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County of Santa Cruz

Santa Cruz, California

Single Audit Report

For the year ended June 30, 2008

SAR 1/30/09

C&L
Caporicci & Larson
Certified Public Accountants

County of Santa Cruz
Single Audit Report
For the year ended June 30, 2008

Table of Contents

Page

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 1

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 3

Schedule of Expenditures of Federal Awards 5

Notes to Schedule of Expenditures of Federal Awards 11

Schedule of Findings and Questioned Costs 13

Summary Schedules of Prior Audit Findings 14

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

To the Honorable Board of Supervisors
of the County of Santa Cruz, California
Santa Cruz, California

We have audited the basic financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Santa Cruz (County), as of and for the year ended June 30, 2008, and have issued our report thereon dated December 23, 2008. We conducted our audit in accordance with generally accepted auditing standards in the United States 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal over financial reporting control that we consider to be material weaknesses, as defined above.

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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 result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated December 23, 2008.

This report is intended solely for the information and use of the audit committee, management, the Board of Supervisors, others within the County, and 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. However, this report is a matter of public record and its distribution is not limited.

Caporicci & Larson

Oakland, California
December 23, 2008

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

To the Honorable Board of Supervisors
of the County of Santa Cruz, California
Santa Cruz, California

Compliance

We have audited the compliance of the County of Santa Cruz (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The County's major federal programs are identified in the summary of audit results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards in the United States; the standards applicable to financial audits contained in *Government Audit 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, 2008.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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A *control deficiency* in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the County as of and for the year ended June 30, 2008, and have issued our report thereon dated December 23, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

This report is intended solely for the information and use of the audit committee, management, Board of Supervisors, and 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. However, this report is a matter of public record and its distribution is not limited.

Caporicci & Larson

Oakland, California
December 23, 2008

County of Santa Cruz
Single Audit Report
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2008

Program Name / Federal Grantor	Grantor / Pass-Through Entity Grant Number		Federal Catalog Number	Program Expenditures
Department of Agriculture				
Pass-Through Programs:				
California Department of Social Services				
Food Stamps	-	*	10.551	$ 16,528,563
Food Stamp Administration	-	*	10.561	2,888,941
Subtotal California Department of Social Services Pass-Through Programs				19,417,504
State Department of Education				
School Breakfast Program	44-34447-9003419-01		10.553	30,230
Total Department of Agriculture				19,447,734
Department of Housing and Urban Development				
Direct Programs:				
Supportive Housing Program	-		14.235	142,591
Supportive Housing Program - HMIS	-		14.235	80,341
Supportive Housing Program - Match	CA01SB50801		14.235	254,967
Subtotal Direct Programs				477,899
Pass-Through Programs:				
California Department of Health Services				
Housing Opportunities for Persons with AIDS	07-65539		14.241	108,770
Subtotal California Department of Health Services Pass-Through Programs				108,770
Total Department of Housing and Urban Development				586,669
Department of Justice				
Direct Programs:				
Cannabis Eradication Program	S7A4107044		16.579	20,000
Bryne Memorial Justice Grant (JAG)	2007-DJ-BX-0276		16.738	86,280
Bullet Proof Vests	07040631		16.607	1,720
Subtotal Direct Programs				108,000
Pass-Through Programs:				
Governor's Office of Emergency Services				
Marijuana Suppression Program	MS06120440		16.738	176,282
Anti-Drug Enforcement Program	DC07180440		16.738	206,787
Victim Witness Assistance Program	VW07260440		16.575	88,926
Violence Against Women Vertical Prosecution	VV07030440		16.588	105,000
Subtotal Governor's Office of Emergency Services Pass-Through Programs				576,995

*Denotes Major Program

County of Santa Cruz
Single Audit Report
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2008

Program Name / Federal Grantor	Grantor / Pass-Through Entity Grant Number	Federal Catalog Number	Program Expenditures
Department of Justice, Continued			
Pass-Through Programs:			
California Department of Corrections and Rehabilitation			
Juvenile Accountability Incentive Block Grants	CSA 122-07	16.523	$ 17,568
Title II Formula Grant: Enhanced DMC-TAP Project	CSA 340-06	16.540	136,337
Title II Formula Grant: GirlZpace: Meeting the Needs of Juvenile Female Offenders	CSA 346-06	16.540	323,898
Title V Grant	CSA 401-01	16.548	227,583
Subtotal California Department of Corrections and Rehabilitation Pass-Through Programs			705,386
Santa Cruz County Narcotic Enforcement Team and San Mateo County High Intensity Drug Trafficking Area	-	16.000	4,471
Total Department of Justice			1,394,852
Department of Labor			
Pass-Through Programs:			
California Department of Employment Development			
WIA Adult Programs			
Title I - A Adult Formula	-	17.258	1,151,053
X-Ray Tech: Title I 15% Adult Special Project (642)	-	17.258	1,162
WIA Youth Activities Programs			
Title I - Youth Formula	-	17.259	1,307,387
Title I-D Dislocated Worker Formula	-	17.260	942,754
Title I Dislocated Worker - Formula Insufficiency	18885	17.260	138,075
Title I Dislocated Worker - Augmentation	-	17.260	2,067
Title I Rapid Response Special Project - Bird's-Eye	-	17.260	911,164
Rapid Response for RA&PGM - Business Retention Survey	-	17.260	183,956
Rapid Response for RA&PGM - Enhanced Business Services	-	17.260	109,678
Other WIA Programs			
Governer's Cal-Grip Initiative	-	17.259	74,051
Title I 15% Youth Special Project - Foster Youth	-	17.263	33,433
Total Department of Labor			4,854,780

*Denotes Major Program

County of Santa Cruz
Single Audit Report
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2008

Program Name / Federal Grantor	Grantor / Pass-Through Entity Grant Number	Federal Catalog Number	Program Expenditures
Department of Transportation			
Pass-Through Programs:			
California Department of Transportation			
Highway Planning and Construction	ER-4446-(001)	20.205	$ 1,090
Highway Planning and Construction	ER-4446-(002)	20.205	22,118
Highway Planning and Construction	ER-4446-(003)	20.205	23,120
Highway Planning and Construction	ER-4446-(004)	20.205	94,706
Highway Planning and Construction	ER-4446-(005)	20.205	13,524
Highway Planning and Construction	BPMP-5936-(070)	20.205	4,639
Highway Planning and Construction	HBRR-5936-(042)	20.205	15,087
Highway Planning and Construction	BRLO-5936-(061)	20.205	1,464
Highway Planning and Construction	BRLKS-5936-(048)	20.205	9,062
Highway Planning and Construction	RPSTPL-5936-(033)	20.205	88,530
Total Department of Transportation			273,340
Environmental Protection Agency			
Direct Programs:			
Federal EPA Grant	X8-96998701	66.716	18,433
Pass-Through Programs:			
California State Water Resources Control Board			
Beach Monitoring and Notification Program Implementation Grants	04-35989	66.472	25,000
Total Environmental Protection Agency			43,433
Department of Education			
Pass-Through Programs:			
California Department of Education, Santa Cruz County Office of Education			
Special Education Grant, Individuals with Disabilities Education Act	-	84.027	578,673
California Department of Alcohol and Drug Programs			
Safe & Drug-Free Schools and Communities State Grants	SDF03-06	84.186	45,497
Safe & Drug-Free Schools and Communities State Grants	SDF07-06	84.186	115,353
Total Department of Education			739,523
Election Assistance Commission			
Pass-Through Programs:			
California Secretary of State: Help America Vote Act	05GR301044	90.401	148,524
Total Election Assistance Commission			148,524

*Denotes Major Program

County of Santa Cruz
Single Audit Report
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2008

Program Name / Federal Grantor	Grantor / Pass-Through Entity Grant Number		Federal Catalog Number	Program Expenditures
Department of Health & Human Services				
Direct Programs:				
Health Services for the Homeless	3-H80CS00048		93.224	$ 1,088,797
Motivational Approach to Success (MAS)	1 H79 TI15584-01		93.243	88,960
Early Intervention Services	H76HA00153		93.918	497,417
Subtotal Direct Programs				1,675,174
Pass-Through Programs:				
California Department of Social Services				
Temporary Assistance for Needy Families - Assistance	-	*	93.558	12,691,126
Temporary Assistance for Needy Families - CalWorks Program and Staff Development	-	*	93.558	8,531,095
Temporary Assistance for Needy Families - Childcare	-	*	93.558	4,338,520
Temporary Assistance for Needy Families - EA - ER, ESC, CR	-	*	93.558	1,826,882
TANF Incentives	-	*	93.558	14,971
Subtotal CFDA 93.558				27,402,594
Foster Care - Title IV-E				
Social Services Assistance	-		93.658	1,233,349
AB2129	-		93.658	2,874
Child Welfare Services	-		93.658	2,302,724
Family Preservation	-		93.658	75,971
Foster Family Licensing	-		93.658	97,430
Options for Recovery	-		93.658	65,805
Foster Care - Administration	-		93.658	374,080
Kinship & Foster Care Emergency Fund	-		93.658	7,483
Probation	-		93.658	4,444,462
Child Welfare Services Outcome Improvement Project	-		93.658	275,840
Subtotal CFDA 93.658				8,880,018
Adoption Assistance				
Assistance	-		93.659	2,127,280
Social Services	-		93.659	97,449
Other Public Assistance	-		93.659	365,852
Subtotal CFDA 93.659				2,590,581
Social Services Block Grant				
Child Welfare Services - Title XX	-		93.667	124,319
Subtotal CFDA 93.667				124,319
Abandoned Infants Program	-		93.551	575,566
Community Br-CBFRP	-		93.590	17,195
Promoting Safe and Stable Families - PSSF	-		93.556	168,434
Child Welfare Services - Title IV-B	-		93.645	294,636
Independent Living Program	-		93.674	76,482
Subtotal				1,132,313
Subtotal California Department of Social Services				40,129,825

* Denotes Major Program

County of Santa Cruz
Single Audit Report
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2008

Program Name / Federal Grantor	Grantor / Pass-Through Entity Grant Number		Federal Catalog Number	Program Expenditures
Department of Health & Human Services, Continued				
Pass-Through Programs, Continued:				
California Department of Child Support Services				
Child Support Enforcement	-		93.563	$ 4,853,274
Child Support Enforcement	-		93.563	1,373,270
Subtotal CFDA 93.563				6,226,544
California Department of Alcohol and Drug Programs				
Treatment Alliance for Safe Children	90CU0019/01		93.087	234,034
Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	07-NNA44		93.959	1,817,362
Subtotal				2,051,396
California Department of Aging				
Medical Assistance Program - MSSP	-	*	93.778	747,741
Medi-Cal Administrative Activities				
Home Health Nursing	-	*	93.778	602,373
California Department of Health Services				
Medical Assistance Programs				
CWS title XIX	-	*	93.778	1,316,367
Adult Protective Services	-	*	93.778	451,171
IHSS Title XIX	-	*	93.778	1,427,410
Medi-Cal 50%	-	*	93.778	6,237,719
Medi-Cal Save 100%	-	*	93.778	45,103
Public Authority	-	*	93.778	764,528
Stable Family Preservation - Title XIX	-	*	93.778	100,435
Subtotal CFDA 93.778				10,342,733
Adolescent Family Life Planning Grant	2007-44		93.994	60,972
Maternal and Child Health Services Block Grant to the States	2007-44		93.994	300,702
Subtotal CFDA 93.994				361,674
Hospital Preparedness Program	-		93.889	211,328
Immunization Assistance	07-65250		93.268	194,391
Immunization Registry	07-65610		93.268	33,250
Preparedness and Response to Bioterrorism	EPO CDC 07-44		93.283	324,468
Ryan White Care Act Title II	07-65083		93.917	69,401
HIV Prevention Activities - Health Department Based	07-65083		93.917	25,200
HIV Prevention Activities - Health Department Based	07-65083		93.940	27,600
Subtotal				885,638
Subtotal California Department of Health Services				21,218,099
California Department of Mental Health				
Projects for Assistance in Transition from Homelessness (PATH)	-		93.150	37,767
State Children's Insurance Program	-		93.767	26,417
Medicaid Administrative Costs	-	*	93.778	38,018
Medical Assistance Program	-	*	93.778	1,483,192
Medical Assistance Program - MediCal Administrative	-	*	93.778	125,030
Block Grant for Community Mental Health Services (SAMHSA)	-		93.958	117,262
Subtotal California Department of Mental Health				1,827,686
Total Department of Health & Human Services				64,850,784

*Denotes Major Program

County of Santa Cruz
Single Audit Report
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2008

Program Name / Federal Grantor	Grantor / Pass-Through Entity Grant Number		Federal Catalog Number	Program Expenditures
Social Security Administration				
Direct Programs:				
Social Security - Research and Demonstration: HOPE Grant	18-H-40025-9		96.007	$ 111,474
Total Social Security Administration				111,474
Department of Homeland Security				
Pass-Through Programs:				
Governor's Office of Emergency Services				
State Domestic Preparedness Equipment Support Program				
Homeland Security Grant Program FY06	2006-71		97.074	130,950
Homeland Security Grant Program FY06	2006-71		97.073	206,327
Homeland Security Grant Program FY07	2007-8		97.073	12,533
Subtotal				349,810
Public Assistance Grants				
Disaster Grants	087-00000	*	97.036	2,782,005
Disaster Grants	087-91052	*	97.036	263,900
FEMA-2766-FM/Summit	FEMA 2775 FM		97.046	19,544
Unknown/Martin Fire	FEMA 2772 FM		97.046	7,144
Subtotal				3,072,593
Flood Mitigation Assistance Program FY04	2004-1003		97.029	101,805
Hazard Mitigation Grant	FEMA-1044-DR-CA		97.039	47
Emergency Management Performance Grant 2006	2006-8		97.042	4,513
Emergency Management Performance Grant 2007	2007-6		97.042	70,803
Subtotal				177,168
Total Department of Homeland Security				3,599,571
Total Federal Financial Assistance				$ 96,050,684

*Denotes Major Program

1. REPORTING ENTITY

The Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal award programs of the County of Santa Cruz, California (County). The County's reporting entity is defined in Note 1A of the County's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through to the County from other governmental agencies, are included on the Schedule.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting*

Funds received under the various grant programs have been recorded within the general, special revenue, and enterprise funds of the County. The County utilizes the modified accrual method of accounting for the general fund and special revenue funds. The accrual basis of accounting is used for the enterprise funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of the County's basic financial statements.

B. *Schedule of Expenditures of Federal Awards*

The accompanying Schedule presents the activity of all Federal financial assistance programs of the County. Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through the State of California is included in the Schedule.

The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the County.

3. SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the County provided federal awards to subrecipients as follows:

Federal CFDA	Program Title	Amount
16.540	Title II GirlZpace	$ 115,583
16.548	Title V Grant	143,315
16.579	Marijuana Supression Grant	26,352
93.150	Projects for Assistance in Transition from Homelessness	37,767
93.243	Motivational Approach to Success	42,132
93.563	County of San Benito Child Support	1,287,452
93.778	MediCal Administrative Activities	16,200
93.958	Substance Abuse and Mental Health Services (SAMSHA)	73,421
	Total	$ 1,742,222

4. PROGRAM CLUSTERS

Federal programs, which must be audited together as a program cluster, include the following:

CFDA	Program Title	Amount
	Food Stamp Cluster:	
10.551	Food Stamps	$ 16,528,563
10.561	Food Stamp Administration	2,888,941
	Total	$ 19,417,504
	WIA Cluster:	
17.258	WIA - Adult	$ 1,152,215
17.259	WIA - Youth	1,381,438
17.260	WIA - Dislocated Workers	2,287,694
17.263	WIA - Youth Special Project	33,433
	Total	$ 4,854,780

5. TOTAL FEDERAL AWARDS EXPENDED BY CFDA NUMBER

When there is more than one program under a single CFDA number that is used by multiple departments, the total is provided below:

Federal CFDA	Total Federal Expenditures
93.778	
Department of Health & Human Services	$ 11,692,847
Department of Mental Health	1,646,240
Total	$ 13,339,087

6. DEPARTMENT OF AGING FEDERAL/STATE SHARE

The California Department of Aging (CDA) requires agencies who receive CDA funding to display state-funded expenditures discretely along with federal expenditures. The County expended the following state and federal amounts under these grants:

Federal CFDA	Contract Number	Federal Expenditures	State Expenditures
93.778	R556	$ 373,871	$ 373,870

County of Santa Cruz
Single Audit Report
Schedule of Findings and Questioned Costs
For the year ended June 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the County of Santa Cruz (County).
2. No significant deficiencies relating to the audit of the financial statements are reported in the basic financial statements.
3. No instances of noncompliance material to the basic financial statements of the County were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the basic financial statements.
5. The auditors' report on compliance for the major federal award programs for the County expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for the County were reported.
7. The programs tested as major programs include:

CFDA Number	Major Program	Expenditures
10.551	Food Stamps	$ 16,528,563
10.561	Food Stamp Administration	2,888,941
93.558	Temporary Assistance for Needy Families	27,402,594
93.778	Medical Assistance Program	13,339,087
97.036	FEMA	3,045,905
	Total Major Program Expenditures	$ 63,205,090
	Total Federal Award Expenditures	$ 96,050,684
	Percent of Total Federal Award Expenditures	65.80%

8. The threshold for distinguishing Types A and B programs was $2,881,521.
9. The County was determined to be a high-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

No financial statement findings were noted.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

No findings or questioned costs were noted on the County's major programs.

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS FROM PRIOR YEAR AUDITORS

07-FS-1	Accounts Receivable
Criteria	During its year-end closing process, the County should establish and enforce policies and procedures to ensure that year-end accruals are properly identified, reviewed, and recorded for all account balances, including revenues and receivables.
Condition	During the audit, the previous auditors noted a few significant receivables that were recorded at the end of the year despite the revenue recognition criteria not being met. The amount of the audit adjustment was approximately $4 million.
Questioned Costs	None.
Context and Effect	By not reviewing all significant year-end revenue accruals to ensure that all eligibility requirements have been met, the County could materially overstate its receivables and revenue.
Cause	During the year-end closing process, the County failed to sufficiently review the significant revenue accruals being proposed by the departments.
Recommendation	The previous auditors recommend that the Auditor-Controller's Office modify its year-end closing process to include the review of all significant receivables proposed by departments to ensure all revenue recognition requirements are met before recording the accruals in the general ledger.
Management's Response	We concur with this recommendation. This error was the result of two departments incorrectly stating their AR. The Auditor-Controller's Office will modify our year-end closing process to include the review of all significant receivables proposed by departments. The review will be performed by the Accounting Manager or Sr. Accountant-Auditor. In addition, we will emphasize this area in our written year-end close procedures that are provided to the departments. The implementation of this corrective action plan will be in place by May 2008 when the instructions are issued to departments. The contact person for this project is Accounting Manager Pam Silbaugh: telephone number (831) 454-2679.
Status	Implemented.

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS FROM PRIOR YEAR AUDITORS, Continued

07-SA-1

Temporary Assistance for Needy Families
CFDA 93.558

Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Entity:	State Department of Social Services
Compliance Requirement:	Eligibility
Reporting Requirement:	Significant Deficiency and Material Noncompliance in Relation to a Compliance Supplement Audit Objective

Criteria

The California State Department of Social Services in administrating the California State Plan for Temporary Assistance of Needy Families (TANF) adopted regulations for the administration of the State Plan and published these regulations in the *California Department of Social Services Manual of Policies and Procedures.* These regulations require that an individual applying for TANF provide a birth certificate or other enumerated, alternate documents to show birth, age, and citizenship.

Condition

The previous auditors tested eligibility in twenty-four cases. In one case the case file did not contain a birth certificate or other enumerated, alternate documents under the *California Department of Social Services Manual of Policies and Procedures,* to show birth, age, and citizenship for the applicant receiving aid on the case.

Questioned Costs

Undetermined.

Context and Effect

It appears the County neglected to make the individual applying for Federal assistance provide a document proving the individual is a citizen of the United States prior to providing them assistance from Federal funds. Taking into account the amount of assistance payments made for cases that were missing birth certificate in comparison to the total payments tested there was about a 1% error rate.

Birth certificates or acceptable alternative documents provide vital and reliable information about TANF applicants. Without such documents to prove applicant's birth, citizenship and age, fraud in the number of individuals in a family, critical age distinctions, and possibly citizenship may be difficult to detect, resulting in individuals being granted TANF benefits to which they are not entitled under federal law.

Recommendation

The previous auditors recommend that the County review the requirement of obtaining the required legal documents to establish an individual's citizenship prior to awarding Federal Temporary Assistance for Need Families (TANF) eligibility with County personnel who initiate TANF eligibility applications.

Corrective Action Plan

1. Review with the CalWORKs Trainer to ensure that training is provided on citizenship verification.

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS FROM PRIOR YEAR AUDITORS, Continued

This was confirmed via email by Division Director Claudine Wildman with CalWORKs Staff Development Trainer Rebecca Carter on 12/19/07. Ms. Carter provided a soft copy of the training module.

2. Division Directors to send email to Benefit Services and CareerWORKs Division staff regarding audit finings on citizenship verification. A copy or link to the training module will be included. Email to be sent by 1/7/08.

3. Division Directors to send email to Benefit Services and CareerWORKs Division Eligibility Supervisors and Program Managers directing them to review citizenship verification requirements at a unit meeting. Eligibility Supervisors must provide the date it was reviewed to their respective Program Managers. Email to be sent by 1/7/08. Unit meeting to be held by 2/1/08.

4. Review and revise as necessary any related business process. Review and revisions to be completed by 2/1/08.

The contact person for this corrective action plan is Sue Gilchrest, Division Director of Social Services. Her telephone number is (831) 454-5400.

Status Implemented.

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS FROM PRIOR YEAR AUDITORS, Continued

07-SA-2

Temporary Assistance for Needy Families
CFDA 93.558

Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Entity:	State Department of Social Services
Compliance Requirement:	Eligibility
Reporting Requirement:	Significant Deficiency and Material Noncompliance in Relation to a Compliance Supplement Audit Objective

Criteria

Any family that includes an adult, minor child, head of household, or a spouse of the head of household who has received assistance under any State program funded by federal TANF funds for sixty months (whether or not consecutive) is ineligible for additional federally funded TANF assistance. Certain exemptions apply in counting the months on Federal TANF assistance. The County uses the WDTIP system to track this sixty-month, time-on-aid limit. When cases near the TANF sixty-month, time-on-aid limit, the WDTIP "clock" must be reviewed to determine whether or not any adjustments for exempt/nonexempt months is warranted. The case must be set to transfer to state funding at the end of the TANF sixty-month, time-on-aid limit.

Condition

The previous auditors tested twenty-four cases and noted that for four cases the WDTIP tracking for the TANF sixty-month, time-on-aid limit was not current. The required review of the WDTIP clock had not been performed.

Questioned Costs

None.

Context and Effect

The previous auditors do not believe any further information would provide proper perspective.

Not completing the sixty-month, time-on-aid tracking can result in individuals receiving federal TANF assistance for more than sixty months in violation of federal law.

Recommendation

The previous auditors recommend that the County review its current system of ensuring that the sixty-month, time-on-aid limit is not exceeded and determine whether or not training, a review process and/or a revision to the system is warranted.

Corrective Action Plan

1. The current time-on-aid process has already been reviewed by a work group composed of the CalWORKs staff development trainer, eligibility supervisors from both Benefit Services and CareerWorks, and management analyst. Because problems with the accuracy of information generated from the CalWIN and WDTIP interface, the group is recommending a refresher training for staff and instructions on manual time-on-aid tracking using the State required form.

This was verbally confirmed by Division Director Sue Gilchrist on 12/18/07.

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS FROM PRIOR YEAR AUDITORS, Continued

2. The Division Director will approve a training request to Staff Development for a time-on-aid refresher training for both Benefit Services and CareerWorks staff.

Request was approved and forwarded to Staff Development on 12/16/07.

3. Time-on-aid refresher training will be scheduled at the earliest possible date. Training will be mandatory and the Division Directors for Benefit Services and CareerWorks will send email to eligibility staff informing them of the audit finding and the importance of the training.

Email and training to be completed by 4/1/08.

The contact person for this corrective action plan is Sue Gilchrest, Division Director of Social Services. Her telephone number is (831) 454-5400.

Status Implemented.

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS FROM PRIOR YEAR AUDITORS, Continued

07-SA-3

Temporary Assistance for Needy Families
CFDA 93.558

Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Entity:	State Department of Social Services
Compliance Requirement:	Eligibility/Special Tests (IEVS)
Reporting Requirement:	Material Weakness and Material Noncompliance in Relation to a Compliance Supplement Audit Objective

Criteria

As Required by § 1137 of the Social Security Act, income and benefit information from the Income Eligibility and Verification System (IEVS) database must be requested and used when making eligibility determinations. The County must review and compare the information obtained from IEVS against information contained in the case record to determine whether it affects the individual's eligibility or level of assistance, benefits or services.

Condition

The previous auditors tested twenty-four cases and noted that four cases did not have current IEVS documents for all active individuals on the cases, three cases had no IEVS documents at all, and two cases had current IEVS, but they had not been signed and dated by the Eligibility Worker.

Questioned Costs

Undetermined.

Context and Effect

It appears that the County has neglected this compliance requirement in about 37.5% of its cases.

The IEVS system is an elaborate, federally-mandated system which compiles government information for the purposed of tracking federal program eligibility data. Not requesting and using IEVS in eligibility determination can result in individuals receiving benefits to which they are not entitled.

Recommendation

The previous auditors recommend that the Department review this omission to request, review, and compare the IEVS to information in the case record. The previous auditors recommend that the Department attempt to determine why the current system of controls failed to prevent these exceptions and that the Department establish and communicate a policy designed to ensure that IEVS information is requested, received, and reviewed and that this review is documented in each case.

Corrective Action Plan

1. Staff Development to review in future CalWORKs trainings how to process IEVS reports specific to the CalWORKs program. Next training is not yet scheduled.

2. Division Directors to send email to Benefit Services and CareerWORKs Division staff regarding audit findings and the processing of IEVS reports. Email to be sent by 1/7/08.

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS FROM PRIOR YEAR AUDITORS, Continued

3. Division Directors to send email to Benefit Services and CareerWORKs Division Eligibility Supervisors and Program Managers directing them to cover processing of IEVS reports at a unit meeting. Eligibility Supervisors must provide the date it was reviewed to their respective Program Managers. Email to be sent by 1/7/08. Unit meeting to be held by 2/1/08.

4. Review and revise as necessary IEVS business process. Review and revisions to be completed by 2/1/08.

The contact person for this corrective action plan is Sue Gilchrest, Division Director of Social Services. Her telephone number is (831) 454-5400.

Status Implemented.

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS FROM PRIOR YEAR AUDITORS, Continued

07-SA-4

Medical Assistance Program
CFDA 93.778
Federal Grantor: U.S. Department of Health and Human Services
Pass-Through Entity: State Departments of Social Services and Health Services
Compliance Requirement: Eligibility (IEVS)
Reporting Requirement: Material Weakness and Material Noncompliance in Relation to a Compliance Supplement Audit Objective

Criteria

As Required by § 1137 of the Social Security Act, income and benefit information from the Income Eligibility and Verification System (IEVS) database must be requested and used when making eligibility determinations. The County must review and compare the information obtained from IEVS against information contained in the case record to determine whether it affects the individual's eligibility or level of assistance, benefits or services.

Condition

The previous auditors tested twenty-four cases and noted that one case had current IEVS, but they had not been signed and dated by the Eligibility Worker, and seven cases did not have any IEVS documents at all.

Questioned Costs

Undetermined.

Context and Effect

It appears that the County has neglected this compliance requirement in about 33.34% of its cases.

The IEVS system is an elaborate, federally-mandated system which compiles government information for the purpose of tracking federal program eligibility data. Not requesting and using IEVS in eligibility determination can result in individuals receiving benefits to which they are not entitled.

Recommendation

The previous auditors recommend that the Department review this omission to request, review, and compare the IEVS to information in the case record. The previous auditors recommend that the Department attempt to determine why the current system of controls failed to prevent these exceptions and that the Department establish and communicate a policy designed to ensure that IEVS information is requested, received, and reviewed and that this review is documented in each case.

Corrective Action Plan

1. Review with the Medi-Cal Trainer to ensure that training is provided on how to process IEVS reports.

This was verbally confirmed by Division Director Claudine Wildman with Medi-Cal Staff Development Trainer Kimberly Peterson on 12/18/07.

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS FROM PRIOR YEAR AUDITORS, Continued

2. Division Director to send email to Benefit Services Division staff regarding audit findings and the processing of IEVS reports. Email to be sent by 1/7/08.

3. Division Directors to send email to Eligibility Supervisors and Program Managers directing them to cover processing of IEVS reports at a unit meeting. Eligibility Supervisors must provide the date it was reviewed to their respective Program Managers. Email to be sent by 1/7/08. Unit meeting to be held by 2/1/08.

4. Review and revise as necessary IEVS business process. Review and revisions to be completed by 2/1/08.

The contact person for this corrective action plan is Claudine Wildman, Division Director of Social Services. Her telephone number is (831) 763-8307.

Status Implemented.