding. The Program Accounting Section, which is responsible for completing and submitting the Fiscal Reports, has reviewed its procedures for submitting claims to the state. Management has worked with staff from the Auditor-Controller's office to ensure that these reports are completed and submitted within the mandated timeframe. Additionally, the CSBG program will be transferred to the Department of Public and Social Services (DPSS) as of April 1, 2005. Once the transfer of the program is complete, the Department will ensure that Program Accounting staff provide the necessary fiscal information that is needed for timely completion of these reports to DPSS.

Item 04-26 – Subrecipient Monitoring

Information on the Federal Program: Community Services Block Grant – CFDA #93.569

Specific Requirement: The County is responsible for monitoring the subrecipient's activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements, ensures that the required audits are performed, and requires that prompt corrective action on any audit findings by the subrecipient (A-102 Common Rule).

Condition: 10 out of our sample of 30 files did not have proper supervisory review on the Site Visit Approval sheets. All of the reviews were performed. However, there was no indication of supervisor review.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Lack of proper review on Site Visit Approval sheets resulted in noncompliance with the federal grant guidelines.

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Recommendation: The County should ensure subrecipient monitoring files are adequately reviewed and approved by the appropriate supervisor.

Views of responsible officials and planned corrective actions: The Department agrees with the finding. During the review period, the Auditor had requested monitoring files from the CSBG Program Section. However, some of the files were pending supervisory review and approval at the time that the request was made. Our staff informed the Auditor that those monitoring reports had been recently completed/submitted by the monitors and therefore had not been reviewed or signed by the supervisor. Subsequent to the completion of the Auditor's test work, those remaining files were reviewed, approved, and signed by the supervisor. The Department has instituted a procedure requiring the supervisor to review, approve and sign all reports within ten (10) business days of submission by the monitors.

Item 04-27 – Allowable Costs

Information on the Federal Program: Child Day Care Program – CFDA #93.596

Specific Requirement: The County must follow procedures related to substantiation of costs that conform to federal laws and regulations and standards identified in the A-102 Common Rule.

Condition: A total of 30 timesheets were reviewed for proper coding and authorization and one was coded incorrectly. The default code on the timesheet is not the childcare code.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Lack of proper review of timesheets by a Supervisor could result in noncompliance with the federal grant guidelines.

Recommendation: Supervisors should review timesheets thoroughly before authorizing them with their signatures to ensure charges are posted to correct programs.

Views of responsible officials and planned corrective actions: In the CDE funding terms and conditions support costs or "indirect costs" allow for a portion of a support employee's salary to be charged to the childcare program. An example of this would be the person in the DCFS fiscal section who spends time each month compiling the state required CDE 9500 report. They are allowed to charge the time they spend preparing the report against the childcare support costs portion of our budget.

Item 04-28 – Allowable Costs

Information on the Federal Program: Child Day Care Program – CFDA #93.596

Specific Requirement: The County must follow procedures related to substantiation of costs that conform to federal laws and regulations and standards identified in the A-102 Common Rule.

Condition: Out of 30 Childcare Certificate selections, two were approved at a rate higher than the standard regional market rate at the time.

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Questioned Costs: N/A

Systemic or Isolated: Isolated

Effect: Use of incorrect regional marked rates on Childcare Certificates resulted in noncompliance with the federal grant guidelines.

Recommendation: The County should review the regional market rates approved for the provider against the regional market rate sheet before signing the certificate.

Views of responsible officials and planned corrective actions: The slight overpayments were due to human error. Management has since implemented a new system, Kindertrack, which will not allow any payments to be made above the established Regional Market Rate.

Item 04-29 – Allowable Costs

Information on the Federal Program: Child Day Care Program – CFDA #93.596

Specific Requirement: The County must follow procedures related to substantiation of costs that conform to federal laws and regulations and standards identified in the A-102 Common Rule.

Condition: The Cost Statements generated from the Cost Allocation System did not have formal documented evidence of review and approval.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Lack of proper review of Cost Statements resulted in the submission of reports with inaccurate or incomplete information that could result in an instance of noncompliance with the federal grant guidelines.

Recommendation: All reports should be signed and dated as reviewed and approved.

Views of responsible officials and planned corrective actions: Due to a Departmental reorganization of the Service Bureaus and budget cuts, the immediate layer of supervision (Interim Division Chief) was curtailed. The childcare program was eventually instructed to pass requests directly through the Deputy Director for Services Bureau 2.

Effective January 01, 2005, all expenditures for support costs to the program (such as vendor billings, fixed asset purchases etc.) will undergo a triple check and level of approval. 1st Level – Childcare Program Manager, 2nd Level – Service Bureau II Deputy Director, 3rd Level – DCFS Procurement Section, Per County Policy, a 4th Level of scrutiny is also applied to any expenditures above \$5,000 annually for a noncontracted vendor. In these situations, sole source justifications are required and must be reviewed and approved by the Internal Service Department.

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Item 04-30 – Eligibility

Information on the Federal Program: Child Day Care Program – CFDA #93.596

Specific Requirement: The County must follow procedures to ensure that only eligible individuals and organizations receive assistance under federal award programs, that subawards are made only to eligible subrecipients, and that amounts provided to or on behalf of eligibles were calculated in accordance with program requirements.

Condition: Out of a sample of 30, one family had four certificates without evidence of a notice that services would be terminated for one of them. DCFS adopted a policy in 2002/2003 stating that families are limited to three certificates. It was also noted that a foster relative had received two certificates when there is a policy limiting foster parents to one.

Questioned Costs: N/A

Systemic or Isolated: Isolated

Effect: Failure to monitor adherence to adopted policies and procedures resulted in noncompliance with the federal grant guidelines.

Recommendation: The County should adhere to adopted policies and procedures pertaining to limits on certificates.

Views of responsible officials and planned corrective actions: An additional six (6) months of childcare beyond the 18 months normally allotted is allowed per the DCFS childcare website for relative caregivers who take the KEPS training through the State Community College system is the reason for these findings. Better trained relatives help ensure child safety and makes for a more nurturing environment for children.

As a back-up for other cases, in FY 2004-05 and beyond, new Kindertrack software system will also automatically flag the clients who are timing out.

Item 04-31 – Allowable Costs

Information on the Federal Program: Child Day Care Program – CFDA #93.596

Specific Requirement: OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, Selected Items of Cost, Part 8, Compensation for Personal Services, Section h, Support of salaries and wages:

- Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
- Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be

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prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

- Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports. Such documentary support will be required where employees work on:
 - (a) More than one federal award,
 - (b) A federal award and a nonfederal award,
 - (c) An indirect cost activity and a direct cost activity,
 - (d) Two or more indirect activities which are allocated using different allocation bases, or
 - (e) An unallowable activity and a direct or indirect cost activity.

Condition: Out of 30 timesheets, 6 did not match the hours reflected in the Time Study.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Lack of controls to ensure the hours reflected in the Time Study reconcile with timesheets may result in an inaccurate allocation of administrative expenses to the federal grant.

Recommendation: The County should adhere to policies and procedures to ensure that the CWTAPPS printouts for childcare properly reflect the amounts on the actual timesheets.

Views of responsible officials and planned corrective actions: Supervisors will be instructed to review timesheet for accuracy prior to submitting them for payroll processing.

Item 04-32 – Eligibility

Information on the Federal Program: Child Day Care Program – CFDA #93.596

Specific Requirement: The A-102 Common Rule and OMB Circular A-110 require that nonfederal entities receiving federal awards (e.g., County management) establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Condition: Out of 25 files, 2 did not contain income worksheets to support compliance with eligibility requirements.

Questioned Costs: N/A

Systemic or Isolated: Isolated

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Effect: Lack of income worksheets in case files resulted in noncompliance with the federal grant guidelines.

Recommendation: The County should adhere to policies and procedures requiring that case files contain all required documents and are documented on the file checklist master log.

Views of responsible officials and planned corrective actions: Income documentation, such as a pay stub, is not required in all cases. A verification of employment letter from a client's employer may suffice in cases where childcare is required to help diffuse the possibility of child abuse or neglect per the CDE Funding Terms and Conditions page 33 Subsection "H". Another case example where income documentation would not be required is a mother had just been released from an inpatient drug rehabilitation program and needs childcare to be able to attend therapy or job search activities.

Item 04-33 – Eligibility

Information on the Federal Program: Child Day Care Program – CFDA #93.596

Specific Requirement: The A-102 Common Rule and OMB Circular A-110 require that nonfederal entities receiving federal awards (e.g., County management) establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Condition: Out of 25 files, 2 did not contain fee waiver form.

Questioned Costs: N/A

Systemic or Isolated: Isolated

Effect: Failure to obtain required fee waiver forms resulted in noncompliance with federal grant guidelines.

Recommendation: Childcare specialists should obtain a fee waiver form before any fees are waived. Such forms should be maintained in the files.

Views of responsible officials and planned corrective actions: The Children's Social Worker (CSW) is the only one who can fill out a fee waiver form. While childcare specialists can encourage the CSW to complete the form, they are often competing with the CSW's court appearances, detaining children, and their other demanding case work activities. If fee waivers are not received back from CSW within 7 business days, the SCSW will be notified and requested to take action within 14 days of the original request. If a fee waiver is not returned within 14 days, the request goes to the ARA with a copy to the Office Head (RA) to be returned within 21 days of original request.

Item 04-34 – Eligibility

Information on the Federal Program: Child Day Care Program – CFDA #93.596

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Specific Requirement: The A-102 Common Rule requires that nonfederal entities receiving federal awards (e.g., County management) establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Condition: It is internal policy for management to obtain supporting documentation that the parent/guardian is working or attending training to justify full-time childcare. Out of 25 files, 2 did not contain documentation that a parent or guardian was working or attending an education program.

Questioned Costs: N/A

Systemic or Isolated: Isolated

Effect: Failure to retain supporting documentation in files resulted in noncompliance with the federal grant guidelines.

Recommendation: The County should maintain supporting documentation confirming that the parent or guardian is working or attending an education program.

Views of responsible officials and planned corrective actions: “Extraordinary caregiving demand” for older relatives also meets the CDE criteria for a “qualifying need”. An example of this would be an elderly single grandmother who has had a two- and three-year old placed with her. The childcare can be authorized by the social worker to provide respite to the grandmother so replacement of the children is not required to caregiver exhaustion as is stated in the CDE FAPP Funding Terms and Conditions #3 p. 30.

Item 04-35 – Reporting

Information on the Federal Program: Child Day Care Program – CFDA #93.596

Specific Requirement: The A-102 Common Rule requires that reports be submitted timely, include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

Condition: The CDD-801A, monthly Childcare Population Information Report and the Annual Financial and Compliance Audit Reports were submitted late for all 12 months.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to submit reports in a timely manner resulted in noncompliance with the federal grant guidelines.

Recommendation: The County should submit all required monthly reports on a timely basis.

Views of responsible officials and planned corrective actions: When CDE conducted their state audit of the DCFS childcare program earlier this year, they did not have a finding on this issue because they know that for the 801-A in particular, the electronic submissions have been complicated by CDE’s failure to

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update their own outdated computer system that does not allow for children with birth dates past 1999. These all had to be entered manually, which consumed an incredible amount of time for the hundreds of children whose birth dates fell into that category.

In addition, on several occasions regarding the seven late reports in question, attempts to file them electronically failed due to County and/or state internet traffic was so heavy that DCFS users were kicked off the system and were unable to reconnect to CDE website until the following day.

A monthly tickler file has been set up by DCFS Childcare Program administrative staff to ensure that timely collection and submission of program reports are made each month.

For FY 2004-05 Kindertack will be able to provide this information (for the 801 A & B) in an electronic format that is acceptable to CDE at the push of a button.

Item 04-36 – Reporting

Information on the Federal Program: Child Day Care Program – CFDA #93.596

Specific Requirement: The A-102 Common Rule requires that reports be submitted timely, include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

Condition: The CDD-800, CDD-801A, CDD-801B, and Self Evaluation Reports had no evidence of review and approval prior to their submission.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Lack of proper review and approval of reports could result in an instance of noncompliance with the federal grant guidelines.

Recommendation: Controls should be implemented to ensure accurate preparation and review and approval of reports.

Views of responsible officials and planned corrective actions: Effective January 1, 2005, all CDD-800,801-A, 801-B reports will undergo a double check and level of approval prior to submission. 1st Level – Childcare Program Manager and 2nd Level – Resource Bureau Administrator.

Item 04-37 – Suspension & Debarment

Information on the Federal Program: Child Day Care Program – CFDA #93.596

Specific Requirement: Nonfederal entities are prohibited from contracting with or making subawards under covered contract transactions to parties that are suspended or debarred or whose principals are suspended or debarred (45 CFR 75).

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Condition: Certificates of Suspension and Debarment were not obtained before making subrecipient awards to childcare providers. Of the 50 childcare providers reviewed, none were debarred.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to obtain signed Suspension and Debarment Certifications resulted in noncompliance with the federal grant guidelines.

Recommendation: The County should implement policies and procedures that require signed off suspension and debarment certifications be on file prior to the issuance of a subaward. Additionally, the inclusion of a suspension and debarment clause be required in all County contracts with subrecipient vendors receiving individual awards of \$100,000 or more. We further recommend that the County consult the "Federal Excluded Parties" website (<http://epls.arnet.gov>), in addition to the internal County site to ensure that contractors have not been suspended from federal funding.

Views of responsible officials and planned corrective actions: Childcare Contracts for FY 03-04 were extensions of the old agreement for the purpose of transferring clients back to DCFS in an orderly manner. The agreements these agencies were under were negotiated in 1999, where the current debarment and suspension requirements alluded to, did not apply.

Item 04-38 – Eligibility

Information on the Federal Program: Health Care Program – Children in Foster Care CFDA #93.658

Specific Requirement: The foster family home provider must have satisfactorily met a criminal records check with respect to prospective foster and adoptive parents (45 CFR Sections 1356.30(a) and (b)).

The licensing file for the childcare institution must contain documentation that verifies that safety considerations with respect to staff of the institution have been addressed (45 CFR Section 1356.30(f)).

Condition: 3 out of 30 cases requiring to have a criminal record check and safety check were not on file.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to obtain criminal record and safety checks resulted in noncompliance with the federal grant guidelines.

Recommendation: Ensure all required information and supporting documentation is obtained timely.

Views of responsible officials and planned corrective actions: On April 21, 2005, and again on April 25, 2005, Revenue Enhancement Management supplied documentation (i.e., CWS/CMS printout and SOC 815 forms) that shows that the criminal record and child safety check was completed. However, 3 out of 30 cases requiring a criminal record check and safety check was not on file. Current procedures dictate that

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eligibility staff keep all four pages of the SOC 815 form in the eligibility income maintenance file for Title IV-E eligibility purposes. These instructions will be reissued to staff May 5, 2005.

Item 04-39 – Suspension and Debarment

Information on the Federal Program: Health Care Program – Children in Foster Care CFDA #93.658

Specific Requirement: Nonfederal entities are prohibited from contracting with or making subawards under covered contract transactions to parties that are suspended or debarred or whose principals are suspended or debarred (45 CFR 75).

Condition: Suspension and Debarment Certifications were not verified for contractors in the current year, June 30, 2004. Of the 25 contractors we reviewed, none were debarred.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to obtain signed Suspension and Debarment Certifications for subreceipts could result in noncompliance with the federal grant guidelines.

Recommendation: The County should implement policies and procedures that require signed Suspension and Debarment Certifications to be on file prior to the issuance of a sub-award. Additionally, the inclusion of a suspension and debarment clause be required in all County contracts with subrecipient vendors receiving individual awards of \$100,000 or more. We further recommend that the County consult the “Federal Excluded Parties” website (<http://epls.arnet.gov>), in addition to the internal County site to ensure that contractors have not been suspended from federal funding.

Views of responsible officials and planned corrective actions: Childcare Contracts for FY 03-04 were extensions of the old agreement for the purpose of transferring clients back to DCFS in an orderly manner. The agreement these agencies were under was negotiated in 1999, where the current debarment and suspension requirements alluded to, did not apply.

Item 04-40 – Special Tests and Provisions

Information on the Federal Program: Health Care Program - Children in Foster Care CFDA #93.658

Specific Requirement: The Safe Families Act (ASFA) of 1997 requires that the County have Fiscal Letters requiring that a relative or nonrelative extended family member (NREFM) approved for placement must meet the same standards as licensed homes. County Fiscal Letter 01/02-61 prohibits counties from claiming costs associated with a child’s placement in the home of a relative or NREFM as Title IV-E expenditures until the home is approved under these standards.

Condition: Out of 40 selections, there were 2 cases where SOC 815 forms should have been re-assessed and showed no evidence of re-assessment, 8 SOC 815 forms were not submitted for examination and 1 was not signed by the caseworker nor the approving supervisor.

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Questioned Costs: N/A

Systemic or Isolated: Isolated

Effect: Failure to ensure all required documentation is reassessed, submitted and signed resulted in noncompliance with the federal grant guidelines.

Recommendation: Ensure all required documentation is up to date with regard to timely submission and evidence of submission, re-assessment and examination and should be signed by the caseworker and supervisor.

Views of responsible officials and planned corrective actions: The Department hired and extensively trained as-needed staff to review and correct all of the ASFA reassessment cases with delinquent or missing documentation. This task was completed in February 2005. Additionally, the Department allocated 37 new staff to maintain the reassessments and documentation in a timely and thorough manner.

Item 04-41 – Reporting

Information on the Federal Program: Workforce Investment Act – CFDA #17.258, 17.259, 17.260

Specific Requirement: The A-102 Common Rule requires that reports be submitted timely, include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

Condition: There is a lack of separation of duties with the approval and processing of fiscal reports. The fiscal supervisor approves the expenditure summaries, prepares drawdown calculations, and processes the actual monthly cash drawdown.

Questioned Costs: N/A

Systemic or Isolated: Isolated

Effect: Lack of controls to ensure the segregation of duties resulted in noncompliance with the federal grant guidelines.

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

Views of responsible officials and planned corrective actions: The Department agrees with the finding. The Program Accounting Section has lacked the necessary staff, which resulted in the condition noted in the finding. However, the Department will use its best efforts to segregate these functions accordingly. The Section Supervisor for WIA programs and/or a designated back-up will be responsible for one of the functions while the Program Accounting Fiscal Officer will perform the actual drawdown request. This procedure will be implemented in order to meet the State's requirement that a manager certify the accuracy of the Expenditure Report as evidenced with a signature.

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Item 04-42 – Matching, Level of Effort & Earmarking

Information on the Federal Program: Workforce Investment Act – CFDA #17.258, 17.259, 17.260

Specific Requirement: *Administrative Costs Limits* – A local area may spend no more than 10% of the Adult, Dislocated Worker, and Youth Activities funds allocated to the local area under Sections 128(b) and 133(b) of the Act for Administrative costs. The funds provided for administrative costs by one of the three funds sources (Adult, Dislocated Worker, Youth Activities) can be used for administrative costs of the other two sources (20 CFR Section 667.210(a)(2)).

Condition: The County uses a 10%/90% allocation formula to report Work Force Investment Act expenditures and request cash drawdowns. The 90% is the amount of expenditures paid to the program subrecipients while the 10% is the County's administrative share. The County is not billing actual program administration expenditures but is basing the amount billed for administration on an estimate.

Questioned Costs: N/A

Systemic or Isolated: Isolated

Effect: Failure to reconcile the Work Force Investment Acts drawdowns to the actual administrative costs resulted in noncompliance with the federal grant guidelines.

Recommendation: The County should implement procedures to ensure that the Work Force Investment Act drawdowns are based on actual administration costs.

Views of responsible officials and planned corrective actions: The Department agrees with the finding. The Department has established separate cost pools to match administrative costs associated with the different grant awards. Beginning in fiscal year 2004-2005, the Program Accounting Section bases the administrative cost drawdown on the actual costs reported in the monthly Cost Statement.

Item 04-43 – Allowable Costs

Information on the Federal Program: Children's Welfare Services – Title XX, CFDA #93.667 passed through the California Department of Social Services.

Specific Requirement: The County must follow procedures related to substantiation of costs that conform to federal laws and regulations and standards identified in the A-102 Common Rule.

Condition: Out of 24 timesheets selected for testing, 5 could not be located.

Questioned Costs: N/A

Systemic or Isolated: Isolated

Effect: Failure to maintain timesheets to substantiate allowable costs and properly approving the timesheets resulted in noncompliance with the federal grant guidelines on the County level.

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Recommendation: All timesheets should be filed and have proper evidence of review and approval.

Views of responsible officials and planned corrective actions: It is agreed that employee timesheets for five employees were missing due to relocation of outstationed office and change of timekeeper(s). However, the Department is willing to offer the time study reports, which shows employee hours allocated to the federal program and evidences supervisory review and approval.

The Department will implement corrective action to properly secure employee timesheets and to comply with federal laws and regulations as identified in A-102 Common Rule.

Finding 04-44 – Subrecipient Monitoring – During the Award Monitoring – Single Audit Reports

Information on the Federal Programs: U.S. Department of Education, Passed Through the Los Angeles County Office of Education, Special Education Cluster – CFDA #84.027

Specific Requirement: According to OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart D-Federal Agencies and Pass-Through Entities, §400 Responsibilities. (d) Pass-through entity responsibilities are:

- Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- Ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
- Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

Condition: We noted the following findings related to subrecipient monitoring:

- Financial viability (fiscal) reviews were not conducted during the fiscal year for 4 of the 30 selected in-state subrecipients and there were no reviews performed for out-of-state subrecipients.
- During the fiscal year, five subrecipients were subject to a Single Audit. Management failed to obtain Single Audit reports for one of the five subrecipients.

Questioned Costs: Unknown

Systemic or Isolated: Systemic

Effect: Lack of effective subrecipient monitoring activities may result in noncompliance with the federal grant guidelines.

Recommendation: We recommend that management 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.

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Views of responsible officials and planned corrective actions: Department of Mental Health Financial Services Bureau (DMH FSB) is in the process of coordinating with DMH Contracts Development and Administration Division (CDAD) to inform the involved subrecipients/contract providers and require them to submit their respective current audited financial statements. Also, all out-of-state subrecipients/contract providers will be required to submit their audited financial statements for fiscal review. In addition, after the end of each calendar year, FSB will provide a list of agencies that are due to submit the required financial statements to DMH CDAD for their appropriate action. This will ensure compliance with the required financial viability review.

DMH will enforce established policies requiring timely submission of single audit reports for those subrecipients/contract providers that receive \$500,000 and up from the Department. DMH FSB will coordinate with other DMH divisions to identify the subrecipients/contract providers receiving \$500,000 and up of federal awards from the Department upon completion of the 13th-month period of the fiscal year. Qualified subrecipients will be advised in writing to comply with the OMB A-133 single audit requirement.

Finding 04-45 – Subrecipient Monitoring – Identification of Federal Award Information

Information on the Federal Programs: U.S. Department of Education, Passed Through the Los Angeles County Office of Education, Special Education Cluster – CFDA #84.027

Specific Requirement: According to OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart D-Federal Agencies and Pass-Through Entities, §400 Responsibilities. (d) Pass-through entity responsibilities include:

- Identifying federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the federal award.
- Advising subrecipients of requirements imposed on them by federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.

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 SB90/IDEA AB3632.

Questioned Costs: N/A

Systemic or Isolated: Systemic

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Effect: Failure to indicate federal award information may result in a subrecipient's noncompliance with federal grant guidelines.

Recommendation: We recommend that management 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.

Views of responsible officials and planned corrective actions: DMH will incorporate the 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 in all future contracts and amendments. Also, subrecipients will be advised that grant-funded programs require audits and compliance with federal guidelines pursuant to circulars issued by the OMB A-133.

DMH will separately identify the IDEA in the Contract Financial Summary in future contracts and amendments.

Item 04-46 – Allowable Costs and Activities – Lack of Supporting Documents

Information on the Federal Programs: U.S. Department of Health and Human Services Passed Through the California Department of Social Services, CALWorks – CFDA #93.558

Specific Requirement: Funds may be used to carry out a program to fund individual development accounts established by individuals eligible to receive assistance under TANF (Temporary Assistance for Needy Families) (42 USC 604 (h); 45 CFR part 263 subpart C).

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 in order to support the benefit calculation
- 6 out of 50 items selected pertain to participants who were paid in an amount that was different from what was recomputed by KPMG

Questioned Costs: \$2,516 (specific amounts paid without supporting documents)

Systemic or Isolated: Systemic

Effect: Unallowed costs may have been improperly claimed under the federal grant. Failure to maintain adequate supporting documents resulted in noncompliance with the federal grant guidelines on the County level.

Recommendation: We recommend that the Department of Public and Social Services retain adequate supporting documents and adhere to policies and procedures to make sure that aids are granted only to eligible individuals.

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Views of responsible officials and planned corrective actions: While the Department of Public Social Services (DPSS) may not agree with the number of deficiencies noted under conditions, we agree to take appropriate corrective action to comply with the recommendation.

Item 04-47 – Cash Management – Interest Earned Not Remitted to Federal Agency

Information on the Federal Programs: U.S. Department of Health and Human Services, Passed Through the California Department of Social Services, CalWORKS – CFDA #93.558

Specific Requirement: According to A-102 Common Rule, when funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. When advance payment procedures are used, recipients must establish similar procedures for subrecipients.

Pass-through entities must establish reasonable procedures to ensure receipt of reports on subrecipients' cash balances and cash disbursements in sufficient time to enable the pass-through entities to submit complete and accurate cash transactions reports to the federal awarding agency or pass-through entity. Pass-through entities must monitor cash drawdowns by their subrecipients to assure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity.

Interest earned on advances by local government grantees and subgrantees is required to be submitted promptly, but at least quarterly, to the federal agency. Up to \$100 per year may be kept for administrative expenses.

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. We noted that the departments have no reasonable procedures established to monitor and minimize the time elapsing between the transfer of funds from the State and disbursement, which would have earned interest on the advances. In addition, interest earned on the advances is not submitted to the federal agency.

Questioned Costs: Unknown

Systemic or Isolated: Systemic

Effect: Lack of procedures to monitor the time elapsing between the transfer of funds from the U.S. Treasury and disbursement as well as the remittance of any interest earned may lead to noncompliance of federal grant guidelines.

Recommendation: We recommend that management 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.

Views of responsible officials and planned corrective actions: We disagree with this finding. We believe that the Federal/State Cash Management Improvement Act (CMIA) agreement supersedes the

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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.

Item 04-48 – Eligibility – Absence of Supporting Documents

Information on the Federal Programs: U.S. Department of Health and Human Services Passed Through the California Department of Social Services, CALWorks – CFDA #93.558

Specific Requirement: To be eligible for TANF assistance as defined in 45 CFR Section 260.31 or any MOE-funded benefits, services, or assistance, a family must include a minor child who lives with a parent or other adult caretaker relative. The child must be less than 18 years old, or, if a full-time student in a secondary school (or the equivalent of vocational or technical training), less than 19 years old. A family must also be “needy”, i.e., financially eligible according to the State’s applicable income and resource criteria (42 USC 602, 602(a)(1)(B)(iii), 42 USC 609(a)(7)(B)(IV), 608(a)(1), 619(2) and 45 CFR Section 263.2(b)(2)).

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

- 12 out of 50 items selected did not have the case file folder or the folders provided do not contain the relevant information to determine whether the claimant was eligible
- 7 out of 50 items selected did not have proof of earned or unearned income.

Questioned Costs: \$2,656 (specific amounts paid to ineligible claimants)

Systemic or Isolated: Systemic

Effect: Failure to maintain adequate supporting documents resulted in noncompliance with the federal grant guidelines on the County level.

Recommendation: We recommend that the Department of Public and Social Services retain adequate supporting documents and adhere to policies and procedures to make sure that aids are granted only to eligible individuals.

Views of responsible officials and planned corrective actions: While DPSS may not agree with the number of deficiencies noted under conditions, we agree to take appropriate corrective action to comply with the recommendation.

Item 04-49 – Reporting – Late Submission of Reports

Information on the Federal Programs: U.S. Department of Health and Human Services Passed Through the California Department of Social Services, CALWorks – CFDA #93.558

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

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

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.

CA-255 CW (Reasons For Denials and Other Non-Approvals of Applications for Cash Grant): This report contains statistical information on applications and requests for restoration of the CALWorks program, which have been denied or otherwise disposed of without approval, classified by primary reason for action. This report is due by the 18th calendar day of the month following the report month.

WTW 25 & WTW 25A (CALWorks Welfare-To-Work Monthly Activity Report for All (Other) Families and Two-Parent Separate State Program): The WtW 25 and WtW 25A report contain statistical information on All Other Families and Two-Parent Families who are enrolled in mandatory WtW employment-preparation activities. This report is due by the 20th calendar day of the month following the report month.

WTW 30 (TANF Work Participation Rate): This report contains the Welfare to Work participation rate that measures the rate of families meeting work participation requirements. This report is due 75 days from the last day of the reporting month.

Condition: 10 of the 30 reports examined were submitted beyond the due date required. Reports that were submitted late were delinquent between 2-70 days.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to submit reports in a timely manner resulted in noncompliance with federal grant guidelines.

Recommendation: We recommend that the department report information required by the State of California Department of Public and Social Services in a timely manner.

Views of responsible officials and planned corrective actions: The department agrees with the recommended action. Appropriate corrective action has been completed, and the department now submits the reports identified above in a timely manner.

Item 04-50 – Subrecipient Monitoring – Absence of Single Audit Reports

Information on the Federal Programs: U.S. Department of Health and Human Services Passed Through the California Department of Social Services, CALWorks – CFDA #93.558

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Specific Requirement: According to OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart D-Federal Agencies and Pass-Through Entities, §400 Responsibilities. (d) Pass-through entity responsibilities are:

- Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- Ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
- Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

Condition: 7 of the 35 Monthly Management Reports required from subrecipients were not submitted within 15 days from the end of the reporting month. Reports that were submitted late were delinquent between 2-15 days.

During the fiscal year, 27 subrecipients were subject to a Single Audit. Management failed to obtain Single Audit reports for 18 of the 27 subrecipients.

Questioned Costs: Unknown

Systemic or Isolated: Systemic

Effect: Lack of effective subrecipient monitoring activities may result in noncompliance with the federal grant guidelines.

Recommendation: We recommend that management 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.

Views of responsible officials and planned corrective actions: The department agrees with the recommended action. DPSS issued Contract Memo #06-15 dated September 18, 2006, to follow up on the required reports. Procedures outlined in the memo require contractors to submit Single Audit Reports in a timely manner in compliance with OMB A-133 requirements.

Item 04-51 – Special Tests & Provisions – Lack of Supporting Documents

Information on the Federal Programs: U.S. Department of Health and Human Services, Passed Through the California Department of Social Services, CALWorks – CFDA #93.558

Specific Requirement: Three special tests and provisions apply to this program:

- 1 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% from the assistance that would otherwise be provided to the

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family of an individual and may deny the family all assistance (42 USC 608(a)(2) and 609(a)(8); 45 CFR Sections 264.30 and 264.31).

- 2 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 (42 USC 609(a)(14); 45 CFR Sections 261.14, 261.16, and 261.54).
- 3 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 childcare based upon the following reasons: (a) unavailability of appropriate childcare within a reasonable distance from the individual's home or work site; (b) unavailability or unsuitability of informal childcare by a relative or under other arrangements; and (c) unavailability of appropriate and affordable formal childcare arrangements (42 USC 607(e)(2) and 609(a)(11); 45 CFR Sections 261.15, 261.56 and 261.57). 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).

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

- 1 18 out of 50 items selected have the required forms on file but not for the appropriate period and 27 out of 50 items selected did not have the required forms on file.
- 2 27 out of 50 items did not have the Form 6050 on file and 12 out of 50 items, 7 out of 50 items selected have the required forms on file but not for the appropriate period, and 4 out of 50 items selected did not have the supporting documentation for Reasons for Sanction.
- 3 18 out of 50 items selected have the Form 6050 on file but not for the appropriate period, 18 out of 50 items selected did not have the Form 6050 on file and 31 out of 50 items selected are not adequately supported by required documentation. In addition, 37 out of 50 items selected have inconsistencies between the information reported in LEADER compared to data reported in GEARS regarding exempt status, exemption codes and exemption start dates.

Questioned Costs: \$13,127 (specific monthly amounts paid to claimants that did not meet required criteria)

Systemic or Isolated: Systemic

Effect: Failure to submit reports in a timely manner resulted in noncompliance with federal grant guidelines.

Recommendation: We recommend that 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 are kept based on the program requirements.

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Views of responsible officials and planned corrective actions: While DPSS may not agree with the number of deficiencies noted under conditions, we agree to take appropriate corrective action to comply with the recommendation.