

COUNTY OF SAN MATEO

Single Audit Reports

For the Fiscal Year Ended June 30, 2002

COUNTY OF SAN MATEO
Single Audit Reports
For the Fiscal Year Ended June 30, 2002

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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 basic 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, 2002, and have issued our report thereon dated October 4, 2002. These basic financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the San Mateo Housing Authority (Authority), which represents 41% of the assets and 27% of the revenues of the business-type activities and the Housing Authority major fund. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Authority, is based on the report 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the basic financial statements. We believe that our audit provides a reasonable basis for our opinion.

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

Macias, Gini & Company LLP
 Certified Public Accountants

Walnut Creek, California
 October 4, 2002

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2002

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs: None		-	\$ -
Pass-Through Programs, State of California, Department of Social Services:			
Food Stamp Cluster:			
Food Stamps	10.551	4,799,499	-
State Administrative Matching Grants for Food Stamp Program	10.561	2,364,374	-
Subtotal of Food Stamps Cluster		<u>7,163,873</u>	<u>-</u>
Pass-Through Programs, State of California, Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	94,605	-
National School Lunch Program	10.555	145,179	-
Subtotal of Child Nutrition Cluster		<u>239,784</u>	<u>-</u>
Pass-Through Program, State of California, Department of Health and Human Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC Program)	10.557	1,414,677	-
Pass-Through Program, State of California, Department of Aging:			
Nutrition Program for the Elderly (NPE)	10.570	181,168	181,168
Subtotal of Pass-Through Programs		<u>8,999,502</u>	<u>181,168</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>8,999,502</u>	<u>181,168</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Programs:			
Community Development Block Grants/Entitlement Grants	14.218	6,618,322	2,696,869
Emergency Shelter Grants Program	14.231	123,568	112,207
HOME Investment Partnerships Program	14.239	1,061,261	15,620
Subtotal of Direct Programs		<u>7,803,151</u>	<u>2,824,696</u>
Pass-Through Program, City and County of San Francisco:			
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	812,960	684,163
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>8,616,111</u>	<u>3,508,859</u>
U.S. DEPARTMENT OF JUSTICE			
Direct Programs:			
Drug Court Discretionary Grant Program	16.585	17,579	11,508
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	55,428	-
Local Law Enforcement Block Grants Program	16.592	24,117	-
State Criminal Alien Assistance Program (SCAAP)	16.606	2,202,279	-
Bulletproof Vest Partnership Program	16.607	16,354	-
Public Safety Partnerships and Community Policing Grants ("COPS" Grants)	16.710	38,155	-
Drug Enforcement Administrative Grant	16	24,210	-
Subtotal of Direct Programs		<u>2,378,122</u>	<u>11,508</u>
Pass-Through Programs, State of California, Office of Criminal Justice Planning:			
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	174,690	161,398
Crime Victim Assistance	16.575	351,998	-
Byrne Formula Grant Program	16.579	356,694	-
Subtotal of Pass-Through Programs		<u>883,382</u>	<u>161,398</u>
TOTAL U.S. DEPARTMENT OF JUSTICE		<u>3,261,504</u>	<u>172,906</u>

See notes to the schedule of expenditures of federal awards.

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2002

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF LABOR			
Direct Programs: None		-	-
Pass-Through Program, State of California, Department of Aging: Senior Community Service Employment Program	17.235	159,263	159,263
Pass-Through Programs, State of California, Employment Development Department:			
Welfare-to-Work Grants to States and Localities	17.253	539,191	161,671
One-Stop Career Center Initiative	17.257	137,289	-
Workforce Investment Act Cluster:			
Workforce Investment Act (WIA) Adult Program	17.258	1,251,865	183,020
Workforce Investment Act (WIA) Youth Activities	17.259	698,563	513,432
Workforce Investment Act (WIA) Dislocated Workers	17.260	1,507,184	145,856
Subtotal of Workforce Investment Act Cluster		<u>3,457,612</u>	<u>842,308</u>
Subtotal of Pass-Through Programs		<u>4,293,355</u>	<u>1,163,242</u>
TOTAL U.S. DEPARTMENT OF LABOR		<u>4,293,355</u>	<u>1,163,242</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Program:			
Airport Improvement Program (AIP)	20.106	74,878	-
Pass-Through Program, State of California, Department of Transportation: Highway Planning and Construction (Federal-Aid Highway Program)	20.205	2,379,988	-
Pass-Through Program, State of California, Department of Health Services: State and Community Highway Safety	20.600	16,318	8,143
Subtotal of Pass-Through Programs		<u>2,396,306</u>	<u>8,143</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		<u>2,471,184</u>	<u>8,143</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Direct Programs: None		-	-
Pass-Through Program, State of California, Water Control Resources Board: Local Oversight Program - Groundwater Protection	66	249,681	-
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY		<u>249,681</u>	<u>-</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Direct Program:			
Emergency Management Performance Grants	83.552	90,952	-
Pass-Through Program, State of California, Office of Emergency Services: Hazard Mitigation Grant (HMGP)	83.548	14,002	-
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY		<u>104,954</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION			
Direct Programs: None		-	-
Pass-Through Program, State of California, Alcohol and Drug Programs: Safe and Drug-Free Schools and Communities - State Grants	84.186	104,855	104,855
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>104,855</u>	<u>104,855</u>

See notes to the schedule of expenditures of federal awards.

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2002

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
Health Center Grants for Homeless Populations	93.151	619,279	242,406
Community Health Centers	93.224	396,832	-
Consolidated Knowledge Development and Application (KD&A) Program	93.230	1,853,853	1,271,996
Community Access Program (CAP)	93.252	687,283	-
Grants to Provide Outpatient Early Prevention Services with Respect to HIV Disease	93.918	44,846	-
Substance Abuse/HIV Outreach Project	93.949	371,250	216,995
Adolescent Family Life - Demonstration Projects (AFL)	93.995	326,908	-
Subtotal of Direct Programs		4,300,251	1,731,397
Pass-Through Programs, State of California, Department of Aging:			
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	8,438	8,438
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	49,821	49,821
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	958,513	813,761
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	1,243,855	1,113,017
Repatriation Program	93.579	6,883	-
Medical Assistance Program (Medicaid; Title XIX)	93.778	369,659	-
Health Care Financing Research, Demonstrations and Evaluations (HCFA Research)	93.779	45,644	42,417
Pass-Through Programs, State of California, Department of Health and Human Services:			
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	1,519,853	165,189
Disabilities Prevention	93.184	762,929	-
Immunization Grants	93.268	148,529	-
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	11,719	-
Medical Assistance Program (Medicaid; Title XIX)	93.778	1,423,999	-
Maternal and Child Health Services Block Grant to the States	93.994	1,808,196	-
Preventive Health and Health Services Block Grant	93.991	8,679	-
Pass-Through Programs, State of California, Department of Mental Health:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	54,743	54,743
Block Grants for Community Mental Health Services	93.958	770,913	155,272
Pass-Through Programs, State of California, Department of Social Services:			
Promoting Safe and Stable Families	93.556	545,532	-
Temporary Assistance for Needy Families	93.558	25,914,273	756,408
Refugee and Entrant Assistance - State Administered Programs	93.566	39,028	-
Adoption Incentive Payments	93.603	126,714	-
Child Welfare Services - State Grants	93.645	326,603	-
Foster Care -Title IV-E	93.658	10,691,509	-
Adoption Assistance	93.659	2,214,666	-
Independent Living	93.674	271,757	-
Pass-Through Program, State of California, Department of Child Support Services:			
Child Support Enforcement	93.563	8,334,276	-
Pass-Through Programs, State of California, Department of Education:			
Child Care and Development Block Grants	93.575	1,871,856	1,871,856
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	445,687	35,270

See notes to the schedule of expenditures of federal awards.

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2002

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number (CFDA)</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
Pass-Through Programs, State of California, Alcohol and Drug Programs:			
Medical Assistance Program (Medicaid; Title XIX)	93.778	204,365	-
Block Grants for Prevention and Treatment of Substance Abuse (SAPT Block Grant)	93.959	4,579,117	4,016,592
Pass-Through Program, City and County of San Francisco:			
HIV Emergency Relief Project Grants	93.914	2,499,316	534,711
Pass-Through Program, State of California, Emergency Medical Services Authority:			
Preventive Health and Health Services Block Grant	93.991	4,320	4,320
Subtotal of Pass-Through Programs		<u>67,261,392</u>	<u>9,621,815</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>71,561,643</u>	<u>11,353,212</u>
OFFICE OF THE PRESIDENT			
Direct Program:			
High Intensity Drug Trafficking Area	99	2,891,640	-
TOTAL OFFICE OF THE PRESIDENT		<u>2,891,640</u>	-
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>102,554,429</u>	<u>\$ 16,492,385</u>

See notes to the schedule of expenditures of federal awards.

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2002

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 to the Housing Authority of the County of San Mateo (Housing Authority) (Note 6).

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.

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 of Expenditures of Federal Awards or in determining major programs. The County assists the State in determining eligibility and provides Medi-Cal and Medicare services through County-owned facilities.

Administrative costs related to Medi-Cal and Medicare are, however, included in the Schedule under Medical Assistance Program (Federal CFDA number 93.778).

6. HOUSING AUTHORITY

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

Program Title	CFDA No.	Expenditures
Section 8 Programs:		
Moderate Rehabilitation Program	14.856	\$ 1,063,862
Voucher	14.871	40,350,647
Shelter Plus Care	14.238	1,239,472
Moving to Work	14.871	<u>2,426,876</u>
Total		<u><u>\$45,080,857</u></u>

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2002

7. FOOD COUPONS

The County issued food coupons valued at \$4,799,499 as of June 30, 2002. This amount is for information only as receipts and issuances of food coupons are not recorded in the County's financial records.

8. LOANS OUTSTANDING

The County had the following loan receivable balances outstanding at June 30, 2002:

<u>Program Title</u>	<u>CFDA No.</u>	<u>Amount Outstanding</u>
Community Development Block Grants/Entitlement Grants	14.218	\$18,619,022
HOME Investment Partnerships Program	14.239	<u>8,807,575</u>
Total		<u>\$27,426,597</u>

Included in the loan receivable amount outstanding are expenditures related to new loans issued during fiscal year 2001-02. The County incurred \$593,320 in expenditures related to new loans under the Community Development Block Grants and \$200,200 under the HOME Investment Partnership Program.

9. STATE CRIMINAL ALIEN ASSISTANCE PROGRAM

The State Criminal Alien Assistance Program (SCAAP) provides federal assistance to State and localities that are incurring costs of incarcerating undocumented criminal aliens who have been accused or convicted of State and local offenses. SCAAP provides financial assistance only and is a payment program based on the number of aliens incarcerated by the County. During the fiscal year ended June 30, 2002, the U.S. Department of Justice – Bureau of Justice distributed \$4,613,258 to the County for the federal fiscal years 2001 and 2002. The Schedule reported total expenditures of \$2,202,279, which represents the cost of the County's verified number of aliens incarcerated during fiscal year July 1, 2001 through June 30, 2002. The remaining amount of \$2,410,979 related to aliens incarcerated during fiscal year July 1, 2000 through June 30, 2001.



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

We have audited the basic financial statements of the County of San Mateo, California (County) as of and for the fiscal year ended June 30, 2002, and have issued our report thereon dated October 4, 2002. We did not audit the financial statements of the San Mateo Housing Authority (Authority), which represents 41% of the assets and 27% of the revenues of the business-type activities and the Housing Authority major fund. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Authority, is based on the report 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.

Compliance

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. In addition, we noted certain immaterial instances of noncompliance, which we have reported to management of the County in a separate letter dated February 28, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its

operations that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting which we have reported to the County's management in a separate letter dated February 28, 2003.

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

Macias, Gini & Company LLP
Certified Public Accountants

Walnut Creek, California
October 4, 2002



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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 fiscal year ended June 30, 2002. 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 San Mateo Housing Authority (the Authority) that reported expenditures of federal awards of \$45,080,857, which is not included in the Schedule of Expenditures of Federal Awards during the year ended June 30, 2002. Our audit, described below, did not include the operations of the Authority because they engaged other auditors to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2002.

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 02-1 through 02-4. In addition, we noted certain immaterial instances of noncompliance, which we have reported to management of the County in a separate letter dated February 28, 2003.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve 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 02-1 through 02-5.

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

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

Macias, Gini & Company LLP
Certified Public Accountants

Walnut Creek, California
February 28, 2003

COUNTY OF SAN MATEO
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2002

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
<ul style="list-style-type: none"> • Material weaknesses identified? • Reportable conditions identified that are not considered to be material weaknesses 	<p>No</p> <p>None reported</p>
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
<ul style="list-style-type: none"> • Material weaknesses identified? • Reportable conditions identified that are not considered to be material weaknesses 	<p>No</p> <p>Yes</p>
Type of auditor’s report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of major programs:

Program Title	CFDA Number
Community Development Block Grants/ Entitlement Grants	14.218
Housing Opportunities for Persons with AIDS (HOPWA)	14.241
State Criminal Alien Assistance Program (SCAAP)	16.606
Consolidated Knowledge Development, and Application (KD&A) Program	93.230
Temporary Assistance for Needy Families	93.558
Foster Care –Title IV–E	93.658
HIV Emergency Relief Project Grants	93.914

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2002

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

Federal Awards (Continued):

Dollar threshold used to distinguish between Type A and Type B programs:	\$3,000,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

Finding 02-1 **U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**
Community Development Block Grants/Entitlement Grants (CDBG),
CFDA Number 14.218
Administered by the San Mateo County Human Services Agency

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Housing Opportunities for Persons with AIDS (HOPWA), CFDA Number 14.241
Passed Through the City and County of San Francisco
Administered by the San Mateo County Health Services Agency

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
HIV Emergency Relief Project Grants (HIV), CFDA Number 93.914
Passed Through the City and County of San Francisco
Administered by the San Mateo County Health Services Agency

Criteria

Per the OMB Circular A-133 *Compliance Supplement*, non-Federal entities are prohibited from making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include all nonprocurement transactions such as subawards to subrecipients. All subrecipients must certify that the organization and its principals are not suspended or debarred. The non-Federal entities may rely upon the certification unless it knows that the certification is erroneous. Non-Federal entities may, but are not required to, check for suspended and debarred parties, which are listed in the *List of Parties Excluded From Federal Procurement or Nonprocurement Programs*, issued by the General Services Administration (GSA).

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2002

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

Finding 02-1 (Continued)

Condition

During our testing of internal controls and compliance over procurement, suspension and debarment related to the CDBG program, we noted that for the seven subrecipients selected for testing the County did not obtain certifications from the subrecipients that they were not suspended or debarred from participating in federally funded programs.

During our testing of internal controls and compliance over procurement, suspension and debarment related to the HOPWA program, we noted that for one of the three subrecipients selected for testing the County did not obtain certification from the subrecipient that they were not suspended or debarred from participating in federally funded programs.

During our testing of internal controls and compliance over procurement, suspension and debarment related to the HIV program, we noted that for two of the three subrecipients selected for testing the County did not obtain certifications from subrecipients that they were not suspended or debarred from participating in federally funded programs.

Effect

The County could be funding subrecipients that are ineligible to participate in federally funded programs. For the seven instances noted above related to the CDBG program, the total award amounts paid to these subrecipients during fiscal year 2002 were \$1,337,243.

The County could be funding subrecipients that are ineligible to participate in federally funded programs. For the instance noted above related to the HOPWA program, the total award amounts paid to this subrecipient during fiscal year 2002 were \$615,965.

The County could be funding subrecipients that are ineligible to participate in federally funded programs. For the two instances noted above related to the HIV program, the total award amounts paid to these subrecipients during fiscal year 2002 were \$292,027.

Recommendation

We recommend that the County develop and implement procedures to ensure that subrecipients provide the appropriate certifications that they are not suspended or debarred before the subgrant award is approved.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2002

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

Finding 02-1 (Continued)

Management response

CDBG Program:

We agree. As a matter of procedure during the evaluation/screening process of applicants for federal funding, program specialists check the “List of Parties Excluded from Federal Procurement and Nonprocurement Programs” for disbarment or suspension.

In addition, beginning in FY 02-03 the NOFA (Notice of Funding Availability) application and all new contracts with subrecipients will include a debarment and suspension paragraph (see below).

“Housing & Community Development Act of 1974, 24 CFR Part 5 provides that assistance shall not be used directly or indirectly to employ, award contracts to, or otherwise engage the services of, or fund any contractor or subrecipient during any period of debarment, suspension or placement in ineligibility status. This provision covers all contractors and subrecipients, as well as subcontractors of contractors and subrecipients, whose names are included in the “List of Parties Excluded from Federal Procurement and Nonprocurement Programs”. Inclusion in the aforementioned list during the term of this agreement would constitute grounds for contract termination as described in Sections 1 and 2 herein in this Exhibit.”

HOPWA and HIV Programs:

In consultation with the County Counsel, the AIDS Program will develop language within its contracts that includes appropriate certification that the subrecipient is not suspended or debarred before the subgrant award is approved. In all likelihood this certification will consist of an attachment to the contract which requires the signature of the appropriate agent of the subrecipient. This will be included in all AIDS Program contracts, not just ones federally funded.

Finding 02-2

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Consolidated Knowledge Development and Application Program (KD&A),

CFDA Number 93.230

Administered by the San Mateo County Human Services Agency

Criteria

Per OMB Circular A-133 *Compliance Supplement*, grantees are responsible for monitoring their subrecipients, which includes “ensuring required audits are performed and requiring the subrecipient to take prompt corrective action on any audit findings.”

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2002

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

Finding 02-2 (Continued)

Condition

During our tests of controls and compliance over the program, we noted that one of the five subrecipient files selected for testing did not have the required single audit report. We also noted that the County does not have procedures to ensure that subrecipients who are required to submit audit reports are doing so. The County's current procedures only require the submission of single audit reports during the application and renewal processes, thus the County is not obtaining reports timely from continuing applicants or not at all from terminated subrecipients. In addition, through our discussions with program management, we noted that the County is not reviewing the single audit reports when received from their subrecipients.

Effect

By not obtaining and reviewing the single audit reports, the County is unable to determine if reports are sufficient, if findings are noted related to pass-through programs, or if their pass-through programs are even being audited, which may require the County to implement other monitoring techniques.

Recommendation

We recommend that management develop and implement procedures to obtain and review subrecipient single audit reports.

Management response

We agree. Management will develop and implement procedures to obtain and review subrecipient single audit reports.

Finding 02-3 **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**
Temporary Assistance For Needy Families, CFDA Number 93.558
Passed Through the State of California, Department of Social Services
Administered by the San Mateo County Human Services Agency

Criteria

In accordance with OMB A-133, a grantee is responsible for documenting eligibility determinations. Under the eligibility requirements of this grant, the County must redetermine a program participant's eligibility annually and complete a "Statement of Facts" (SAWS 2) form and a "Rights, Responsibilities and Other Important Information" (SAWS 2a) form. These forms must be signed by the benefit analyst, social worker and participant.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2002

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

Finding 02-3 (Continued)

Condition

During our testing of eligibility requirements, we noted that two of the forty case files selected for testing did not have the appropriate redeterminations documented in the files.

Effect

Missing documentation may result in improper determinations, thus benefits could be disbursed to ineligible participants.

Recommendation

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

Management response

We agree. Line Supervisory Staff are accountable for overseeing the completion of all annual renewals for their respective staff. They determine which staff require closer review and set the numbers of cases they will review each month. The subject of improving the monitoring controls regarding annual renewals will be brought to the Self-Sufficiency Policy Team meeting in March 2003; emphasis will be placed on the need for effective controls. Supervisory Staff from each Regional Office attend this meeting. We will also issue a notice to staff reminding them of the need to be certain that all renewals are completed in a timely and accurate manner.

Finding 02-4 **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**
Foster Care - Title IV-E, CFDA Number 93.658
Passed Through the State of California, Department of Social Services
Administered by the San Mateo County Human Services Agency

Criteria

In accordance with OMB A-133, a grantee is responsible for documenting eligibility determinations. Under the eligibility requirements of this grant, the maximum benefits the County can disburse in a given month are defined by a state approved benefit schedule.

Condition

During our testing of benefit payments made to program participants, we noted that six of the forty participants selected for testing were paid rates in the months selected that did not agree to the state approved benefit schedule.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2002

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

Finding 02-4 (Continued)

Effect

The County is paying an unapproved amount to program participants, which may result in ineligible program costs.

Recommendation

We recommend that the County evaluate controls over the review and approvals of benefit disbursements to ensure the amounts disbursed are approved based on the state benefit schedule or any deviations are thoroughly documented.

Management response

We agree. A memo will be sent to staff reminding them about the importance of completeness, timeliness, and accuracy of documentation. The Foster Care Handbook will specify that rates be re-verified at re-determination, especially out-of-state placements. Document management policy will be reviewed at the Children and Family Services Policy Team meeting. These meetings are attended by Supervisory and Management Staff from both Foster Care Eligibility and Child Welfare.

Finding 02-5 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
HIV Emergency Relief Project Grants, CFDA Number 93.914
Passed Through the City and County of San Francisco
Administered by the San Mateo County Health Services Agency

Criteria

Per the OMB Circular A-133 *Compliance Supplement*, a non-Federal entity's records/database should include all individuals receiving benefits during the audit period.

Condition

During our testing of controls and compliance required for eligibility related to the HIV Emergency Relief Project Grants program, we noted that two of the forty participants sampled from the current database did not receive services during fiscal year 2002. We also noted that the County uses statistics from this database to prepare the Annual Administrative Report, which is filed with the County's pass-through agent, the City and County of San Francisco (City).

Effect

The City uses the information provided in the Annual Administrative Report to determine funding levels and budgets for their subrecipients, thus it is important that the County provide accurate information to the City.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2002

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

Finding 02-5 (Continued)

Recommendation

We recommend that the County perform a review of the current database to identify all inactive participants and establish procedures to ensure that only services for active program participants are captured in the database. This will ensure that the County is providing accurate information to the City for funding and budget approvals.

Management response

Immediately upon being informed that some services might have been reported for persons who had already been discharged from the program, the programmer for the database was instructed to create a warning screen that prevents the data input person from entering a service contract for someone who has been discharged from the program. In addition, a review of the current database will be conducted to assure that everyone who should be discharged from the program has been. This review will be conducted by the Associate Director of the AIDS Program by April 30, 2003. In addition, a protocol will be developed and implemented by May 30, 2003, that outlines a methodology for assessing the accuracy of the data input into the AIDS Program Client Database. This system should be implemented by July 1, 2003.

COUNTY OF SAN MATEO
Status of Prior Year Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2002

Federal Award Findings and Questioned Costs

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

Criteria

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

Condition

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

Effect

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

Recommendation

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

Status

Situation not noted in fiscal year 2002.

COUNTY OF SAN MATEO
Status of Prior Year Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2002

Federal Award Findings and Questioned Costs (Continued)

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

Criteria

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

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

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

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

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

COUNTY OF SAN MATEO
Status of Prior Year Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2002

Federal Award Findings and Questioned Costs (Continued)

Finding 01-2 (Continued)

Condition

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

Effect

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

Recommendation

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

Status

Auditor response:

For fiscal year 2002, we noted the following:

- One of the seven files selected for testing had a partially completed subrecipient monitoring checklist.
- Two of the seven files selected for testing did not have documentation that subrecipient monitoring procedures were performed.
- Four of the seven files selected for testing were missing the required single audit reports.

Management response:

We agree. Management has implemented corrective procedures involving its monitoring process. Most of these procedures have been in place during the 02-03 fiscal year, with anticipation of being fully in place for the inception of fiscal year 03-04.

Within the current process, the Supervisor is responsible for reviewing project files for order and compliance, Requests for Warrants, Subrecipient Monitoring Results Reports, and Corrective Action follow-up. The Program Manager is responsible for ensuring that the Supervisor is providing appropriate level of review and documentation.

COUNTY OF SAN MATEO
Status of Prior Year Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2002

Federal Award Findings and Questioned Costs (Continued)

Finding 01-2 (Continued)

Status (Continued)

In addition, the Request for Warrant form is prepared and stamped with "OK to Pay" by the Program Specialists, initialed by the Supervisor after review and approved by the Program Manager before it is given to fiscal staff for processing of payment. This form would indicate that performance reports, invoices and other materials pertinent to subrecipients' activities are reviewed at three levels prior to payment. This document covers the monitoring phase and oversight of Supervisor and Manager.

Applicable Single Audit Reports will be obtained and in file for FY 02-03 and beyond.

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

Criteria

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

Condition

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

Effect

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

Recommendation

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

Status

Auditor response:

For fiscal year 2002, we noted that one of the additional forty cases selected for testing did not have one of the CW7 forms in the file.

COUNTY OF SAN MATEO
 Status of Prior Year Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2002

Federal Award Findings and Questioned Costs (Continued)

Finding 01-3 (Continued)

Status (Continued)

Management response:

We agree. Although it took longer than anticipated, the Quality Assurance Committee will submit its recommendations for a comprehensive QA plan to the County's Executive Committee in April 2003. Implementation is expected soon after approval. The plan includes guidelines for insuring that critical forms such as the CW-7 are reviewed on a monthly basis.

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

Criteria

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

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

COUNTY OF SAN MATEO
Status of Prior Year Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2002

Federal Award Findings and Questioned Costs (Continued)

Finding 01-4 (Continued)

Criteria (Continued)

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

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

Condition

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

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

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

Effect

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

Recommendation

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

Status

Auditor response:

For fiscal year 2002, we selected forty additional participant files for testing compliance with eligibility requirements, we noted the following:

- Nine files did not have documentation indicating that the required 6 month redeterminations were performed.
- Six files were missing the benefit analyst's signature or social worker's signature on the FC-2.

COUNTY OF SAN MATEO
Status of Prior Year Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2002

Federal Award Findings and Questioned Costs (Continued)

Finding 01-4 (Continued)

Management response:

The Foster Care Eligibility Unit has an existing case review policy for both intakes and on going cases. All nine files noted as not having documentation that the six month redeterminations were performed, and four of the six cases listed as not having either eligibility worker's or social worker's signature were in the same eligibility worker's caseload. A specific caseload correction plan was implemented in 7-02 with the unit supervisor or her representatives reviewing the entire ME16 caseload for currency and corrections.

Finding 00-4 **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**
Temporary Assistance for 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

Criteria

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

Condition

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

Context

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

Effect

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

Recommendation

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

COUNTY OF SAN MATEO
Status of Prior Year Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2002

Federal Award Findings and Questioned Costs (Continued)

Finding 00-4 (Continued)

Status

Although it took longer than anticipated, the Quality Assurance Committee will submit its recommendations to the County's Executive Team in April 2003 and implement soon after approval is obtained. The Committee's recommendations are comprehensive and include standards for Supervisory review of case files at critical junctures such as Intake and Renewal.