

**COUNTY OF SAN MATEO**

Single Audit Reports

For the Fiscal Year Ended June 30, 2006

**COUNTY OF SAN MATEO**  
Single Audit Reports  
For the Fiscal Year Ended June 30, 2006

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

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


We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Mateo, California (County), as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 9, 2006. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the County of San Mateo (Authority) and the San Mateo Employees' Retirement Association (SamCERA), which represent the following percentages of assets, net assets/fund balances and revenues/additions as of and for the fiscal year ended June 30, 2006:

| <b>Opinion Unit</b>                          | <b>Assets</b> | <b>Net Assets /<br/>Fund Balances</b> | <b>Revenues /<br/>Additions</b> |
|--|---------------|---------------------------------------|---------------------------------|
| Business-type Activities                     | 16.0%         | 25.1%                                 | 31.6%                           |
| Each Major Enterprise Fund –                 |               |                                       |                                 |
| Housing Authority of the County of San Mateo | 100.0%        | 100.0%                                | 100.0%                          |
| Aggregate Remaining Fund Information         | 43.9%         | 51.9%                                 | 7.5%                            |

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

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

  
Certified Public Accountants  
Walnut Creek, California

November 9, 2006

County of San Mateo  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2006

| Federal Grantor/Pass-Through Grantor/Program Title                                    | Catalog of Federal<br>Domestic Assistance<br>Number (CFDA) | Federal<br>Expenditures | Amount<br>Provided to<br>Subrecipients | Pass-Through<br>Entity Number |
|---|--|-------------------------|--|-------------------------------|
| <b>U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY</b>                                    |  |                         |  |                               |
| Direct Program:   |  |                         |  |                               |
| High Intensity Drug Trafficking Area  | 07   | \$ 2,859,272            | \$ -                                   | n/a                           |
| Subtotal of Direct Program  |  | <u>2,859,272</u>        | <u>-</u>                               |                               |
| Pass-Through Program, State of Florida, Monroe County Sheriff's Office:               |  |                         |  |                               |
| High Intensity Drug Trafficking Area  | 07   | 32,000                  | -                                      | A-102-0208-51210              |
| Subtotal Pass-Through Program   |  | <u>32,000</u>           | <u>-</u>                               |                               |
| TOTAL U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY                                     |  | <u>2,891,272</u>        | <u>-</u>                               |                               |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>   |  |                         |  |                               |
| Pass-Through Programs, State of California, Department of Food and Agriculture:       |  |                         |  |                               |
| Plant and Animal Disease, Pest Control, and Animal Care                               | 10.025   | 218,629                 | -                                      | 05-0264                       |
| Plant and Animal Disease, Pest Control, and Animal Care                               | 10.025   | 256,290                 | -                                      | 05-0489                       |
| Plant and Animal Disease, Pest Control, and Animal Care                               | 10.025   | 63,264                  | -                                      | 05-0291                       |
| Subtotal of Plant and Animal Disease, Pest Control, and Animal Care                   |  | <u>538,183</u>          | <u>-</u>                               |                               |
| Pass-Through Programs, State of California, Department of Social Services:            |  |                         |  |                               |
| Food Stamps Cluster:  |  |                         |  |                               |
| Food Stamps   | 10.551   | 10,589,639              | -                                      | 06-117-01                     |
| State Administrative Matching Grants for Food Stamp Program                           | 10.561   | 4,502,792               | -                                      | n/a                           |
| State Administrative Matching Grants for Food Stamp Program                           | 10.561   | 135,318                 | -                                      | 03-75563                      |
| Subtotal of Food Stamps Cluster   |  | <u>15,227,749</u>       | <u>-</u>                               |                               |
| Pass-Through Programs, State of California, Department of Education:                  |  |                         |  |                               |
| Child Nutrition Cluster:  |  |                         |  |                               |
| School Breakfast Program  | 10.553   | 126,088                 | -                                      | 41-10413-6045223-01-1154      |
| National School Lunch Program   | 10.555   | 195,102                 | -                                      | 41-10413-6045223-01-1154      |
| Subtotal of Child Nutrition Cluster   |  | <u>321,190</u>          | <u>-</u>                               |                               |
| Pass-Through Program, State of California, Department of Health Services:             |  |                         |  |                               |
| Special Supplemental Nutrition Program for Women, Infants, and Children (WIC Program) | 10.557   | 443,030                 | -                                      | 02-25709                      |
| Special Supplemental Nutrition Program for Women, Infants, and Children (WIC Program) | 10.557   | 1,507,968               | -                                      | 05-45794                      |
| Subtotal of the WIC Program   |  | <u>1,950,998</u>        | <u>-</u>                               |                               |
| Subtotal Pass-Through Programs  |  | <u>18,038,120</u>       | <u>-</u>                               |                               |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE  |  | <u>18,038,120</u>       | <u>-</u>                               |                               |
| <b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>                               |  |                         |  |                               |
| Direct Programs:  |  |                         |  |                               |
| Community Development Block Grants/Entitlement Grants                                 | 14.218   | 6,452,224               | 1,288,415                              | n/a                           |
| Emergency Shelter Grants Program  | 14.231   | 126,548                 | 120,221                                | n/a                           |
| HOME Investment Partnerships Program  | 14.239   | 15,717,029              | 33,253                                 | n/a                           |
| Subtotal of Direct Programs   |  | <u>22,295,801</u>       | <u>1,441,889</u>                       |                               |
| Pass-Through Program, City & County of San Francisco:                                 |  |                         |  |                               |
| Housing Opportunities for Persons with AIDS (HOPWA)                                   | 14.241   | 740,000                 | 551,182                                | n/a                           |
| TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT                                |  | <u>23,035,801</u>       | <u>1,993,071</u>                       |                               |
| <b>U.S. DEPARTMENT OF JUSTICE</b>   |  |                         |  |                               |
| Direct Programs:  |  |                         |  |                               |
| Crime Laboratory Improvement - Combined Offender DNA                                  |  |                         |  |                               |
| Index System Backlog Reduction  | 16.564   | 91,194                  | -                                      | n/a                           |
| Drug Court Discretionary Grant Program  | 16.585   | 232,438                 | 143,442                                | n/a                           |
| State Criminal Alien Assistance Program   | 16.606   | 955,843                 | -                                      | n/a                           |
| Public Safety Partnership and Community Policing Grants                               | 16.710   | 351,128                 | -                                      | n/a                           |
| Gang Resistance Education and Training  | 16.737   | 14,098                  | -                                      | n/a                           |
| Edward Byrne Memorial Justice Assistance Grant Program                                | 16.738   | 73,483                  | -                                      | n/a                           |
| Drug Enforcement Administrative Grant   | 16   | 30,533                  | -                                      | n/a                           |
| Southwest Border Prosecution Initiative   | 16A  | 143,888                 | -                                      | n/a                           |
| Subtotal of Direct Programs   |  | <u>1,892,605</u>        | <u>143,442</u>                         |                               |
| Pass-Through Programs, State of California, Board of Corrections:                     |  |                         |  |                               |
| Juvenile Justice and Delinquency Prevention_Allocation to States                      | 16.540   | 72,000                  | 64,800                                 | BDC 300-04                    |
| Pass-Through Programs, State of California, Corrections Standards Authority:          |  |                         |  |                               |
| Juvenile Accountability Incentive Block Grants  | 16.523   | 53,975                  | -                                      | CSA 169-05                    |
| Violent Offender Incarceration and Truth in Sentencing Incentive Grants               | 16.586   | 10,519,249              | -                                      | BDC 029-01                    |
| Pass-Through Programs, State of California, Governor's Office of Emergency Services:  |  |                         |  |                               |
| National Institute of Justice Research, Evaluation, and                               |  |                         |  |                               |
| Development Project Grants  | 16.560   | 3,265                   | -                                      | CQ04030410                    |
| Crime Victim Assistance   | 16.575   | 170,755                 | -                                      | VW05240410                    |
| Crime Victim Assistance   | 16.575   | 110,000                 | -                                      | SE05150410                    |
| Edward Byrne Memorial Justice Assistance Grant Program                                | 16.738   | 293,630                 | -                                      | DC05160410                    |
| Subtotal of Pass-Through Programs   |  | <u>11,222,874</u>       | <u>64,800</u>                          |                               |
| TOTAL U.S. DEPARTMENT OF JUSTICE  |  | <u>13,115,479</u>       | <u>208,242</u>                         |                               |

See notes to the schedule of expenditures of federal awards.

County of San Mateo  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2006

| Federal Grantor/Pass-Through Grantor/Program Title  | Catalog of Federal<br>Domestic Assistance<br>Number (CFDA) | Federal<br>Expenditures | Amount<br>Provided to<br>Subrecipients | Pass-Through<br>Entity Number |
|---|--|-------------------------|--|-------------------------------|
| <b>U.S. DEPARTMENT OF LABOR</b>   |  |                         |  |                               |
| Pass-Through Program, State of California, Department of Aging:<br>Senior Community Service Employment Program            | 17.235   | 127,887                 | 127,887                                | TV-0506-08                    |
| Pass-Through Programs, State of California, Employment Development Department:  |  |                         |  |                               |
| Workforce Investment Act Cluster:   |  |                         |  |                               |
| Workforce Investment Act (WIA) Adult Program  | 17.258   | 798,848                 | 89,202                                 | R692504                       |
| Workforce Investment Act (WIA) Adult Program  | 17.258   | 183,775                 | 72,522                                 | R588753                       |
| Workforce Investment Act (WIA) Youth Activities   | 17.259   | 780,960                 | 640,270                                | R692504                       |
| Workforce Investment Act (WIA) Youth Activities   | 17.259   | 147,041                 | -                                      | R588753                       |
| Workforce Investment Act (WIA) Dislocated Workers   | 17.260   | 1,861,297               | 138,750                                | R692504                       |
| Workforce Investment Act (WIA) Dislocated Workers   | 17.260   | 1,255,429               | 310,284                                | R588753                       |
| Workforce Investment Act (WIA) Dislocated Workers   | 17.260   | 302,680                 | 185,432                                | R485307                       |
| Workforce Investment Act (WIA) Dislocated Workers   | 17.260   | 202,237                 | 88,110                                 | C-2004-819                    |
| Subtotal of Workforce Investment Act Cluster  |  | <u>5,532,267</u>        | <u>1,524,570</u>                       |                               |
| Subtotal of Pass-Through Programs   |  | <u>5,660,154</u>        | <u>1,652,457</u>                       |                               |
| TOTAL U.S. DEPARTMENT OF LABOR  |  | <u>5,660,154</u>        | <u>1,652,457</u>                       |                               |
| <b>U.S. DEPARTMENT OF TRANSPORTATION</b>  |  |                         |  |                               |
| Direct Program:   |  |                         |  |                               |
| Airport Improvement Program   | 20.106   | <u>620,546</u>          | -                                      | n/a                           |
| Subtotal of Direct Program  |  | <u>620,546</u>          | -                                      |                               |
| Pass-Through Program, State of California, Department of Transportation:  |  |                         |  |                               |
| Highway Planning and Construction (Federal-Aid Highway Program)   | 20.205   | 310,000                 | -                                      | STPL 5935 (031)               |
| Highway Planning and Construction (Federal-Aid Highway Program)   | 20.205   | 400,000                 | -                                      | STPL 5935 (034)               |
| Highway Planning and Construction (Federal-Aid Highway Program)   | 20.205   | 34,372                  | -                                      | STPL 5935 (032)               |
| Highway Planning and Construction (Federal-Aid Highway Program)   | 20.205   | <u>32,530</u>           | -                                      | STPL-HSR-5935 (027)           |
| Subtotal of Highway Planning and Construction (Federal-Aid Highway Program)   |  | <u>776,902</u>          | -                                      |                               |
| Pass-Through Program, State of California, Office of Traffic Safety:  |  |                         |  |                               |
| State and Community Highway Safety  | 20.600   | 46,278                  | -                                      | AL0406                        |
| Pass-Through Program, City of Daly City:  |  |                         |  |                               |
| State and Community Highway Safety  | 20.600   | 30,782                  | -                                      | AL0521                        |
| State and Community Highway Safety  | 20.600   | <u>2,419</u>            | -                                      | AL0678                        |
| Subtotal of State and Community Highway Safety  |  | <u>79,479</u>           | -                                      |                               |
| Subtotal of Pass-Through Programs   |  | <u>856,381</u>          | -                                      |                               |
| TOTAL U.S. DEPARTMENT OF TRANSPORTATION   |  | <u>1,476,927</u>        | -                                      |                               |
| <b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>   |  |                         |  |                               |
| Pass-Through Program, State of California, Water Control Resources Board:   |  |                         |  |                               |
| Local Oversight Program - Groundwater Protection  | 66   | <u>207,840</u>          | -                                      | 05-016-250-0                  |
| Pass-Through Program, State of California, Department of Health Services:   |  |                         |  |                               |
| Beach Monitoring and Notification Program Implementation Grants   | 66.472   | <u>25,000</u>           | -                                      | 04-3587                       |
| Subtotal of Pass-Through Programs   |  | <u>232,840</u>          | -                                      |                               |
| TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY  |  | <u>232,840</u>          | -                                      |                               |
| <b>U.S. DEPARTMENT OF EDUCATION</b>   |  |                         |  |                               |
| Pass-Through Program, San Mateo County Office of Education:   |  |                         |  |                               |
| Special Education_Grants to States  | 84.027   | <u>1,979,619</u>        | -                                      | 05-14468-1041-01              |
| TOTAL U.S. DEPARTMENT OF EDUCATION  |  | <u>1,979,619</u>        | -                                      |                               |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>   |  |                         |  |                               |
| Direct Programs:  |  |                         |  |                               |
| Community Health Centers  | 93.224   | 1,616,347               | -                                      | n/a                           |
| Substance Abuse and Mental Health Services_Projects of Regional and National Significance                                 |  |                         |  |                               |
| Health Care and Other Facilities  | 93.243   | 1,875,303               | 1,142,178                              | n/a                           |
| Adolescent Family Life_Demonstration Projects   | 93.887   | 639,319                 | -                                      | n/a                           |
|   | 93.995   | <u>314,324</u>          | -                                      | n/a                           |
| Subtotal of Direct Programs   |  | <u>4,445,293</u>        | <u>1,142,178</u>                       |                               |
| Pass-Through Programs, State of California, Department of Aging:  |  |                         |  |                               |
| Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers                    |  |                         |  |                               |
|   | 93.044   | 821,435                 | 689,854                                | AP-0506-08                    |
| Special Programs for the Aging - Title III, Part C - Nutrition Services   |  |                         |  |                               |
| Nutrition Services Incentive Program  | 93.045   | 1,054,775               | 932,820                                | AP-0506-08                    |
|   | 93.053   | <u>183,664</u>          | <u>183,664</u>                         | AP-0506-08                    |
| Subtotal of Special Programs for the Aging Cluster  |  | <u>2,059,874</u>        | <u>1,806,338</u>                       |                               |
| Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation |  |                         |  |                               |
|   | 93.041   | 11,901                  | 11,901                                 | AP-0506-08                    |
| Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care  |  |                         |  |                               |
| Ombudsman Services for Older Individuals  | 93.042   | 37,935                  | 37,935                                 | AP-0506-08                    |
| Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services                     |  |                         |  |                               |
|   | 93.043   | 42,010                  | 42,010                                 | AP-0506-08                    |

See notes to the schedule of expenditures of federal awards.

County of San Mateo  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2006

| Federal Grantor/Pass-Through Grantor/Program Title   | Catalog of Federal<br>Domestic Assistance<br>Number (CFDA) | Federal<br>Expenditures | Amount<br>Provided to<br>Subrecipients | Pass-Through<br>Entity Number |
|--|--|-------------------------|--|-------------------------------|
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</b>                              |  |                         |  |                               |
| National Family Caregiver Support  | 93.052   | 264,490                 | 133,114                                | AP-0506-08                    |
| U.S. Repatriation  | 93.579   | 1,504                   | -                                      | n/a                           |
| Medical Assistance Program (Medicaid; Title XIX)   | 93.778   | 365,817                 | -                                      | MS-0506-13                    |
| Centers for Medicare and Medicaid Services (CMS) Research,<br>Demonstrations and Evaluations | 93.779   | 70,406                  | 63,792                                 | HI-0506-08                    |
| Pass-Through Programs, State of California, Department of Health Services:                   |  |                         |  |                               |
| Acquired Immunodeficiency Syndrome (AIDS) Activity   | 93.118   | 1,317,906               | 175,003                                | 04-35379                      |
| Disabilities Prevention  | 93.184   | 836,096                 | -                                      | n/a                           |
| Immunization Grants  | 93.268   | 342,689                 | -                                      | 05-45427                      |
| Immunization Grants  | 93.268   | 29,396                  | -                                      | 05-45468                      |
| Centers for Disease Control and Prevention - Investigations and<br>Technical Assistance      | 93.283   | 1,544,573               | -                                      | n/a                           |
| Social Services Block Grant  | 93.667   | 397,170                 | -                                      | n/a                           |
| State Children's Insurance Program   | 93.767   | 272,451                 | -                                      | n/a                           |
| Medical Assistance Program (Medicaid; Title XIX)   | 93.778   | 1,091,819               | -                                      | n/a                           |
| Medical Assistance Program (Medicaid; Title XIX)   | 93.778   | 211,971                 | -                                      | 05-45167                      |
| National Bioterrorism Hospital Preparedness Program  | 93.889   | 351,754                 | -                                      | n/a                           |
| Preventive Health Services_Sexually Transmitted Diseases Control Grants                      | 93.977   | 40,050                  | -                                      | 05-45684                      |
| Maternal and Child Health Services Block Grant to the States                                 | 93.994   | 1,026,359               | -                                      | 200541                        |
| Pass-Through Programs, State of California, Department of Mental Health:                     |  |                         |  |                               |
| Projects for Assistance in Transition from Homelessness (PATH)                               | 93.150   | 133,617                 | 133,617                                | n/a                           |
| Block Grants for Community Mental Health Services  | 93.958   | 872,691                 | 170,599                                | n/a                           |
| Pass-Through Programs, State of California, Department of Social Services:                   |  |                         |  |                               |
| Promoting Safe and Stable Families   | 93.556   | 789,959                 | -                                      | n/a                           |
| Temporary Assistance for Needy Families  | 93.558   | 36,915,476              | -                                      | n/a                           |
| Refugee and Entrant Assistance - State Administered Programs                                 | 93.566   | 112,299                 | -                                      | n/a                           |
| Child Welfare Services - State Grants  | 93.645   | 321,775                 | -                                      | n/a                           |
| Foster Care - Title IV-E   | 93.658   | 15,056,107              | -                                      | n/a                           |
| Foster Care - Title IV-E   | 93.658   | 964,995                 | -                                      | 2024.00.01                    |
| Adoption Assistance  | 93.659   | 2,578,571               | -                                      | n/a                           |
| Chafee Foster Care Independence Program  | 93.674   | 227,990                 | -                                      | n/a                           |
| Medical Assistance Program (Medicaid; Title XIX)   | 93.778   | 3,453,786               | -                                      | n/a                           |
| Pass-Through Program, State of California, Department of Child Support Services:             |  |                         |  |                               |
| Child Support Enforcement  | 93.563   | 7,554,504               | -                                      | n/a                           |
| Pass-Through Programs, State of California, Department of Education:                         |  |                         |  |                               |
| Child Care and Development Fund Cluster:   |  |                         |  |                               |
| Child Care and Development Block Grants  | 93.575   | 1,945,473               | 1,945,473                              | C2AP-5060                     |
| Child Care and Development Block Grants  | 93.575   | 202,926                 | -                                      | CAPP-5067                     |
| Child Care Mandatory and Matching Funds of the<br>Child Care and Development Fund            | 93.596   | 248,170                 | -                                      | CAPP-5067                     |
| Subtotal of Child Care and Development Fund Cluster  |  | 2,396,569               | 1,945,473                              |                               |
| Pass-Through Programs, State of California, Alcohol and Drug Programs:                       |  |                         |  |                               |
| Medical Assistance Program (Medicaid; Title XIX)   | 93.778   | 308,738                 | 121,684                                | 06B1CASAPT-02                 |
| Block Grants for Prevention and Treatment of Substance Abuse                                 | 93.959   | 4,640,037               | -                                      | 06B1CASAPT-02                 |
| Pass-Through Program, City and County of San Francisco:                                      |  |                         |  |                               |
| HIV Emergency Relief Project Grants  | 93.914   | 1,387,074               | 427,292                                | POHC06000693                  |
| HIV Emergency Relief Project Grants  | 93.914   | 667,298                 | 159,607                                | DPHC0700051501                |
| Subtotal of HIV Emergency Relief Program Grants  |  | 2,054,372               | 586,899                                |                               |
| Subtotal of Pass-Through Programs  |  | 88,697,657              | 5,228,365                              |                               |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES   |  | 93,142,950              | 6,370,543                              |                               |
| <b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>  |  |                         |  |                               |
| Pass-Through Programs, State of California, Governor's Office of Emergency Services:         |  |                         |  |                               |
| Homeland Security Cluster:   |  |                         |  |                               |
| Homeland Security Grant Program  | 97.067   | 1,793,549               | -                                      | 2004-45                       |
| Homeland Security Grant Program  | 97.067   | 543,161                 | -                                      | 2005-15                       |
| Subtotal of Homeland Security Cluster  |  | 2,336,710               | -                                      |                               |
| State Homeland Security Program (SHSP)   | 97.073   | 73,651                  | -                                      | 2003-0167                     |
| State Homeland Security Program (SHSP)   | 97.073   | 413,238                 | -                                      | 2003-35                       |
| Subtotal of State Homeland Security Program  |  | 486,889                 | -                                      |                               |
| Pass-Through Programs, City and County of San Francisco:                                     |  |                         |  |                               |
| Urban Areas Security Initiative  | 97.008   | 646,216                 | -                                      | 2004-0014                     |
| Subtotal of Pass-Through Programs  |  | 3,469,815               | -                                      |                               |
| TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY   |  | 3,469,815               | -                                      |                               |
| TOTAL EXPENDITURES OF FEDERAL AWARDS   |  | \$ 163,042,977          | \$ 10,224,313                          |                               |

See notes to the schedule of expenditures of federal awards.

## **COUNTY OF SAN MATEO**

### **Notes to the Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2006**

#### **1. GENERAL**

The schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the County of San Mateo (County). All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies are included on this schedule except for assistance related to Medical Assistance (Medi-Cal) and Medicare Hospital Insurance (Medicare) (Note 5) and the Housing Authority of the County of San Mateo (Authority) (Note 7).

#### **2. BASIS OF ACCOUNTING**

The accompanying Schedule is presented using the modified accrual basis of accounting for program expenditures accounted for in the governmental funds and the accrual basis of accounting for program expenditures accounted for in the proprietary funds as described in Note 2(b) of the County's basic financial statements. In addition, the outstanding balance of prior years' loans that have significant continuing compliance requirements has been included in total federal expenditures for the HOME Investment Partnerships program.

#### **3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

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

#### **4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

#### **5. MEDI-CAL AND MEDICARE**

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

#### **6. FOOD COUPONS**

The County issued food coupons valued at \$10,589,639 during the year ended June 30, 2006. This amount is for information only as receipts and issuances of food coupons are not recorded in the County's financial records.



**COUNTY OF SAN MATEO**

Notes to the Schedule of Expenditures of Federal Awards (Continued)

For the Fiscal Year Ended June 30, 2006

**7. HOUSING AUTHORITY OF COUNTY OF SAN MATEO**

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

| <u>Program Title</u>      | <u>CFDA Number</u> | <u>Federal Expenditures</u> |
|---------------------------|--------------------|-----------------------------|
| Public and Indian Housing | 14.850             | \$ 148,750                  |
| Capital Fund Program      | 14.872             | 171,220                     |
| Section 8 Programs:       |                    |                             |
| Moderate Rehabilitation   | 14.856             | 1,163,808                   |
| Housing Choice Voucher    | 14.871             | 54,755,940                  |
| Shelter Plus Care         | 14.238             | 1,710,062                   |
| Moving to Work            | 14.871             | 5,081,466                   |
| Supportive Housing        | 14.235             | 470,273                     |
| Total                     |                    | <u>\$ 63,501,519</u>        |

**8. LOANS OUTSTANDING**

The County participates in certain federal award programs that sponsor revolving loan programs, which are administered by the County. These programs maintain servicing and trust arrangements with the County to collect loan repayments. The funds are returned to the programs upon repayment of the principal and interest. The federal government has imposed certain significant continuing compliance requirements with respect to the loans rendered under the HOME Investment Partnership (HOME) Program (CFDA number 14.239). In accordance with Subpart B, Section 205 of the U.S. Office of Management and Budget Circular A-133, the County has reported the outstanding balance of loans from previous years that have significant continuing compliance requirements as of June 30, 2006 along with the value of total outstanding and new loans made during the current year.

During the year ended June 30, 2006, the County incurred \$619,171 in expenditures related to new loans under the HOME program. As of June 30, 2006, the total amount of HOME loans outstanding subject to continuing compliance requirements was \$15,518,606, which is included in the Schedule.

**COUNTY OF SAN MATEO**

Notes to the Schedule of Expenditures of Federal Awards (Continued)

For the Fiscal Year Ended June 30, 2006

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

The terms and conditions of agency contracts with CDA, beginning for FY 2005/06, require agencies to display state-funded expenditures discretely along with the related federal expenditures. For state grants not involving federal funding, the amounts are to be displayed separately. The following schedule is presented to comply with these requirements.

| Federal Grantor<br>Pass-through Grantor<br>Program Title   | CFDA<br>No. | Grant/<br>Contract<br>Number | Expenditures      |                     |
|--|-------------|------------------------------|-------------------|---------------------|
|  |             |                              | State             | Federal             |
| <b>U.S. Department of Labor</b><br><i>Passed through CA Department of Aging</i><br>Senior Community Service Employment Program | 17.235      | TV-0506-08                   | \$ 36,800         | \$ 127,887          |
| <b>U.S. Department of Health &amp; Human Services</b><br><i>Passed through CA Department of Aging</i>                          |             |                              |                   |                     |
| Special Programs for Aging-Title VII, Chapter 3<br>Programs for Prevention of Elder Abuse,<br>Neglect, & Exploitation          | 93.041      | AP-0506-08                   | 463               | 11,901              |
| Special Programs for Aging-Title VII, Chapter 2<br>Long Term Care Ombudsman Services for<br>Older Individuals                  | 93.042      | AP-0506-08                   | 5,545             | 37,935              |
| Special Programs for Aging-Title III, Part D<br>Disease Prevention and Health Promotion<br>Services                            | 93.043      | AP-0506-08                   | 7,266             | 42,010              |
| Special Programs for Aging-Title III, Part B<br>Grants for Supportive Services and Senior<br>Centers                           | 93.044      | AP-0506-08                   | 123,629           | 821,435             |
| Special Programs for Aging-Title III, Part C<br>Nutrition Services   | 93.045      | AP-0506-08                   | 232,459           | 1,054,775           |
| National Family Caregiver Support  | 93.052      | AP-0506-08                   | -                 | 264,490             |
| Nutrition Services Incentive Program   | 93.053      | AP-0506-08                   | -                 | 183,664             |
| U.S. Repatriation  | 93.579      | n/a                          | -                 | 1,504               |
| Medical Assistance Program (Medicaid; Title XIX)   | 93.778      | MS-0506-13                   | 365,816           | 365,817             |
| Centers for Medicare and Medicaid Services<br>(CMS) Research, Demonstrations and<br>Evaluations                                | 93.779      | HI-0506-08                   | 182,154           | 70,406              |
| Total Expenditures of State and Federal Awards   |             |                              | <u>\$ 954,132</u> | <u>\$ 2,981,824</u> |
| State Awards - California Department of Aging:   |             |                              |                   |                     |
| Area Agency on Aging - Administration  |             | AP-0506-08                   | \$ 11,849         |                     |
| CBSP - Linkages  |             | AP-0506-08                   | 249,566           |                     |
| CBSP - Respite Purchase of Service   |             | AP-0506-08                   | 17,000            |                     |
| CBSP - Brown Bag Program   |             | AP-0506-08                   | 23,425            |                     |
| CBSP - ADCRC   |             | AP-0506-08                   | 75,884            |                     |
| Ombudsman Volunteer Recruitment Initiative   |             | AP-0506-08                   | <u>27,468</u>     |                     |
| Total Expenditures of CDA Awards   |             |                              | <u>\$ 405,192</u> |                     |

**COUNTY OF SAN MATEO**

Notes to the Schedule of Expenditures of Federal Awards (Continued)

For the Fiscal Year Ended June 30, 2006

**10. PROGRAM TOTALS**

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

| Program Title /<br>Federal Grantor or Pass-Through Grantor                                      | Pass Through<br>Entity Number | Federal<br>Expenditures |
|---|-------------------------------|-------------------------|
| <b>(a) CFDA number 10.561 - State Administrative Matching Grants for Food Stamp Program</b>     |                               |                         |
| State of California, Department of Social Services  | n/a                           | \$ 4,502,792            |
| State of California, Department of Social Services  | 03-75563                      | 135,318                 |
|   | Program Total                 | <u>\$ 4,638,110</u>     |
| <b>(b) CFDA number 16.575 - Crime Victim Assistance</b>   |                               |                         |
| State of California, Office of Emergency Services   | VW05240410                    | \$ 170,755              |
| State of California, Office of Emergency Services   | SE05150410                    | 110,000                 |
|   | Program Total                 | <u>\$ 280,755</u>       |
| <b>(c) CFDA number 16.738 - Edward Byrne Memorial Justice Assistance Grant Program</b>          |                               |                         |
| U.S. Department of Justice  | n/a                           | \$ 73,483               |
| State of California, Governor's Office of Emergency Services                                    | DC05160410                    | 293,630                 |
|   | Program Total                 | <u>\$ 367,113</u>       |
| <b>(d) CFDA number 20.205 - Highway Planning and Construction (Federal-Aid Highway Program)</b> |                               |                         |
| State of California, Department of Transportation   | STPL 5935 (031)               | \$ 310,000              |
| State of California, Department of Transportation   | STPL 5935 (032)               | 34,372                  |
| State of California, Department of Transportation   | STPL 5935 (034)               | 400,000                 |
| State of California, Department of Transportation   | STPL-HSR-5935 (027)           | 32,530                  |
|   | Program Total                 | <u>\$ 776,902</u>       |
| <b>(e) CFDA number 93.268 - Immunization Grants</b>   |                               |                         |
| State of California, Department of Health Services  | 05-45427                      | \$ 342,689              |
| State of California, Department of Health Services  | 05-45468                      | 29,396                  |
|   | Program Total                 | <u>\$ 372,085</u>       |
| <b>(f) CFDA number 93.658 - Foster Care Title IV-E</b>  |                               |                         |
| State of California, Department of Social Services  | n/a                           | \$ 15,056,107           |
| State of California, Department of Social Services  | 2024.00.01                    | 964,995                 |
|   | Program Total                 | <u>\$ 16,021,102</u>    |
| <b>(g) CFDA number 93.778 - Medical Assistance Program (Medicaid: Title XIX)</b>                |                               |                         |
| State of California, Department of Health Services  | n/a                           | \$ 1,091,819            |
| State of California, Department of Health Services  | 05-45167                      | 211,971                 |
| State of California, Department of Social Services  | n/a                           | 3,453,786               |
| State of California, Alcohol and Drug Programs  | 06B1CASAPT-02                 | 308,738                 |
| State of California, Department of Aging  | MS-0506-13                    | 365,817                 |
|   | Program Total                 | <u>\$ 5,432,131</u>     |

**COUNTY OF SAN MATEO**  
Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2006

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

The following schedule represents expenditures for U.S. Department of Justice grants passed through State of California Governor's Office of Emergency Services (OES) and State of California Board of Corrections (BOC), as well as OES funded grant expenditures for the fiscal year ended June 30, 2006. This information is included in the County's single audit report at the request of OES and BOC.

| Program Title and Expenditure Category | Grant Number /<br>Grant Period | Budget            | Cumulative<br>through<br>June 30, 2005 | Actual 7/1/05 - 6/30/06        |                  | Cumulative<br>Actual<br>Total | Variance         |
|--|--------------------------------|-------------------|--|--------------------------------|------------------|-------------------------------|------------------|
|  |                                |                   |  | Non-match                      | Match            |                               |                  |
| Region H Grant                         | BDC 300-04                     |                   |  |                                |                  |                               |                  |
| Personal Services                      | 7/1/04 - 12/31/05              | \$ 18,414         | \$ 11,880                              | \$ 6,534                       | \$ -             | \$ 18,414                     | \$ -             |
| Operating Expenses                     |                                | 197,586           | 132,120                                | 65,466                         | -                | 197,586                       | -                |
| Equipment                              |                                | -                 | -                                      | -                              | -                | -                             | -                |
| Total                                  |                                | <u>\$ 216,000</u> | <u>\$ 144,000</u>                      | <u>\$ 72,000</u> <sup>1</sup>  | <u>\$ -</u>      | <u>\$ 216,000</u>             | <u>\$ -</u>      |
| Special Emphasis Assistance Project    | SE05150410                     |                   |  |                                |                  |                               |                  |
| Personal Services                      | 7/1/05 - 6/30/06               | \$ 130,735        | \$ -                                   | \$ 104,587                     | \$ 26,148        | \$ 130,735                    | \$ -             |
| Operating Expenses                     |                                | 6,765             | -                                      | 5,413                          | 1,352            | 6,765                         | -                |
| Equipment                              |                                | -                 | -                                      | -                              | -                | -                             | -                |
| Total                                  |                                | <u>\$ 137,500</u> | <u>\$ -</u>                            | <u>\$ 110,000</u> <sup>2</sup> | <u>\$ 27,500</u> | <u>\$ 137,500</u>             | <u>\$ -</u>      |
| Victim Witness Assistance Program      | VW05240410                     |                   |  |                                |                  |                               |                  |
| Personal Services                      | 7/1/05 - 6/30/06               | \$ 376,302        | \$ -                                   | \$ 376,302                     | \$ -             | \$ 376,302                    | \$ -             |
| Operating Expenses                     |                                | -                 | -                                      | -                              | -                | -                             | -                |
| Equipment                              |                                | -                 | -                                      | -                              | -                | -                             | -                |
| Total                                  |                                | <u>\$ 376,302</u> | <u>\$ -</u>                            | <u>\$ 376,302</u> <sup>3</sup> | <u>\$ -</u>      | <u>\$ 376,302</u>             | <u>\$ -</u>      |
| 2004 Coverdell Training Grant          | CQ 04030410                    |                   |  |                                |                  |                               |                  |
| Personal Services                      | 7/01/05-12/31/05               | \$ -              | \$ -                                   | \$ -                           | \$ -             | \$ -                          | \$ -             |
| Operating Expenses                     |                                | 14,125            | -                                      | 3,265                          | -                | 3,265                         | 10,860           |
| Equipment                              |                                | -                 | -                                      | -                              | -                | -                             | -                |
| Total                                  |                                | <u>\$ 14,125</u>  | <u>\$ -</u>                            | <u>\$ 3,265</u> <sup>4</sup>   | <u>\$ -</u>      | <u>\$ 3,265</u>               | <u>\$ 10,860</u> |
| San Mateo County Narcotics Task Force  | DC 05160410                    |                   |  |                                |                  |                               |                  |
| Personal Services                      | 7/01/05-6/30/06                | \$ 150,281        | \$ -                                   | \$ 150,281                     | \$ -             | \$ 150,281                    | \$ -             |
| Operating Expenses                     |                                | 26,253            | -                                      | 26,253                         | -                | 26,253                        | -                |
| Equipment                              |                                | 117,096           | -                                      | 117,096                        | -                | 117,096                       | -                |
| Total                                  |                                | <u>\$ 293,630</u> | <u>\$ -</u>                            | <u>\$ 293,630</u> <sup>5</sup> | <u>\$ -</u>      | <u>\$ 293,630</u>             | <u>\$ -</u>      |

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

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

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

<sup>4</sup> Amount is reported as federal expenditures in the Schedule under CFDA number 16.560 for the National Institute of Justice Research, Evaluation, and Development Project Grants, passed through the State of California, Governor's Office of Emergency Services (page 3).

<sup>5</sup> Expenditures for the San Mateo County Narcotics Task Force program is reported as federal expenditures in the Schedule under CFDA number 16.738 for the Edward Byrne Memorial Justice Assistance Grant Program, passed through the State of California, Governor's Office of Emergency Services (page 3).



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Mateo, California, (County), as of and for the fiscal year ended June 30, 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 9, 2006. We did not audit the financial statements of the Housing Authority of the County of San Mateo (Authority) and the San Mateo Employees' Retirement Association (SamCERA), which represent the following percentages of assets, net assets and revenues as of and for the fiscal year ended June 30, 2006:

| <b>Opinion Unit</b>  | <b>Assets</b> | <b>Net Assets /<br/>Fund Balances</b> | <b>Revenues /<br/>Additions</b> |
|--|---------------|---------------------------------------|---------------------------------|
| Business-type Activities   | 16.0%         | 25.1%                                 | 31.6%                           |
| Each Major Enterprise Fund –<br>Housing Authority of the County of San Mateo | 100.0%        | 100.0%                                | 100.0%                          |
| Aggregate Remaining Fund Information   | 43.9%         | 51.9%                                 | 7.5%                            |

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Authority and the SamCERA, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-A.


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

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

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

  
Certified Public Accountants  
Walnut Creek, California

November 9, 2006



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

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

**Compliance**

We have audited the compliance of the County of San Mateo, California (County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Housing Authority of the County of San Mateo (Authority) that reported expenditures of federal awards of \$63,501,519, which is not included in the schedule of expenditures of federal awards for the year ended June 30, 2006. Our audit of compliance, described below, did not include the operations of the Authority because the Authority's expenditures of federal awards are audited by other auditors in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County' complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2006-01 through 2006-07.


## Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-01, 2006-02, 2006-04, 2006-05, and 2006-07.

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

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

  
Certified Public Accountants  
Walnut Creek, California

April 19, 2007



**COUNTY OF SAN MATEO**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2006

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*Section I – Summary of Auditor’s Results*

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Financial Statements:

|   |             |
|---|-------------|
| Type of auditor’s report issued:  | Unqualified |
| Internal control over financial reporting:  |             |
| • Material weaknesses identified?   | No          |
| • Reportable conditions identified that are not considered to be material weaknesses? | Yes         |
| Noncompliance material to financial statements noted?                                 | No          |

Federal Awards:

|  |             |
|--|-------------|
| Internal control over major programs:  |             |
| • Material weaknesses identified?  | No          |
| • Reportable conditions identified that are not considered to be material weaknesses?                              | Yes         |
| Type of auditor’s report issued on compliance for major programs:  | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | Yes         |

Identification of major programs:

| Program Title   | CFDA Number   |
|---|---------------|
| High Intensity Drug Trafficking Area                                    | 07            |
| Food Stamps Cluster   | 10.551/10.561 |
| HOME Investment Partnerships Program                                    | 14.239        |
| Violent Offender Incarceration and Truth in Sentencing Incentive Grants | 16.586        |
| Temporary Assistance to Needy Families                                  | 93.558        |
| Foster Care – Title IV-E  | 93.658        |
| Block Grants for Prevention and Treatment of Substance Abuse            | 93.959        |
| Homeland Security Cluster   | 97.067        |

|  |             |
|--|-------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$3,000,000 |
| Auditee qualified as low-risk auditee?                                   | No          |

**COUNTY OF SAN MATEO**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2006

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***Section II – Financial Statement Findings***

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**Finding 2006-A San Mateo Medical Center**  
**Internal Control Weaknesses Related to Cash Receipts Process**

***Observation***

Our audit plan for the Medical Center includes performing a detailed review and assessment of controls over significant business processes. While performing our review of the cash receipts business process, we noted several internal control deficiencies that warrant the County's immediate attention. Our observations are specifically related to (1) *pharmacy receipts* and (2) *patient service collections*. Our findings are summarized below.

*Pharmacy Receipts* – We noted the following control weaknesses related to pharmacy receipts:

- The cash drawer is not locked and easily accessible to anyone inside the pharmacy.
- At night, cash is kept in a locked box; however, the key is hanging on the wall in plain sight.
- Cash awaiting bank deposit is kept in a locked bag; however, the bag is inside an unlocked drawer and the key to the locked bag is left inside the same drawer.
- Daily cash balancing (reconciliation) is not adequately controlled:
  - ◆ Balancing is not performed daily, but on the day following collection
  - ◆ If balancing results in shortages, amount of shortage is covered by subsequent receipts
  - ◆ Balancing is performed by a single employee with no oversight
  - ◆ We observed a cash count on 9/20/06 and noted the drawer was short by \$290

*Patient Service Collections* – We noted the following weaknesses related to patient service collections:

- Remittance advices from the Health Plan of San Mateo are not included in the cash reconciliation due to a system limitation in the patient accounting system.
- Cash receipts processes at the Burlingame site is outdated and prone to errors. They currently use a manual log to record receipts and there seems to be confusion regarding who “owns” the process.

***Recommendation***

We recommend performing a more extensive internal review and assessment of the Medical Center's cash receipts process. The review should include any major offsite collection points (e.g., Burlingame and other clinic sites). Additionally, procedures at the Cashier's Office should be evaluated and documented. All identified control deficiencies should be documented along with method of remedy or disposition. Results of the review and assessment should be reported to the Board of Directors.

***Management Response***

Overall management concurs with the recommendation. Management has begun an extensive internal review in order to resolve the issues and recognizes that certain observations are a result of insufficient staffing in the pharmacy coupled with heavy patient volume.

Certain issues have been resolved. Management has met with pharmacy management and is taking steps to resolve the remaining issues. In regards to the Patient Services Collections reconciliation, management recognizes the issue as being a probable result of systems reporting from a contracted vendor. Management has been addressing this issue through meetings which began earlier in FY 2006-07. Management expects all the conditions related to this observation to be corrected by the middle of 2007.

**COUNTY OF SAN MATEO**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2006

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***Section III – Federal Award Findings and Questioned Costs***

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**Finding 2006-01**    **U.S. Office of National Drug Control Policy**  
High Intensity Drug Trafficking Area, CFDA number 07  
Administered by the San Mateo County Sheriff's Office

**U.S. Department of Homeland Security**  
Homeland Security Program Cluster, CFDA numbers 97.067  
Passed Through the State of California, Governor's Office of Homeland Security  
Administered by the San Mateo County Sheriff's Office

*Procurement and Suspension and Debarment*

***Criteria***

Under the compliance requirements of OMB grants management common rule (21 CFR 1403.42) and OMG Circular A-133, all financial and programmatic records and supporting documents must be retained for three years. In addition, non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principles are suspended or debarred. In accordance with the Code of Federal Regulations, Title 21 Chapter III *Office of National Drug Control Policy*, part 1404 *Government-wide Debarment and Suspension (Nonprocurement)*, and Title 44 Chapter I *Federal Emergency Management Agency, Department of Homeland Security*, part 117 *Government-wide Debarment and Suspension (Nonprocurement) and Government-wide Requirements for Drug-Free Workplace (Grants)*, a covered transaction includes all nonprocurement transactions (e.g. grants, cooperative agreements, and subawards to subrecipients) unless specifically excluded by these codes, and any procurement contracts for goods and services if any of the following applies:

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

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

***Condition***

During our review of internal control over procurement with the suspension and debarment requirement, we noted that the Northern California HIDTA (NC HIDTA) Office and the Sheriff's Office did not retain contract histories (e.g. contractor selection) as required by the OMB Circular A-133. Although the County's contract staff indicated that they checked potential contractors against the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) to verify that the contractors were not suspended or debarred or otherwise excluded when a procurement contract was made, the County did not maintain documentation to support such verification.

**COUNTY OF SAN MATEO**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2006

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

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**Finding 2006-01 (Continued)**

***Effect***

Although the NC HIDTA Office and the County’s Purchasing Division are aware of the requirement to establish procedures to verify that the contractor is not suspended or debarred or otherwise excluded, they did not retain documentation to show that such verification was performed. While the results of our testing did not indicate that the contractors were suspended, debarred or excluded from participation in federally funded contracts during the current fiscal year, we cannot verify whether the County performed such verifications before the contracts were awarded. Furthermore, we are unable to verify whether the County’s followed procurement policies for the contracts awarded during the year.

***Questioned Cost***

\$232,699

***Recommendation***

We recommend that the NC HIDTA Office and the Purchasing Division formalize and document procurement policies and procedures for federally funded contracts. Once documented, the policies and procedures should then be approved. During the course of our audit we noted a number of specific areas that should be addressed by the policies, including: (1) documentation of procurement history, including award rationale; (2) documentation of the suspension and debarment verification before contracts are awarded; and (3) requirements for record retention.

We also recommend the NC HIDTA office implement policies and procedures to keep track of the expenditures incurred related to each existing contract in order to evaluate whether an amendment will be required.

***Management Response***

We concur with the recommendation. HIDTA contract expenditures are presently available on a report that can be generated through the IFAS Financial System, as for any other County Agreement, but we will establish a separate Accounts Payable for HIDTA Agreements, similar to the system we already have in place for regular Sheriff’s Office Agreements. Additionally, the HIDTA Fiscal Officer continues to maintain updated Excel spreadsheets showing what was paid to each contractor. Just recently, she has created contract requests in IFAS for all HIDTA independent contractors. Currently, all funds paid to independent contractors are paid through purchase orders.

Beginning with fiscal year 2006-07, the NC HIDTA standard legal “boilerplate” language for HIDTA contracts, now already includes the federally approved suspension and disbarment language, so this requirement is already in place (it was not yet in place during the time period covered by the audit). Sheriff’s Office administration also confirmed that County Purchasing has previously been provided with a copy of the suspension and disbarment procedures for Homeland Security grants, but this advisement was by personal notification to specific Buyers, and was not formally documented in writing. We will re-issue the suspension & disbarment procedures to Purchasing Division, through their manager, in a more formal manner with a cover memo and copies retained in the file.

HIDTA Financial records fall within the Sheriff’s Office Records Retention Plan, recently adopted by the Board of Supervisors, and are retained for five years, or until date of audit (the five year requirement is usually longer, and we will keep records for at least that long.)

**COUNTY OF SAN MATEO**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2006

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

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**Finding 2006-02**    **U.S. Office of National Drug Control Policy**  
High Intensity Drug Trafficking Area, CFDA number 07  
Administered by the San Mateo County Sheriff's Office  
*Reporting*

***Criteria***

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

***Condition***

Once the U.S. Office of National Drug Control Policy (ONDCP) awards a grant to the HIDTA office, the ONDCP enters the authorization amounts in the Payment Management System (PMS) operated by the Division of Payment Management (DPM) within the Department of Health and Human Services. The HIDTA office is then able to utilize the PMS to draw federal funds for reimbursement of program expenditures.

During our testing of internal controls and compliance over the reporting requirements related to the HIDTA program, we noted that the quarterly Financial Status Reports were not prepared on the cash or the accrual basis. Instead, expenditures were reported in the quarter in which reimbursement was requested in order to match the expenditure amounts in the FSRs and the PMS. Program management has requested clarification from the federal grantor agency on which basis program expenditures should be reported. Program management has stated that they are presently following reporting guidelines established by the National HIDTA Assistance Center located in Miami, Florida.

***Effect***

The federal expenditures reported as incurred in the Financial Status Reports are not stated in an acceptable accounting basis as prescribed in the report instructions.

***Recommendation***

We recommend that management review the instructions provided for the financial status reports and obtain clarification from the federal grantor agency on which reporting method is acceptable, and assistance in resolving this apparent conflict in reporting regulations and guidelines. Management should also discuss any necessary corrective action for the Financial Status Reports that had been submitted for the current fiscal year.

**COUNTY OF SAN MATEO**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2006

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

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**Finding 2006-02 (Continued)**

***Management Response***

We concur with the recommendation. As the auditors were advised, we have documented our existing attempts to seek clarification on this reporting format issue, from the National HIDTA Assistance Center (NHAC) in Miami. We will press more firmly for guidance and clarification in this area, and the HIDTA Director will directly assist in this process. We will seek clear guidance in writing from ONDCP and/or the NHAC regarding reporting procedures, and attempt to resolve conflicting directions on whether to report as-spent, or as-claimed expenditures, so as to provide both HIDTA and our annual Single Auditors with the appropriate form of reporting expenses. We will document the response from NHAC so there will be no question as to what the direction is.

**COUNTY OF SAN MATEO**  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Fiscal Year Ended June 30, 2006

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

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**Finding 2006-03 U.S. Department of Agriculture**  
 Food Stamp Cluster, CFDA numbers 10.551 and 10.561  
 Passed Through the State of California, Department of Social Services  
 Administered by the County of San Mateo, Human Services Agency  
*Reporting*

***Criteria***

As a recipient of Federal Funding for the Food Stamp Cluster passed through the California Department of Social Services (CDSS), the County is required to submit the following special reports:

- Quarterly Status of Claims against Households (FNS 209)
- Monthly Participation and Benefit Issuance Report (DFA 256) and supporting documentations
- A package of three monthly issuance reconciliation report (DFA 885) - Federal (DFA 885A), State (DFA 885B) and Total of Federal and State (DFA 885C);

***Condition***

The Human Services Agency (HSA) implemented the CalWIN welfare system during October 2005. The new system significantly increased the workload of departmental staff, including the time needed for report preparation and additional responsibilities to resolve technical system conversion issues. For the three sets of reports listed under the criteria section, we selected the third quarter of the FNS 209, and the months of August 2005, December 2005 and April 2006 for the DFA 256 and the DFA 885 reports for testing. Of the total of 7 reports tested, 3 reports were submitted after the due date. Late submission ranged from 44 to 164 days.

| <b>Report Name</b> | <b>Report Frequency</b> | <b>For the Period Ended</b> | <b>No. of Days Past Due</b> |
|--------------------|-------------------------|-----------------------------|-----------------------------|
| FNS 209            | Quarterly               | 3/31/2006                   | 164                         |
| DFA 256            | Monthly                 | 12/31/2005                  | 44                          |
| DFA 885            | Monthly                 | 12/31/2005                  | 44                          |

In addition, we noted the following:

- Although the error did not affect the total amounts reported, for the quarterly FNS 209 report tested, information of two different items reported was mistakenly transposed and
- For 1 of the 3 monthly DFA 256 reports tested, the total value of federal benefit issuances was overstated by \$540.

***Effect***

Without submitting the reports with accurate information and in a timely fashion, the County runs a risk of non-compliance with the Federal and State requirements.

**COUNTY OF SAN MATEO**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2006

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

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**Finding 2006-03 (Continued)**

***Questioned Cost***

Not applicable. Although the total issuance amounts was misstated in the DFA 256, the purpose of the report is not to claim reimbursements, but to provide information needed for budgeting, staffing and program planning.

***Recommendation***

We recommend the HSA evaluate controls over reporting to ensure timely submissions of required reports. Adequate controls should include mechanisms to identify and track report due dates ensuring that required information is readily available. Also, procedures should be implemented to obtain approved deadline extensions for instances when reports are expected to be submitted late due to system problems or staffing constraints. The approved extensions should be documented within the reporting files of HSA for auditor review.

***Management Response***

As noted above, the implementation in the County in October 2005 of the new CalWIN eligibility determination and payment issuance system quickly revealed significant shortcomings in the system's ability to compile and report the data needed to complete a variety of funder required data and financial reports. While progress has been made by the CalWIN project and individual CalWIN consortium counties in understanding and correcting system deficiencies and devising workarounds, data reporting will remain challenging for the foreseeable future.

We concur with the recommendation to evaluate our controls over data reporting to ensure the timely submissions of required reports, and to implement procedures to obtain and document any approved deadline extensions for instances when reports are expected to be submitted late due to system problems or staffing constraints.



**COUNTY OF SAN MATEO**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2006

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

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**Finding 2006-04**    **U.S. Department of Justice**  
Violent Offenders Incarceration and Truth Sentencing Incentive Grants,  
CFDA number 16.586  
Passed Through the State of California, Board of Corrections  
Administered by the San Mateo County Capital Projects Division  
*Davis Bacon Act*

***Criteria***

As required by the Davis-Bacon Act and the U.S. Department of Labor (DOL) regulations (29 CFR 3.4), each contractor or subcontractor engaged in the construction, prosecution, completion, or repair of any public building or public work, or building or work financed in whole or in part by loans or grants from the United States, shall furnish each week a statement with respect to wages paid each of its employees engaged on the work. The purpose of the statement is for the contractor and subcontractors to certify the employees affected are paid the full weekly wages earned and the employees engaged are not paid less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed. Such weekly statement shall be delivered by the contractor or subcontractor, within 7 days after the regular payment date of payroll period, to a representative of Federal or State agency contracting for or financing the work. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors.

***Condition***

The County engages and relies on a construction management company to collect certified payroll from the subcontractors. During our test work of the Davis Bacon requirement, we noted that out of the 169 certified payroll statements tested:

- 72 certified payrolls statements were not submitted within 7 days after the payment date; and
- 20 certified payrolls statements did not have a submission/receipt date. Thus, we were not able to verify if the statements were submitted within the required timeframe.

***Effect***

The County and the construction management company did not receive the certified payroll statements in a timely fashion to ensure the contractor and subcontractors comply with the Davis-Bacon Act and DOL regulations. Thus, the County runs a risk of violating these regulations.

***Recommendation***

We recommend the County and the construction management company establish procedures to monitor the submission of subcontractors certified payroll statements within the required timeframe. If subcontractors are not compliant with the due dates, the County should withhold the payments until the certified payroll statements are submitted.

***Management Response***

Turner Construction (Turner) provides construction management services for the Youth Services Center Project under agreement with the County. Under the terms of the agreement, Turner requires its subcontractors to submit monthly certified payrolls and labor rates before payments are made. The Capital Projects Division established procedures last year to periodically review and document that certified payrolls are being received in a timely manner and are being reviewed by Turner before payments are made to subcontractors. The County has confirmed that, when the certified payrolls were not received on time, Turner withheld payments to the subcontractors until the certified payrolls were received.

**COUNTY OF SAN MATEO**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2006

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

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**Finding 2006-05 U.S. Department of Health and Human Services**  
Temporary Assistance Needy Families (TANF), CFDA number 93.558  
Passed Through the State of California, Department of Social Services  
Administered by the San Mateo County Human Services Agency  
*Eligibility*

***Criteria***

In accordance with OMB Circular A-133, a grantee is responsible for documenting eligibility determinations. Under the TANF eligibility requirements, all forms used for eligibility determination should be properly re-evaluated and approved.

The County is a recipient of TANF funds from the State of California (State). As such the State has established program documentation requirements that the County is required to follow when determining eligibility. The documentation includes the following:

- Statement of Facts for Cash Aid, Food Stamps, and Medi-Cal/State-run County Medical Services Program (SAWS-2) Form – This form is required by the State as the grantor to be completed with each eligibility determination under the TANF program. It is used to document the eligibility determination of the applicant and all relevant information supporting the determination.
- Quarterly Eligibility/Status Report (QR-7) – This form is completed by each program participant to self-report family income and/or living arrangements. This form is required quarterly and must be reviewed and signed by the eligibility worker.
- Income Eligibility Verification System (IEVS) – This system is used by eligibility workers to request forms from the State indicating income and benefit information when making eligibility determinations. The information on this form must be reviewed and signed by the eligibility workers and used in the initial determinations and the annual re-determinations of eligibility for individuals receiving benefits.

***Condition***

During our testing of 40 participant files for compliance with eligibility requirements, we noted the following:

- 3 participant files' SAWS-2 Form were not signed by the eligibility worker to define whether the participant was eligible.
- 1 participant file did not have a complete QR-7 form in file. The participant's QR-7 for the month of July 2005 was signed, but it was not filled out.
- 3 participant files had the current IEVS Form, but they were not signed indicating that the eligibility worker reviewed the form and made the appropriate income assessment. Although the required signature was missing from the IEVS Form, we were able to verify compliance with income eligibility for the 3 participant files noted.

**COUNTY OF SAN MATEO**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2006

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

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**Finding 2006-05 (Continued)**

***Effect***

Missing approvals and lack of documentation supporting eligibility determinations may result in inadequate eligibility determinations, thus benefits could be disbursed to ineligible participants.

***Questioned Cost***

\$13,620 based on the errors indicated in the first and second bullet points under Condition above.

***Recommendation***

With the implementation of the CalWorks Welfare Information Network (CalWIN) on October 1, 2005, the State no longer requires the County's Human Services Agency (HSA) to sign IEVS Forms or complete the SAW 2 Form as the information contained in these forms will be captured electronically. With these recent changes, we recommend that HSA continue to evaluate and design effective controls procedures over the eligibility determination and re-determination process to ensure that eligibility is adequately documented and maintained to support each determination.

***Management Response***

We concur with the recommendation that we continue to evaluate and design effective controls procedures over the eligibility determination and re-determination process to ensure that eligibility is adequately documented and maintained to support each determination.

To document as well as enhance agency performance in all operational areas, the HSA is currently undergoing the process of being accredited by the Council on Accreditation. One accreditation standard requires Performance Quality Improvement (PQI) plans for the CalWORKs program. Our proposed CalWORKs PQI plan specifies that case records be reviewed for adequate documentation and correct eligibility determination. Findings from these case record reviews will be documented and error trends will be shared with the supervisors in the CalWORKs program who are responsible for overseeing performance of the eligibility determination process. We expect that such PQI efforts will lead to more accurate and documented eligibility determination.

**COUNTY OF SAN MATEO**  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Fiscal Year Ended June 30, 2006

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

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**Finding 2006-06 U.S. Department of Health and Human Services**  
 Temporary Assistance Needy Families (TANF), CFDA number 93.558; and  
 Foster Care Title IV-E, CFDA number 93.658  
 Passed Through the State of California, Department of Social Services  
 Administered by the County of San Mateo, Human Services Agency  
*Reporting*

***Criteria***

The California Department of Social Services (CDSS) has developed procedures to assist counties with their efforts to submit the appropriate supporting documentation and to help avoid any processing delays of counties' assistance claims. The County is the recipient of both TANF and Foster Care Title IV-E funds passed through from the CDSS. CDSS requires the County to submit the Summary Report of Assistance Expenditures (CA 800 FED). According to the County Fiscal Letter (CFL) No. 03/04-40, the due date for submission of CA 800 FED and supporting documentation will remain the same from prior years, which is the 20th calendar day following the end of the claiming month.

***Condition***

We tested three monthly CA 800 reports for each of the programs. For the TANF program, we selected the months of December 2005, February 2006 and April 2006. For the Foster Care Title IV-E program, we selected the months of August 2005, December 2005 and March 2006 for testing. Because of the technical problem raised in the implementation of the CalWIN system, the County encountered many challenges in obtaining accurate information from the reports generated by the CalWIN system to prepare the CA 800 FED reports. We noted that all 6 reports tested were submitted to the State after the due date. Late submission ranged from 55 to 126 days.

| <b>Program</b>         | <b>Reporting Month</b> | <b>No. of Days<br/>Past Due</b> |
|------------------------|------------------------|---------------------------------|
| TANF                   | December 2005          | 126                             |
| TANF                   | February 2006          | 93                              |
| TANF                   | April 2006             | 55                              |
| Foster Care Title IV-E | August 2005            | 85                              |
| Foster Care Title IV-E | December 2005          | 126                             |
| Foster Care Title IV-E | March 2006             | 84                              |

***Effect***

Timely submissions of required reports to grantors are essential so that accurate financial and programmatic information is collected for analysis and determination of future funding levels.

**COUNTY OF SAN MATEO**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2006

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

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**Finding 2006-06 (Continued)**

***Recommendation***

We recommend the Human Services Agency (HSA) evaluate existing procedures over reporting in light of current conditions to ensure timely submissions of required reports. Adequate controls should include mechanisms to identify and track report due dates ensuring that required information is readily available to allow sufficient time for report preparation. Also, procedures should be implemented to obtain approved deadline extensions for instances when reports are expected to be submitted late due to system problems or staffing constraints. The approved extensions should be documented within the reporting files of HSA for auditor review.

***Management Response***

As noted above, the implementation in the County in October 2005 of the new CalWIN eligibility determination and payment issuance system quickly revealed significant shortcomings in the system's ability to compile and report the data needed to complete a variety of funder required data and financial reports. While progress has been made by the CalWIN project and individual CalWIN consortium counties in understanding and correcting system deficiencies and devising workarounds, data reporting will remain challenging for the foreseeable future.

We concur with the recommendation to evaluate our controls over data reporting to ensure the timely submissions of required reports. We cannot concur with the recommendation regarding documenting approved deadline extensions as the CDSS does not formally approve and document deadline extensions for these particular reports. However, we will continue to inform the CDSS in instances when reports are expected to be submitted late due to system problems or staffing constraints.

**COUNTY OF SAN MATEO**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2006

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

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**Finding 2006-07 U.S. Department of Health and Human Services**  
Temporary Assistance Needy Families (TANF), CFDA number 93.558  
Passed Through the State of California, Department of Social Services  
Administered by the County of San Mateo, Human Services Agency  
*Special Tests & Provisions*

***Criteria***

On October 1, 2005, the County implemented the CalWIN (CalWorks Welfare Information Network) system, replacing the CDS application used for welfare case file management. It is a state-mandated computerized information system designed to automate eligibility determination and some case maintenance functions for specific County-administered social services programs such as CalWORKs, Food Stamps, Medi-Cal, CAPI, General Assistance, and Foster Care. The system has been configured to the business processes and reference information specific to the County. For approximately one year prior to the system implementation, the County had access to a test system in which to conduct training and test the user authorization roles and access profiles.

In accordance with OMB Circular A-133, the County is responsible to apply sanctions to individuals who did not comply with program requirements. Specifically, the County is required to:

- Terminate or reduce assistance by at least 25 percent for participants who do not cooperate with child support services (child support non-cooperation); and
- Reduce or terminate assistance for participants who refuse to participate in work activities (refusal to work) and are not subject to any good cause or exemption, such as unavailability of appropriate child care for an adult single custodial parent caring for a child under the age of six (child under six).

The County has established internal procedures to notify participants at least ten days before the effective date of the sanction.

***Condition***

During our audit of the TANF program, we requested CalWIN reports for individuals sanctioned under each of the special provisions during the current fiscal year. We selected a total of 120 cases for the three special provisions and were able to determine the County's compliance with the applicable compliance requirements. However, we noted 18 cases in which the individual did not receive benefits during the month that the case was marked as sanction in the system. Below is a breakdown of those 18 cases by special provisions:

- 12 cases for the Child Support Non-Cooperation requirement;
- 2 cases for the Refusal to Work requirement; and
- 4 cases for the Child under Six requirement.

***Effect***

The CalWIN data quality issue may affect management's ability to properly monitor caseload information.

**COUNTY OF SAN MATEO**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2006

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

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**Finding 2006-07 (Continued)**

***Recommendation***

We recognize the Human Services Agency's current efforts to remedy the condition. We recommend that the HSA continue to review existing information in the system to ensure that the information is accurate.

***Management Response***

We concur with the recommendation that HSA continue to review existing information in the CalWIN system to ensure that the information is accurate. As previously noted, the implementation in our county in October 2005 of the new CalWIN eligibility determination and payment issuance system quickly revealed shortcomings in the system's ability to appropriately process certain transactions and correctly classify certain cases. In terms of the above reported condition, we believe the more accurate description is that the CalWIN system is deficient in its ability to accurately identify certain cases, sanctioned cases in this instance.

Essentially, we have a situation where some cases are correct in terms of benefits issued, but not classified correctly by CalWIN. We believe that some of these case classification errors are the result of conversion from the CDS to CalWIN. We also believe that some errors are the result of CalWIN incorrectly identifying non sanctioned cases as sanctioned cases. As those errors are uncovered we will address them through making correcting entries in CalWIN and/or reporting the error type to the CalWIN project for further analysis.

Regarding CalWIN error reduction, the HSA is currently undergoing the process of being accredited by the Council on Accreditation with the goal of documenting as well as enhancing the agency's performance in all operational areas. One accreditation standard requires Performance Quality Improvement (PQI) plans for the CalWORKs program. Our proposed CalWORKs PQI plan specifies that case records be reviewed for adequate documentation and correct eligibility determination. Findings from these case record reviews will be documented and error trends will be shared with the supervisors in the CalWORKs program who are responsible for overseeing performance of the eligibility determination process. We expect that such PQI efforts will lead to both the detection and correction of discrepancies in CalWIN case information and more accurate and documented eligibility determination.

**COUNTY OF SAN MATEO**  
 Status of Prior Years Findings and Questioned Costs  
 For the Fiscal Year Ended June 30, 2006

|  |  |
|--|--|
| <b>Reference Number:</b>                 | <b>2005-A</b>  |
| Federal Catalog Number/<br>Program Name: | San Mateo Medical Center   |
| Audit Finding:                           | There is no secondary level of review over the Financial Reporting Process. Thus, numerous adjustments, revisions and corrections need to be made by the auditors and staffs. The condition placed the Medical Center at risk of having material misstatements go undetected, in addition to creating audit delays and unnecessary additional costs charged to the Medical Center.   |
| Status of Corrective Action:             | Corrected.   |
| <b>Reference Number:</b>                 | <b>2005-01</b>   |
| Federal Catalog Number/<br>Program Name: | 93.558 / Temporary Assistance Needy Families (TANF)  |
| Audit Finding:                           | Special Tests & Provisions: 9 out of 40 cases tested for eligibility had an IEVS form that was not signed by the eligibility worker; 1 out of 40 cases tested could not be located, and 4 out of 18 cases tested for penalty for child support non-cooperation did not have a notice of action form in the participants' files.  |
| Status of Corrective Action:             | Corrected.   |
| <b>Reference Number:</b>                 | <b>2005-02</b>   |
| Federal Catalog Number/<br>Program Name: | 93.558 / Temporary Assistance Needy Families (TANF)  |
| Audit Finding:                           | Allowable Costs/Costs Principles – Ancillary and Childcare Payments: Out f 40 childcare cases tested, 1 case file did not have a supervisor's approval and 1 case file did not have a signed care plan for the test period. In addition, 2 cases files had 2 partially executed copies of the childcare plan. Changes to the childcare plans are done manually, thus there is a risk that changes are not appropriately communicated to the custodial parents. |
| Status of Corrective Action:             | Corrected.   |
| <b>Reference Number:</b>                 | <b>2005-03</b>   |
| Federal Catalog Number/<br>Program Name: | 14.239 / HOME Investment Partnerships Program (HOME)   |
| Audit Finding:                           | Cash Management: expenditures incurred by the County in July 2004 were reimbursed through a drawdown twice in September and November 2004.   |
| Status of Corrective Action:             | Corrected.   |



**COUNTY OF SAN MATEO**  
 Status of Prior Years Findings and Questioned Costs (Continued)  
 For the Fiscal Year Ended June 30, 2006

|  |   |
|--|---|
| <b>Reference Number:</b>                 | <b>2005-04</b>  |
| Federal Catalog Number/<br>Program Name: | 14.239 / HOME Investment Partnership Program (HOME)   |
| Audit Finding:                           | Special Tests & Provisions – Housing Quality Standards: out of 6 projects tested, 5 did not have the housing quality inspection performed within the required timeframe and 1 project did not have documentation of previous inspection record.   |
| Status of Corrective Action:             | Corrected.  |
| <b>Reference Number:</b>                 | <b>2005-05</b>  |
| Federal Catalog Number/<br>Program Name: | 07 / High Intensity Drug Trafficking Area (HIDTA)   |
| Audit Finding:                           | Reporting: the quarterly Financial Status Reports were not prepared on the cash or the accrual basis. Expenditures were reported in the quarter in which reimbursement was requested from the federal grantor agency.   |
| Status of Corrective Action:             | Not corrected – See current year Finding 2006-02.   |
| <b>Reference Number:</b>                 | <b>2005-06</b>  |
| Federal Catalog Number/<br>Program Name: | 07 / High Intensity Drug Trafficking Area (HIDTA)   |
| Audit Finding:                           | Earmarking: The Northern California HIDTA office does not have a system keeping track and verifying the overtime payments made to individual employees or officers of each initiatives.   |
| Status of Corrective Action:             | Corrected   |
| <b>Reference Number:</b>                 | <b>2005-07</b>  |
| Federal Catalog Number/<br>Program Name: | 07 / High Intensity Drug Trafficking Area (HIDTA)<br>97.073 / State Homeland Security Program (SHSP)  |
| Audit Finding:                           | <i>Procurement and Suspension and Debarment:</i> both Northern California HIDTA office and the Sheriff’s office do not have any policies and procedures to verify that the contractors or non-federal entities are not suspended or debarred or otherwise excluded when a procurement contract is made. |
| Status of Corrective Action:             | Not corrected – See current year Finding 2006-01.   |

**COUNTY OF SAN MATEO**  
 Status of Prior Years Findings and Questioned Costs (Continued)  
 For the Fiscal Year Ended June 30, 2006

|  |   |
|--|---|
| <b>Reference Number:</b>                 | <b>2005-08</b>  |
| Federal Catalog Number/<br>Program Name: | 16.586 / Violent Offenders Incarceration and Truth Sentencing Incentive Grants  |
| Audit Finding:                           | Davis Bacon Act: out of 40 certified payrolls tested, 10 were not received within the required timeframe and 6 did not have documentation of a receive date.  |
| Status of Corrective Action:             | Not corrected – see current year Finding 2006-04.   |
| <b>Reference Number:</b>                 | <b>2005-09</b>  |
| Federal Catalog Number/<br>Program Name: | 16.586 / Violent Offenders Incarceration and Truth Sentencing Incentive Grants  |
| Audit Finding:                           | Procurement and Suspension and Debarment: The County’s Capital Projects Division (CPD) did not have policies and procedures to verify that the contractors or non-federal entities are not suspended or debarred or otherwise excluded. As such, CPD did not obtain required certifications from its construction management firm on the Youth Services Center project. |
| Status of Corrective Action:             | Corrected.  |
| <b>Reference Number:</b>                 | <b>2005-10</b>  |
| Federal Catalog Number/<br>Program Name: | 10.561 / State Administrative Matching Grants for Food Stamp Program,<br>16.586 / Violent Offenders Incarceration and Truth Sentencing Incentive Grants, and<br>93.778 / Medical Assistance Program   |
| Audit Finding:                           | Partial federal expenditures of the following federal assistance programs were excluded in the preparation of Schedule, causing the County to file two extensions pas their Single Audit reporting deadline of March 31, 2006.  |
| Status of Corrective Action:             | Corrected.  |