

COUNTY OF SAN MATEO

Single Audit Reports

Year Ended June 30, 2012



Certified Public Accountants.

COUNTY OF SAN MATEO

Single Audit Reports
Year Ended June 30, 2012

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

**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Mateo (County) as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 31, 2012. Our report includes a reference for 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. Other auditors audited the financial statements of the Housing Authority of the County of San Mateo and the San Mateo County Employees' Retirement Association, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective 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 auditing procedures for the purpose of expressing our opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-01 to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-02 and 2012-03 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated October 31, 2012.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the County Grand Jury, the 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 & Cunnell LLP

Walnut Creek, California
October 31, 2012

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

Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program, on Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133

Compliance

We have audited County of San Mateo, California's (County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2012. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Housing Authority of County of San Mateo (Housing Authority), which received \$68,859,356 in federal awards that are not included in the accompanying schedule of expenditures of federal awards during the year ended June 30, 2012. Our audit, described below, did not include the operations of Housing Authority, because the Housing Authority engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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 2012-04, 2012-05 and 2012-06.

Internal Control Over Compliance

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 to determine the 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, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-04 and 2012-07. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2012, and have issued our report thereon dated October 31, 2012, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the County Grand Jury, the 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 & Connell LLP

Walnut Creek, California
March 27, 2013

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COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients	Pass-Through Entity Number
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through State of California, Department of Food and Agriculture:				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	\$ 271,206	\$ -	10-0350
Plant and Animal Disease, Pest Control, and Animal Care	10.025	223,878	-	11-0227
Plant and Animal Disease, Pest Control, and Animal Care	10.025	19,030	-	11-0354-SF
Plant and Animal Disease, Pest Control, and Animal Care	10.025	1,823	-	11-372-SF
Plant and Animal Disease, Pest Control, and Animal Care	10.025	2,541	-	10-0104-SF
Plant and Animal Disease, Pest Control, and Animal Care	10.025	7,698	-	11-0565-SF
Plant and Animal Disease, Pest Control, and Animal Care	10.025	8,278	-	11-0538-SF
Plant and Animal Disease, Pest Control, and Animal Care	10.025	3,313	-	11-0178-SF
Plant and Animal Disease, Pest Control, and Animal Care	10.025	2,848	-	11-433-SF
Total Plant and Animal Disease, Pest Control, and Animal Care		<u>540,615</u>	<u>-</u>	
Senior Farmers Market Nutrition Program	10.576	10,000	10,000	None
ARRA - Wildland Fire Management	10.688	4,125	3,750	09-0653
Passed Through State of California, Department of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program (SNAP)	10.561	6,659,961	-	None
State Administrative Matching Grants for SNAP	10.561	241,278	-	09-11233
Subtotal of SNAP Cluster		<u>6,901,239</u>	<u>-</u>	
Passed Through State of California, Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	95,369	-	41-10413-6045223-01
National School Lunch Program	10.555	149,586	-	41-10413-6045223-01
Subtotal of Child Nutrition Cluster		<u>244,955</u>	<u>-</u>	
Passed Through State of California, Department of Public Health:				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	3,388,677	-	08-85467
Subtotal of Pass-Through Programs		<u>11,089,611</u>	<u>13,750</u>	
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>11,089,611</u>	<u>13,750</u>	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants / Entitlement Grants	14.218	3,446,789	1,790,101	--
ARRA - Community Development Block Grants / Entitlement Grants	14.253	50,955	32,816	--
Subtotal of CDBG - Entitlement Grants Cluster		<u>3,497,744</u>	<u>1,822,917</u>	
Emergency Solutions Grant Program	14.231	120,761	118,176	--
Home Investment Partnerships Program	14.239	28,156,359	2,302,233	--
ARRA - Homeless Prevention Rapid Re-housing Program	14.257	132,366	132,366	--
Subtotal of Direct Programs		<u>31,907,230</u>	<u>4,375,692</u>	
Passed Through San Francisco Redevelopment Agency:				
Housing Opportunities for Persons with AIDS	14.241	878,500	635,809	None
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>32,785,730</u>	<u>5,011,501</u>	
U.S. DEPARTMENT OF THE INTERIOR				
Direct Program:				
Partners for Fish and Wildlife	15.631	5,500	-	--
TOTAL U.S. DEPARTMENT OF THE INTERIOR		<u>5,500</u>	<u>-</u>	
U.S. DEPARTMENT OF JUSTICE				
Direct Programs:				
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	84,130	-	--
Edward Byrne Memorial Formula Grant Program	16.579	42,458	-	--
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	330,496	-	--
Edward Byrne Memorial Justice Assistance Grant Program	16.738	151,027	35,087	--
DNA Backlog Reduction Program	16.741	198,457	-	--
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program				
Grants to Units of Local Government	16.804	117,427	-	--
ARRA - Combating Criminal Narcotics Activity Stemming from the Southern Border of the United States Competitive Grant Program	16.809	690,125	-	--
Second Chance Act Prisoner Reentry Initiative	16.812	496,115	414,944	--
Subtotal of Direct Programs		<u>2,110,235</u>	<u>450,031</u>	

See notes to the schedule of expenditures of federal awards

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients	Pass-Through Entity Number
U.S. DEPARTMENT OF JUSTICE (Continued)				
Passed Through State of California, Corrections Standards Authority: Juvenile Accountability Block Grants	16.523	\$ 70,524	\$ 70,524	CSA 181-09
Passed Through State of California, Emergency Management Agency:				
Crime Victim Assistance	16.575	174,534	-	VW11300410
Crime Victim Assistance	16.575	27,117	-	UV10010410
Crime Victim Assistance	16.575	102,098	-	UV11020410
Subtotal of Crime Victim Assistance		<u>303,749</u>	<u>-</u>	
Edward Byrne Memorial Formula Grant Program	16.579	108,499	-	DC11220410
Edward Byrne Memorial Justice Assistance Grant Program	16.738	247,641	247,641	D110010410
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	42,381	-	CQ10070410
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program Grants to Units of Local Government	16.804	57,755	-	ZM09010410
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program Grants to Units of Local Government	16.804	105,412	-	ZA09010410
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program Grants to Units of Local Government	16.804	254,737	-	ZP09010410
Subtotal of Pass-Through Programs		<u>1,190,698</u>	<u>318,165</u>	
TOTAL U.S. DEPARTMENT OF JUSTICE		<u>3,300,933</u>	<u>768,196</u>	
U.S. DEPARTMENT OF LABOR				
Passed Through State of California, Department of Aging: Senior Community Service Employment Program	17.235	142,140	142,140	TV-1112-08
Passed Through State of California, Employment Development Department: WIA Cluster:				
WIA Adult Program	17.258	552,955	59,049	K282504
WIA Adult Program	17.258	862,161	92,069	K178694
Subtotal of WIA Adult Program		<u>1,415,116</u>	<u>151,118</u>	
WIA Youth Activities	17.259	175,046	153,208	K178694
WIA Youth Activities	17.259	899,151	786,975	K282504
Subtotal of WIA Youth Activities		<u>1,074,197</u>	<u>940,183</u>	
WIA Dislocated Worker Formula Grants	17.278	1,991,210	136,142	K282504
WIA Dislocated Worker Formula Grants	17.278	466,485	31,894	K178694
Subtotal Dislocated Workers Formula Grants		<u>2,457,695</u>	<u>168,036</u>	
Subtotal of WIA Cluster		<u>4,947,008</u>	<u>1,259,337</u>	
Community Based Job Training Grants	17.269	1,335,192	736,174	None
Subtotal of Pass-Through Programs		<u>6,424,340</u>	<u>2,137,651</u>	
TOTAL U.S. DEPARTMENT OF LABOR		<u>6,424,340</u>	<u>2,137,651</u>	
U.S. DEPARTMENT OF TRANSPORTATION				
Direct Program: Airport Improvement Program	20.106	197,110	-	--
Passed Through State of California, Department of Transportation: Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	47,685	-	BROS 0081(011)
Highway Planning and Construction	20.205	123,699	-	BRLO 5935(052)
Highway Planning and Construction	20.205	45,103	-	BRLO 5935(053)
Highway Planning and Construction	20.205	84,736	-	STPL 5935(061)
Highway Planning and Construction	20.205	200,000	-	RPSTPLE - 5935(057)
Highway Planning and Construction	20.205	1,032,934	-	STPL-5935(058)
Passed Through Metropolitan Transportation Commission: Highway Planning and Construction	20.205	320,000	-	STP6084(146)
Subtotal of Highway Planning and Construction		<u>1,854,157</u>	<u>-</u>	
Passed Through State of California, Department of Parks and Recreation: Recreational Trails Program	20.219	9,413	-	RT-41-006
Subtotal of Highway Planning and Construction Cluster		<u>1,863,570</u>	<u>-</u>	
Subtotal of Pass-Through Programs		<u>1,863,570</u>	<u>-</u>	
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		<u>2,060,680</u>	<u>-</u>	

See notes to the schedule of expenditures of federal awards

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients	Pass-Through Entity Number
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Passed Through State of California, Department of Public Health: Beach Monitoring and Notification Program Implementation Grants	66.472	\$ 25,000	\$ -	None
Passed Through County of Santa Clara: Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	66.716	16,498	-	None
Subtotal of Pass-Through Programs		41,498	-	
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY		41,498	-	
U.S. DEPARTMENT OF ENERGY				
Direct Program: ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	1,428,234	-	--
Passed Through State of California, California Energy Commission: ARRA - State Energy Program	81.041	304,595	-	None
TOTAL U.S. DEPARTMENT OF ENERGY		1,732,829	-	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs:				
Injury Prevention and Control Research and State and Community Based Programs	93.136	101,153	-	--
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	93.224	1,397,290	-	--
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	395,174	-	--
Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526	3,268	-	--
ARRA - Grants to Health Center Programs	93.703	1,793,396	-	--
Health Care and Other Facilities	93.887	304,305	-	--
Subtotal of Direct Programs		3,994,586	-	
Passed Through 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	10,844	5,607	AP-1112-08
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	45,632	45,632	AP-1112-08
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	44,340	44,340	AP-1112-08
Aging Cluster:				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	828,736	682,450	AP-1112-08
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	1,109,026	964,683	AP-1112-08
Nutrition Services Incentive Program	93.053	200,359	200,359	AP-1112-08
Subtotal of Aging Cluster		2,138,121	1,847,492	
National Family Caregiver Support, Title III, Part E	93.052	315,605	281,667	AP-1112-08
Passed Through State of California, Department of Aging (Continued):				
Affordable Care Act (ACA) Medicare Improvements for Patients and Providers Medical Assistance Program	93.518	15,496	15,496	2M-1011-08
	93.778	334,127	-	MS-1112-13
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	99,927	90,042	HI-1112-08
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	17,475	17,475	2M-1011-08
Subtotal of CMS Research, Demonstrations and Evaluations		117,402	107,517	
Passed Through State of California, Department of Community Services and Development:				
Community Services Block Grant	93.569	291,486	291,486	None

See notes to the schedule of expenditures of federal awards

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients	Pass-Through Entity Number
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
Passed Through State of California, Department of Health Care Services:				
Disabilities Prevention	93.184	\$ 108,598	\$ -	000009262-41
Disabilities Prevention	93.184	786,044	-	San Mateo (41)
Subtotal of Disabilities Prevention		<u>894,642</u>	<u>-</u>	
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood				
Home Visiting Program	93.505	262,008	-	201141
Immunization Cooperative Agreements	93.268	216,959	-	11-10600
Children's Health Insurance Program	93.767	208,354	-	None
Medical Assistance Program	93.778	1,501,166	-	None
Passed Through State of California, Department of Public Health:				
Environmental Public Health and Emergency Response	93.070	106,960	-	EPO 09-41/EPO P3-41
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	158,496	-	None
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	102,626	-	EPO 10-41
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	<u>924,530</u>	<u>-</u>	EPO 11-41
Subtotal of Centers for Disease Control and Prevention - Investigations and Technical Assistance		<u>1,027,156</u>	<u>-</u>	
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	34,140	-	11-10059
Maternal and Child Health Services Block Grant to the States	93.994	677,276	-	201141
Passed Through State of California, Department of Mental Health:				
Projects for Assistance in Transition from Homelessness (PATH)	93.150	147,179	147,179	None
Block Grants for Community Mental Health Services	93.958	822,894	226,805	None
Passed Through State of California, Department of Social Services:				
Promoting Safe and Stable Families	93.556	360,507	-	None
Temporary Assistance for Needy Families	93.558	29,921,084	-	None
Refugee and Entrant Assistance - State Administered Programs	93.566	40,172	-	None
U.S. Repatriation	93.579	1,899	-	None
Stephanie Tubbs Jones Child Welfare Services Program	93.645	374,804	-	None
Foster Care - Title IV-E	93.658	13,972,865	-	None
ARRA - Foster Care - Title IV-E	93.658	652	-	None
Foster Care - Title IV-E	93.658	<u>1,355,931</u>	<u>-</u>	2024.00.01
Subtotal of Foster Care - Title IV-E		<u>15,329,448</u>	<u>-</u>	
Adoption Assistance	93.659	2,517,304	-	None
Social Services Block Grant	93.667	1,456,920	-	None
Chafee Foster Care Independence Program	93.674	168,099	-	None
Medical Assistance Program	93.778	4,245,577	-	None
ARRA - Medical Assistance Program	93.778	53,402	-	None
Passed Through State of California, Department of Child Support Services:				
Child Support Enforcement	93.563	7,406,544	-	None
Passed Through State of California, Department of Education:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	419,590	-	CAPP-1061
Passed Through State of California, Alcohol and Drug Programs:				
Medical Assistance Program	93.778	324,224	228,331	07B1CASAPT-02
Block Grants for Prevention and Treatment of Substance Abuse	93.959	4,552,940	4,190,026	07B1CASAPT-02
Passed Through State of California, Secretary of State:				
Voting Access for Individuals with Disabilities - Grants to States	93.617	1,023	-	11G26138
Passed Through City and County of San Francisco:				
HIV Emergency Relief Project Grants	93.914	1,487,786	163,773	DPHC1200061101
HIV Emergency Relief Project Grants	93.914	<u>567,190</u>	<u>61,206</u>	None
Subtotal of HIV Emergency Relief Project Grants		<u>2,054,976</u>	<u>224,979</u>	
HIV Care Formula Grants	93.917	295,459	-	10-95289
HIV Prevention Activities - Health Department Based	93.940	81,821	-	10-95289
HIV Prevention Activities - Health Department Based	93.940	<u>161,303</u>	<u>-</u>	DPHC12000948
Subtotal of HIV Prevention Activities - Health Department Based		<u>243,124</u>	<u>-</u>	
Subtotal of Pass-Through Programs		<u>79,137,379</u>	<u>7,656,557</u>	
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>83,131,965</u>	<u>7,656,557</u>	

See notes to the schedule of expenditures of federal awards

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients	Pass-Through Entity Number
OFFICE OF THE EXECUTIVE PRESIDENT				
Direct Program:				
High Intensity Drug Trafficking Areas Program	95.001	\$ 3,023,661	\$ -	--
TOTAL OFFICE OF THE EXECUTIVE PRESIDENT		<u>3,023,661</u>	<u>-</u>	
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through City and County of San Francisco:				
Homeland Security Grant Program	97.067	211,816	-	2009-0019 UASI
Homeland Security Grant Program	97.067	1,509,710	-	2010-0085 UASI
Homeland Security Grant Program	97.067	3,365,944	-	095-95017
Passed Through State of California, Emergency Management Agency:				
Emergency Management Performance Grants	97.042	177,009	-	2010-0044
Homeland Security Grant Program	97.067	18,796	-	2008-0006
Homeland Security Grant Program	97.067	819,850	-	2009-0019
Homeland Security Grant Program	97.067	1,463,837	-	2010-0085
Homeland Security Grant Program	97.067	391,722	-	2011-SS-0077
Buffer Zone Protection Program (BZPP)	97.078	58,629	-	2008-0008
Subtotal of Pass-Through Programs		<u>8,017,313</u>	<u>-</u>	
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY		<u>8,017,313</u>	<u>-</u>	
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 151,614,060</u>	<u>\$ 15,587,655</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, 2012

1. GENERAL

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

In accordance with requirements under U.S. Office of Management and Budget (OMB) Circular A-133, expenditures of federal awards under the American Recovery and Reinvestment Act of 2009 (ARRA) are separately identified in the Schedule by inclusion of the prefix "ARRA-" in identifying the name of federal program on the SEFA.

2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting for program expenditures accounted for in the governmental funds and the accrual basis of accounting for program expenditures accounted for in the proprietary funds as described in Note 2(b) of the County's basic financial statements. In addition, the outstanding balance of prior years' loans that have significant continuing compliance requirements has been included in total federal expenditures for the Home Investment Partnerships Program (Note 8).

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

5. MEDI-CAL AND MEDICARE

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

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

6. DISSOLUTION OF SAN FRANCISCO REDEVELOPMENT AGENCY

Pursuant to legislature enacted by the California State Senate, all redevelopment agencies in California were dissolved as of January 31, 2012 and successor agencies were created to wind down and complete activities of the former redevelopment agencies. The County is a subrecipient of federal awards passed through from the San Francisco Redevelopment Agency (SFRDA) for the Housing Opportunities for Persons with AIDS (HOPWA) program (CFDA number 14.241). Upon dissolution of the SFRDA, the U.S. Department of Housing and Urban Development transferred and assigned federal funding under the SFRDA's HOPWA program to the City and County of San Francisco (City) as the housing successor to the former SFRDA effective February 1, 2012. The County continued to receive HOPWA grants funds passed through from the City for the remainder of the fiscal year.

7. HOUSING AUTHORITY OF THE COUNTY OF SAN MATEO

The Housing Authority's federal expenditures are excluded from the Schedule and are separately audited by other auditors. Federal expenditures for the Housing Authority programs are taken from the separately issued single audit report for the year ended June 30, 2012. The federal programs of the Housing Authority are as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Moving To Work Demonstration Program:		
Low Rent Operating Subsidy	14.881	\$ 94,348
Capital Fund	14.881	549,087
Housing Choice Vouchers	14.881	63,270,236
Section 8 Programs:		
Moderate Rehabilitation	14.856	1,388,578
Housing Choice Vouchers	14.871	758,241
Shelter Plus Care	14.238	2,205,904
Supportive Housing	14.235	592,962
Total		<u>\$ 68,859,356</u>

8. LOANS OUTSTANDING

The County participates in certain federal award programs that sponsor revolving loan programs, which are administered by the County. These programs maintain servicing and trust arrangements with the County to collect loan repayments. The funds are returned to the programs upon repayment of the principal and interest. The federal government has imposed certain significant continuing compliance requirements with respect to the loans rendered under the Home Investment Partnerships (HOME) Program (CFDA number 14.239). In accordance with Subpart B, Section 205 of the U.S. Office of Management and Budget Circular A-133, the County has reported the outstanding balance of loans from previous years that have significant continuing compliance requirements as of June 30, 2012 along with the value of total outstanding and new loans made during the current year.

During the year ended June 30, 2012, the County incurred \$2,305,163 in expenditures related to new loans under the HOME program. As of June 30, 2012, the total amount of HOME loans outstanding subject to continuing compliance requirements was \$27,933,168, which is included in the Schedule.

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

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

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

Federal Grantor Pass-through Grantor Program Title	CFDA No.	Grant/ Contract Number	Expenditures	
			State	Federal
U.S. Department of Labor <i>Passed through CA Department of Aging</i> Senior Community Service Employment Program	17.235	TV-1112-08	\$ -	\$ 142,140
U.S. Department of Health & Human Services <i>Passed through CA Department of Aging</i> Special Programs for Aging-Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, & Exploitation	93.041	AP-1112-08	-	10,844
Special Programs for Aging-Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042	AP-1112-08	-	45,632
Special Programs for Aging-Title III, Part D Disease Prevention and Health Promotion Services	93.043	AP-1112-08	-	44,340
Special Programs for Aging-Title III, Part B Grants for Supportive Services and Senior Centers	93.044	AP-1112-08	-	828,736
Special Programs for Aging-Title III, Part C Nutrition Services	93.045	AP-1112-08	133,372	1,109,026
National Family Caregiver Support, Title III, Part E	93.052	AP-1112-08	-	315,605
Nutrition Services Incentive Program	93.053	AP-1112-08	-	200,359
Affordable Care Act - Medicare Improvements for Patients and Providers	93.518	2M-1011-08	-	15,496
Medical Assistance Program	93.778	MS-1112-13	334,127	334,127
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	HI-1112-08	181,338	99,927
	93.779	2M-1011-08	-	17,475
Total Expenditures of CDA and Federal Awards			648,837	\$ 3,163,707
State Awards-California Department of Aging: Ombudsman Special Deposit Fund		AP-1112-08	18,292	
Ombudsman Skilled Nursing Facility Quality and Accountability Fund		AP-1112-08	<u>55,218</u>	
Total Expenditures of CDA Awards			<u>\$ 722,347</u>	

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

10. PROGRAM TOTALS

The following table summarizes programs funded by various sources whose totals are not shown on the Schedule. Expenditures funded by the American Recovery and Reinvestment Act of 2009 are denoted by the prefix "ARRA-" in the federal or pass-through grantor title.

CFDA no. / Program Title / Federal Grantor or Pass-Through Grantor	Pass Through Identifying Number	Federal Expenditures
(1) CFDA no. 16.579 - Edward Byrne Memorial Formula Grant Program		
U.S. Department of Justice	--	\$ 42,458
State of California, Emergency Management Agency	DC11220410	108,499
	Program Total	<u>\$ 150,957</u>
(2) CFDA no. 16.738 - Edward Byrne Memorial Justice Assistance Grant Program		
U.S. Department of Justice	--	\$ 151,027
ARRA - State of California, Emergency Management Agency	D110010410	247,641
	Program Total	<u>\$ 398,668</u>
(3) CFDA no. 16.804 - Edward Byrne Memorial Justice Assistance Grant Program Grants to Units of Local Government		
ARRA - U.S. Department of Justice	--	\$ 117,427
ARRA - State of California, Emergency Management Agency	ZM09010410	57,755
ARRA - State of California, Emergency Management Agency	ZA09010410	105,412
ARRA - State of California, Emergency Management Agency	ZP09010410	254,737
	Program Total	<u>\$ 535,331</u>
(4) CFDA no. 93.778 - Medical Assistance Program (Medicaid: Title XIX)		
State of California, Department of Aging	MS-1112-13	\$ 334,127
State of California, Department of Health Care Services	None	1,501,166
State of California, Department of Social Services	None	4,245,577
ARRA - State of California, Department of Social Services	None	53,402
State of California, Alcohol and Drug Programs	07B1CASAPT-02	324,224
	Program Total	<u>\$ 6,458,496</u>
(5) CFDA no. 97.067 - Homeland Security Grant Program		
City and County of San Francisco	2009-0019 UASI	\$ 211,816
City and County of San Francisco	2010-0085 UASI	1,509,710
City and County of San Francisco	None	3,365,944
State of California, Emergency Management Agency	2008-0006	18,796
State of California, Emergency Management Agency	2009-0019	819,850
State of California, Emergency Management Agency	2010-0085	1,463,837
State of California, Emergency Management Agency	2011-SS-0077	391,722
	Program Total	<u>\$ 7,781,675</u>

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

**11. SCHEDULES OF STATE OF CALIFORNIA EMERGENCY MANAGEMENT AGENCY
GRANT EXPENDITURES**

The following schedule represents expenditures for U.S. Department of Justice grants passed through the State of California Emergency Management Agency (CalEMA) as well as CalEMA funded grant expenditures for the year ended June 30, 2012. This information is included in the County's single audit report at the requests of CalEMA.

Program Title and Expenditure Category	Grant Number Grant Period	Budget	Cumulative	Actual 7/1/11-6/30/12		Cumulative	Variance
			through June 30, 2011	Non-match*	Match	through June 30, 2012	
Underserved Victim Advocacy and Outreach Program							
Personnel Services	UV10010410	\$ 156,250	\$ 122,354	\$ 27,117	\$ 6,779	\$ 156,250	\$ -
Operating Expenses	10/1/10-9/30/11	-	-	-	-	-	-
Equipment	CFDA no. 16.575	-	-	-	-	-	-
Total		<u>\$ 156,250</u>	<u>\$ 122,354</u>	<u>\$ 27,117</u>	<u>\$ 6,779</u>	<u>\$ 156,250</u>	<u>\$ -</u>
Underserved Victim Advocacy and Outreach Program							
Personnel Services	UV11020410	\$ 156,250	\$ -	\$ 102,098	\$ 25,523	\$ 127,621	\$ 28,629
Operating Expenses	10/1/11-9/30/12	-	-	-	-	-	-
Equipment	CFDA no. 16.575	-	-	-	-	-	-
Total		<u>\$ 156,250</u>	<u>\$ -</u>	<u>\$ 102,098</u>	<u>\$ 25,523</u>	<u>\$ 127,621</u>	<u>\$ 28,629</u>
Victim Witness Assistance Program							
Personnel Services	VW11300410	\$ 174,534	\$ -	\$ 174,534	\$ -	\$ 174,534	\$ -
Operating Expenses	7/1/11-6/30/12	-	-	-	-	-	-
Equipment	CFDA no. 16.575	-	-	-	-	-	-
Total		<u>\$ 174,534</u>	<u>\$ -</u>	<u>\$ 174,534</u>	<u>\$ -</u>	<u>\$ 174,534</u>	<u>\$ -</u>
San Mateo County Narcotics Task Force							
Personnel Services	DC11220410	\$ 159,412	\$ -	\$ 67,937	\$ -	\$ 67,937	\$ 91,475
Operating Expenses	7/1/11-6/30/13	94,337	-	40,562	-	40,562	53,775
Equipment	CFDA no. 16.579	-	-	-	-	-	-
Total		<u>\$ 253,749</u>	<u>\$ -</u>	<u>\$ 108,499</u>	<u>\$ -</u>	<u>\$ 108,499</u>	<u>\$ 145,250</u>
Justice Assistance Grant Drug Court							
Personnel Services	D110010410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses	1/10/11-12/31/11	414,440	-	247,641	-	247,641	166,799
Equipment	CFDA no. 16.738	-	-	-	-	-	-
Total		<u>\$ 414,440</u>	<u>\$ -</u>	<u>\$ 247,641</u>	<u>\$ -</u>	<u>\$ 247,641</u>	<u>\$ 166,799</u>
2009 Coverdell Training Program							
Personnel Services	CQ 10070410	\$ 19,506	\$ -	\$ 7,121	\$ -	\$ 7,121	\$ 12,385
Operating Expenses	10/1/10-8/31/11	50,442	5,783	24,296	-	30,079	20,363
Equipment	CFDA no. 16.742	10,964	-	10,964	-	10,964	-
Total		<u>\$ 80,912</u>	<u>\$ 5,783</u>	<u>\$ 42,381</u>	<u>\$ -</u>	<u>\$ 48,164</u>	<u>\$ 32,748</u>

* Actual non-match expenditures are reported as federal expenditures in the Schedule under the designated CFDA numbers.

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

**11. SCHEDULES OF STATE OF CALIFORNIA EMERGENCY MANAGEMENT AGENCY
GRANT EXPENDITURES (Continued)**

Program Title and Expenditure Category	Grant Number Grant Period	Budget	Cumulative	Actual 7/1/11-6/30/12		Cumulative	Variance
			through June 30, 2011	Non-match*	Match	through June 30, 2012	
Evidence Based Probation Supervision Recovery Act Program							
Personnel Services	ZP09010410	\$ 561,000	\$ 170,426	\$ 209,324	\$ -	\$ 379,750	\$ 181,250
Operating Expenses	1/1/10-9/30/12	107,221	34,684	45,413	-	80,097	27,124
Equipment	CFDA no. 16.804	-	-	-	-	-	-
Total		\$ 668,221	\$ 205,110	\$ 254,737	\$ -	\$ 459,847	\$ 208,374
San Mateo County Narcotics Task Force							
Personnel Services	ZA09010410	\$ 226,685	\$ 179,922	\$ 46,763	\$ -	\$ 226,685	\$ -
Operating Expenses	3/1/10-2/28/12	231,184	173,454	57,731	-	231,185	(1)
Equipment	CFDA no. 16.804	35,000	34,082	918	-	35,000	-
Total		\$ 492,869	\$ 387,458	\$ 105,412	\$ -	\$ 492,870	\$ (1)
Cal-MMET Team Recovery Program							
Personnel Services	ZM09010410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses	03/01/2010-02/28/2011	11,317	-	11,317	-	11,317	-
Equipment	CFDA no. 16.804	46,725	-	46,438	-	46,438	287
Total		\$ 58,042	\$ -	\$ 57,755	\$ -	\$ 57,755	\$ 287

* Actual non-match expenditures are reported as federal expenditures in the Schedule under the designated CFDA numbers.

COUNTY OF SAN MATEO
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? Yes
- Significant deficiencies identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes

Type of auditor’s report issued on compliance for major programs: Unqualified

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

Identification of major programs:

<u>Program Title</u>	<u>CFDA Number</u>
CDBG – Entitlement Grants Cluster.....	14.218 and 14.253
Home Investment Partnerships Program.....	14.239
ARRA - Combating Criminal Narcotics Activity Stemming from the Southern Border of the United States Competitive Grant Program	16.809
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128
Temporary Assistance for Needy Families	93.558
Foster Care - Title IV-E	93.658
ARRA - Grants to Health Center Programs.....	93.703
Block Grants for Prevention and Treatment of Substance Abuse.....	93.959
High Intensity Drug Trafficking Areas Program	95.001

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee? No

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section II – Financial Statement Findings

2012-01 Medical Center Financial Accounting and Reporting Process

Material Weakness

Criteria:

The financial accounting and reporting process is the responsibility of the management of an organization and the completeness and accuracy of financial statements is dependent on internal controls designed and implemented by management. The County of San Mateo (County) has established various policies and procedures to ensure financial transactions are accurately captured and reported in a timely manner. These policies address accounting and reporting requirements for balances such as capital assets, inventories and year-end accruals. The Medical Center, as a department of the County, has adopted these policies.

Condition:

During our audit of the Medical Center, we noted errors in the account balances of inventory, capital assets and net patient services revenue and related receivables. The following is a summary of our findings:

Inventory for Clinic Pharmacies

The Medical Center did not complete an annual physical inventory count for the clinic pharmacies. Upon noting the error, the Medical Center averaged the previous 2 years' inventory balances for the clinic pharmacies and adjusted the general ledger to reflect the estimated inventory balance. An adjustment was made to the financial statements to increase inventory and reduce the related expenses for \$110,000.

Capitalized Software Costs

The Medical Center has not consistently capitalized software costs, in accordance with the County's policy. During fiscal year 2012, the Medical Center expensed \$1,422,640 in software-related costs for the Medical Center's new materials management information system and upgrades to the patient billing system. Based on the County's policy, this amount was adjusted to reduce other general operating expenses and increase additions to capital assets.

We also noted that software costs in the amount of \$260,559, net of accumulated depreciation, related to various projects were expensed during fiscal years 2008 through 2011. Furthermore, we noted that the Medical Center erroneously capitalized \$140,446 in costs related to planning for the implementation of the International Classification of Disease version 10 (ICD-10), as the costs do not meet the criteria for capitalization under the County's policy. The financial statements were not adjusted to for these errors, and the effects of the adjustments are included in the Summary of Uncorrected Financial Misstatements section.

Accrued Revenue

The Medical Center does not annually evaluate the impact of services provided during the fiscal year that were not captured in the patient billing system as of June 30, 2012, to determine the significance of unrecorded revenues. As of June 30, 2012, approximately \$900,000 in services were provided during fiscal year 2012 that were not captured in the patient billing system and reported as revenue. This amount was off-set by the approximately \$700,000 that was not captured in fiscal year 2011. The financial statements were not adjusted to for these errors, and the effects of the adjustments are included in the Summary of Uncorrected Financial Misstatements section.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section II – Financial Statement Findings

2012-01 Financial Accounting and Reporting Process (Continued)

Cause and Effect:

Inventory for Clinic Pharmacies

The Medical Center's Pharmacy Department did not perform the year end physical inventory of pharmaceuticals held by the clinics. As such, the Pharmacy Department could not provide the actual valuation of pharmaceuticals held by the clinics to the Accounting Department to analyze and to adjust the inventory balance. As a result, the adjusted inventory balance was estimated to be understated by \$110,000.

Capitalized Software Costs

The Medical Center uses the County's Information Services Department to secure and administer contracts related to its information systems. Costs associated with the Medical Center's new materials management information system, upgrades to the patient billing system and planning for ICD 10 were not appropriately evaluated by either department to determine the need for capitalization. As a result the net effects of the errors described above to the Medical Center's financial statements are as follows:

- Capital assets are understated by \$1,542,753
- Fiscal year 2012 operating expenses are overstated by \$1,194,484
- Beginning net assets is understated by \$348,089

Management subsequently adjusted the financial statements to increase capital assets by \$1,422,640 and reduce operating expenses by the same amount to properly reflect the fiscal year 2012 additions to the new materials management information system and upgrades to the patient billing system. Medical Center management considered the remaining effect of the errors immaterial.

Accrued revenue

The Medical Center has not established revenue cut-off procedures to capture the effect of services provided but not yet recorded in the patient billing system as of the fiscal year end. As a result, beginning net assets is understated by \$701,095 representing fiscal year 2011 revenues captured in fiscal year 2012, net patient service revenue is understated by \$200,393, and patient accounts receivable is understated by \$901,488.

Recommendations:

We recommend the following:

Inventory for Clinic Pharmacies

The Medical Center should review its year-end financial closing plan to ensure that all required physical inventories are included and establish follow-up procedures for required information that is not received timely.

Capitalized Software Costs

The Medical Center should review the County's policy related to capitalized software and develop procedures to analyze annual expenses to determine if costs should be capitalized.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section II – Financial Statement Findings

2012-01 Financial Accounting and Reporting Process (Continued)

Accrued Revenue

The Medical Center should develop “look-back” procedures as a component of its year-end financial closing plan to annually evaluate the significance of current year revenues not captured in the patient billing system at June 30th and determine the effect on the financial statements.

Views of Responsible Officials and Planned Corrective Actions:

Response: Inventory for Clinic Pharmacies

Starting in 2012 the Medical Center has taken the position that the clinic supplies and pharmacy inventory balance are immaterial to the financial statements and as such will only perform clinic inventory counts every three years. The counts will occur on a rotating basis whereby 3-4 clinics would be counted every year. The Director of Materials Management and Director of Pharmacy are incorporating this into the inventory count policy and procedures.

Response: Capitalized Software Costs

The Medical Center is addressing this comment by working with the Information Services Department to address the inconsistencies in how capital project hours are coded by ISD staff. A policy between the departments is being developed to insure that all hours worked by ISD staff are appropriately coded to either capital or non-capital project categories. The Director of Financial Planning and Analysis and the Health Information Technology Director are developing the policy.

Response: Accrued Revenue

The delay in posted revenue is limited by the time it takes for clinical staff to complete their documentation, coding staff to complete their coding and billing staff to work any pre-bill edits. The Medical Center currently has a “10-day bill hold” time period and has been consistent with that timing for a few years. Through the LEAN events that are planned over the next 12 months, the Medical Center strives to move to a 3-day bill hold. Reducing the bill hold would significantly reduce the impact of unaccrued revenue on a month to month basis.

2012-02 Changes to Charge Data Master (CDM)

Significant Deficiency

Criteria:

An essential element of an effective financial information system is maintaining adequate records and source documents to support transactions. Proper controls over access and changes to the information system should be established to prevent and/or detect unauthorized changes to master files.

Condition:

During our audit, we noted that changes to the Medical Center’s CDM are managed by the Patient Care Division (Division). Authorized department personnel will e-mail change requests to the Division, which is responsible to review and approve requests and make changes. We selected 45 change requests for testing and noted that for four (4) of the samples the supporting e-mail request was not available for review. In addition we noted that one employee is responsible for reviewing, approving and making changes to CDM.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section II – Financial Statement Findings

2012-02 Changes to Charge Data Master (CDM)

Cause and Effect:

The Medical Center does not have a formal policy and procedures to maintain CDM change requests received from departments. Currently, the employee responsible for the administering the changes maintains e-mails in a general inbox and does not have an established mechanism to file these requests separately from other correspondences. Due to the lack of formalized procedures, there is a risk that unauthorized or inaccurate rate changes are made to CDM or that necessary changes are overlooked.

Recommendation:

We recommend that the Medical Center formalize policies and procedures over CDM change requests to ensure that the results of all change requests are documented (e.g. approved/denied), including the time and by whom authorized changes are made to CDM. Management may consider implementing one of the following processes:

- Maintain an electronic folder or a physical file of all e-mail requests received.
- Establish a dedicated e-mail for CDM change requests to be used a central repository of all requests.
- Develop a web-form page site where departments can submit requests via the County's intranet and thus directing workflow to appropriate individuals for review, approval, and processing.

In addition, we recommend that the Medical Center review the responsibilities of the individual responsible for administering the change requests to evaluate the risk of inaccurate and/or inappropriate changes to CDM. The evaluation should consider segregation of duties between the approval of the request, change to the systems, and review of change.

Views of Responsible Officials and Planned Corrective Actions (Continued):

Craneware was implemented during FY 2011 and continues to be used as the exclusive tool to update the Medical Center's Charge Description Master (CDM). However, it has been noted by the new Director of Revenue Cycle that there still exist opportunities for improvement in the formalization of policies and procedures (workflow) regarding change requests from the Medical Center's Departments including:

- documentation of all persons submitting change requests and their request statuses (i.e. approved or denied)
- documentation of when and by whom authorized changes are made to the CDM
- review of all internal controls including separation of duties between approval of the request, changes to various systems, and post-change review
- utilizing Craneware as the central repository for all change requests, system changes, and change review activities relating to the Medical Center's CDM
- review of the duties, functions, and responsibilities of the current CDM Coordinator

It has been communicated to the Executive Management Team that we will be conducting a full review of the abovementioned during fiscal year 2013 with the help of Craneware in order to reach a state of full compliance with the external CDM audit recommendations.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section II – Financial Statement Findings

2012-03 Evaluation of Completed Capital Projects

Significant Deficiency

Criteria:

Properly maintained records on capital asset transactions are essential in enabling the Medical Center to prepare accurate and reliable financial statements. Written procedures and authorizations will help to prevent misunderstanding, errors, or other situations that can result in inaccurate or untimely accounting records. Such documentation will also help to ensure that similar transactions are treated consistently and in conformity with accounting principles generally accepted in the United States of America.

Condition:

The Medical Center does not maintain written documentation supporting the completion of capital projects ready to be placed in service and depreciated. Evidence of completion is usually obtained verbally, which does not provide an audit trail. During our audit, we noted that the Medical Center transferred \$6,671,895 from construction in progress to the depreciable asset categories of buildings and equipment for fiscal year 2012. No significant exceptions were noted in our audit of the transfers for fiscal year 2012.

Cause and Effect:

Because the Medical Center does not require written documentation supporting capital project completion, it is at risk of inaccurately capturing the amount, timing, and nature of depreciable assets, all of which have a direct impact the recognition of depreciation expense.

Recommendation:

We recommend that the Medical Center establish policies and procedures to require proper documentation (e.g. a Notice of Completion) from contractors and/or project managers to support all transfers from construction in progress to depreciable asset categories.

Views of Responsible Officials and Planned Corrective Actions:

The Medical Center is working to include project completion status into its current capital project approval and tracking process. The Director of Financial Planning and Analysis is working with associates at the Department of Public works and Information Services Department to accurately record project completion. In addition, the Director of Financial Planning and Analysis will ensure Medical Center department managers also comply with the new guidelines.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section III – Federal Award Findings and Questioned Costs

Finding 2012-04

Subrecipient Monitoring

U.S. Department of Housing and Urban Development

Direct Program

CDBG – Entitlement Grants Cluster (CFDA number 14.218 and 14.253)

Federal award number and year: B-11-UC-06-0006; 2011

Home Investment Partnerships Program (CFDA number 14.239)

Federal award number and year: M-11-DC-06-0216; 2011

Administered by the Department of Housing of the County of San Mateo

Criteria

Pursuant to 24 CFR 570.501(b) and 24 CFR 92.504, prime recipients of federal funding under the CDBG – Entitlement Grants Cluster (CDBG) and the Home Investment Partnerships Program (HOME) are required to ensure that the federal funds are used in accordance with all program requirements. The prime recipient’s responsibility also includes determining the adequacy of performance by its subrecipients when the prime recipient passes federal funds through to other non-federal agencies. The prime recipient should monitor the subrecipient’s use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers the federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements.

Condition

During our audits of the CDBG and HOME programs, we noted the Department of Housing’s (Department) subrecipient monitoring procedures did not cover compliance requirements related to the Davis-Bacon Act. The Davis-Bacon Act required all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid prevailing wage rates established by the U.S. Department of Labor. CDBG and HOME requirements further specify that CDBG-assisted housing rehabilitation projects with eight or more units; CDBG-funded non-residential projects with at least \$2,000 was invested in construction activities; and housing rehabilitation projects with 12 or more HOME-assisted units, are subject to the Davis-Bacon Act.

Cause of Condition

Due to staff turnover and reductions, the Department of Housing focused its available resources on select compliance areas and consequently limited its subrecipient monitoring procedures.

Effect

Current procedures do not allow the Department to detect subrecipients’ noncompliance with the Davis-Bacon Act in a timely manner. As the pass-through agency of federal funds, the County may be held accountable for such noncompliance.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section III – Federal Award Findings and Questioned Costs

Finding 2012-04 (continued)

Questioned Cost

For the CDBG program, federal funds of \$1,822,917 were passed through to 37 subrecipients during the fiscal year. Our sample of 11 subrecipients, who received \$1,120,749 of CDBG funds, identified \$121,306 that related to construction activities.

For the HOME program, federal funds of \$2,302,333 were passed through to 5 subrecipients during the fiscal year. We did not identify any expenditures related to construction activities in our tested sample of 5 subrecipients who received a total of \$2,302,333 of HOME funds for the fiscal year.

Recommendation

We recommend the Department reevaluate and strengthen its subrecipient monitoring procedures to provide adequate oversight of subrecipients' activities that are subject to the Davis-Bacon Act.

Management Response and Corrective Action Plan

The Department is already in substantial compliance with requirements for Davis-Bacon monitoring, and is taking additional steps to achieve full compliance. The Department notifies applicants for funds of Davis-Bacon requirements, considers during project underwriting whether Davis-Bacon has been factored into project costs, includes Davis-Bacon compliance instructions in each subrecipient contract, briefs subrecipients in person before construction begins (or confirms that a competent proxy has performed such a briefing, for example a Davis-Bacon consultant or staff from another funding agency), and reviews records to assure that site monitoring and wage certification is performed weekly (by Davis-Bacon consultant, partner-agency staff, or Department staff). The Department is now in the process of thoroughly documenting all of these procedures, and making the procedures more reliable and fail-safe. For example: a field has been added to the master contracts database that indicates whether each contract is subject to Davis-Bacon, and if so which of several monitoring regimens apply; also, a procedural loop is being added to the warrant request process to verify Davis-Bacon compliance before making progress payments above a threshold amount to subrecipients; Davis-Bacon compliance documentation will be added to the contract close-out process.

The Department has also established a new procedure: each quarter the manager responsible for departmental quality assurance will review and approve a checklist and back-up documentation to certify that all new contracts signed during the previous quarter have been entered into the FSRS and into the departmental tracking database for Section 3 (local low income construction hiring) and Davis-Bacon (prevailing wage). The checklist will prompt the reviewer to inspect certain Davis-Bacon items, such as having a copy of the construction contract on file as well as the CDBG or HOME funding contract.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section III – Federal Award Findings and Questioned Costs

Finding 2012-05

Reporting

U.S. Department of Housing and Urban Development

Direct Program

CDBG – Entitlement Grants Cluster (CFDA number 14.218)

Federal award number and year: B-11-UC-06-0006; 2011

Home Investment Partnerships Program (CFDA number 14.239)

Federal award number and year: M-11-DC-06-0216; 2011

Administered by the Department of Housing of the County of San Mateo

Criteria

The Federal Funding Accountability and Transparency Act (FFATA) was signed on September 26, 2006. The FFATA legislation requires information on federal awards (federal financial assistance and expenditures) be made available to the public via a single, searchable website www.USASpending.gov. The FFATA Subaward Reporting System (FSRS) is the reporting tool federal prime grantees use to capture and report subaward and executive compensation data regarding their first-tier subawards to meet the FFATA reporting requirements. The purpose of the FFATA is to capture, and make available to the public, data on federal spending. The report requires a variety of details, including information on the award recipient, the funding source, and the amount of the award. The report also requires total compensation and names of the five most highly compensated officers of the entity if the entity in the preceding fiscal year received at least \$25 million comprising at least 80% of its annual gross revenues from federal awards, and for which data was previously not available to the public.

Effective October 1, 2010, prime grantees are required to report each first-tier subaward or subaward amendment that results in an obligation of \$25,000 or more in federal funds by the end of the month following the month in which the subcontract award or modification occurs. Due to the newness of the FFATA reporting requirements and implementation challenges that prime grantees have had with the FFATA reporting process, the federal government has issued a waiver of reporting delays provided that the prime grantee could demonstrate a “good faith” effort to comply. Demonstration of a “good faith” effort by a recipient should be evidenced by proper documentation such as: emails or phone logs of communication between a recipient and the awarding agency or the General Services Administration; or computer screen shots that illustrate recipient attempts to upload information into the FSRS. The FFATA reporting requirements do not apply to awards funded by the American Recovery and Reinvestment Act (ARRA).

Condition

The County is a prime recipient of federal grants under the CDBG – Entitlement Grants Cluster and the Home Investments Partnership Program. During fiscal year 2012, the Department of Housing (Department) passed through total non-ARRA federal funds of \$1,790,101 and \$2,302,333 to subgrantees under these respective programs. The Department did not submit the subaward information in the FSRS, and was not able to provide evidence to demonstrate a “good faith” effort to comply with the requirements.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section III – Federal Award Findings and Questioned Costs

Finding 2012-05 (continued)

Cause of Condition

The FSRS experienced technical difficulties in the early stages of implementation that initially prevented the Department from entering data. The Department relied on the communications from the U.S. Department of Housing and Urban Development (HUD) regarding the status of FSRS errors and the availability of the FSRS for data input. However, the Department did not retain documentation to demonstrate good faith efforts were made to comply with the report requirements, and did not submit the information when the FSRS became available.

Effect

The County is not in compliance with the FFATA reporting requirement.

Questioned Cost

Not Applicable. The FFATA report captures subaward information and does not affect program expenditures.

Recommendation

We recommend the Department report all subawards made to date in the FSRS. If technical or other difficulties prevent compliance with the reporting requirements by the specified due dates, the Department should retain proper documentation to demonstrate good faith efforts and contact HUD for further guidance.

Management Response and Corrective Action Plan

The initial input into FSRS was delayed; however, the Department of Housing has now reported all subawards into the FSRS. The Department will continue to enter requisite data for any new subawards. The Department has established a new procedure: each quarter the manager responsible for departmental quality assurance will review and approve a checklist and back-up documentation to certify that all new contracts signed during the previous quarter have been entered into the FSRS and into the departmental tracking database for Section 3 (local construction hiring) and Davis-Bacon (prevailing wage). Although the Department will continue to problem-solve with HUD telephonically from time to time, as this has been an effective method in the past, Department staff have now been instructed to memorialize telephonic communications in email, with a copy to the program manager, when the matter in question may involve compliance risks.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section III – Federal Award Findings and Questioned Costs

Finding 2012-06

Reporting

U.S. Department of Housing and Urban Development

Direct Program

CDBG – Entitlement Grants Cluster (CFDA numbers 14.218 and 14.253)

Federal award number and year: B-11-UC-06-0006; 2011

Home Investment Partnership Program (CFDA number 14.239)

Federal award number and year: M-11-DC-06-0216; 2011

Administered by the Department of Housing of the County of San Mateo

Criteria

Pursuant to Title 24, section 135.90 of the Code of Federal Regulations (CFR), for each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction, the prime grant recipient must submit Form HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons*. The purpose of Form HUD 60002 is to report annual accomplishments regarding employment and other economic opportunities provided to low- and very low-income persons under Section 3 of the Housing and Urban Development Act of 1968. The prime recipient must report its project status or an explanation of not meeting the goals. Reporting guidance issued by the U.S. Department of Housing and Urban Development (HUD) specifies that recipients that submit Form HUD 60002 containing all zeros, without a sufficient explanation to justify their submission, are in noncompliance with the requirements of Section 3.

Furthermore, the A-102 Common Rule (2 CFR part 215) requires non-federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. The County is required to ensure all reports submitted should include all required information, be mathematically accurate, supported by underlying data, and summarized in accordance with the required or stated criteria and methodology.

Condition

During fiscal year 2012, the Department of Housing (Department) received over \$200,000 of federal financial assistance under the CDBG – Entitlement Grants Cluster and the Home Investment Partnerships Program that are subject to Section 3 reporting requirements. The Department of Housing submitted a Form HUD 60002 that accurately reported all zeros. However, the Department of Housing did not, as required, also submit an explanation to justify the all-zero submission. Our review of the Department’s internal control over with Section 3 reporting requirements also identified a lack of secondary review on the accuracy and completeness of the required report

Cause of Condition

The Department was not aware of the requirement to include an explanation for all-zero submissions. As a result of staff turnover in the Department, the supervisor responsible for report review prepared the Form HUD 60002 for fiscal year 2012.

Effect

Failure to comply with Section 3 requirements may result in sanctions, including debarment, suspension, or limited denial of participation in HUD programs pursuant to 24 CFR Part 24. The lack of secondary review creates a risk that reporting errors may not be prevented or detected and corrected in a timely basis.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section III – Federal Award Findings and Questioned Costs

Finding 2012-06 (continued)

Questioned Cost

Not Applicable – the HUD 60002 captures the Department’s effort in meeting the Section 3 goals and does not affect program expenditures.

Recommendation

We recommend the Department coordinate with a HUD representative to clarify the specific requirements and guidelines related to all reporting requirements to ensure compliance. We further recommend that there be a designated secondary reviewer for all reports that are submitted to ensure all reporting requirements are met and to ensure the accuracy and completeness of the report prepared.

Management Response and Corrective Action Plan

To discharge its monitoring obligations, the Department must notify subrecipients (who spend \$100,000 or more of CDBG or HOME funds on construction projects that create new jobs) of their requirement to make good faith efforts to hire qualified local low income residents and businesses, must determine whether the subrecipients have in fact hired local residents/businesses, and must accurately report to HUD the number of local residents/businesses employed. The Department in fact performed these monitoring responsibilities. The Department inadvertently failed to comply with the additional requirement that if zero local hiring was reported, the report must include an explanation. HUD provides no guidance as to what constitutes a complete explanation, and the subrecipients are not required to provide an explanation, although the Department may ask and may encourage them to do so. Historically, HUD has not enforced this technical requirement. Going forward, the Department will include explanations in the HUD 60002 report. The Department has established a new procedure: each quarter the manager responsible for departmental quality assurance will review and approve a checklist and back-up documentation to certify that all new contracts signed during the previous quarter have been entered into the FSRS and into the departmental tracking database for Section 3 (local construction hiring) and Davis-Bacon (prevailing wage). The checklist will prompt the reviewer to assure that an explanation is included in the HUD 60002 report.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section III – Federal Award Findings and Questioned Costs

Finding 2012-07

Reporting

U.S. Department of Health and Human Services

Pass-through State of California, Alcohol and Drug Programs

Block Grants for Prevention and Treatment of Substance Abuse

CFDA number 93.959

Federal award number and year: 07B1CASAPT-02; 2012

Administered by the Health Department of the County of San Mateo

Criteria

The A-102 Common Rule (2 CFR part 215) requires non-Federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Recipients of federal assistance under the Block Grants for Prevention and Treatment of Substance Abuse (SAPT) program are required to report cumulative expenditures for the two-year allocation period. To fulfill this reporting requirement, the County is responsible for submitting the Quarterly Federal Financial Management Report (QFFMR) and to establish adequate internal control to ensure all reports submitted are complete, mathematically accurate, supported by underlying data, and summarized in accordance with the required or stated criteria and methodology.

Condition

During our review of the County's internal controls over compliance with reporting requirements, we noted that the QFFMR was prepared and submitted by a management analyst in the Health Department, without any secondary review for accuracy or completeness before final submission. However, our procedures did not identify any errors in the 2 sampled quarterly reports selected for review out of 4 total pertaining to fiscal year 2012.

Cause of Condition

Due to budget constraints, the Health Department does not have sufficient funding to fill the vacant accountant position with report preparation responsibilities.

Effect

The lack of secondary review creates a risk that reporting errors may not be prevented or detected and corrected on a timely basis.

Questioned Cost

Not Applicable – our procedures did not identify any errors in the reports selected for review.

Recommendation

We recommend the Health Department evaluate the reporting process and redistribute responsibilities as appropriate. The Health Department should also document policies and procedures of the reporting process to facilitate the training and cross-training of new or existing staff assigned to the reporting function.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section III – Federal Award Findings and Questioned Costs

Finding 2012-07 (continued)

Management Response and Corrective Action Plan

Current staffing is sufficient for the report preparation duties required for the SAPT program compliance. For subsequent reporting periods we will have a fiscal manager review the completed report in order to check for accuracy and completeness prior to submission. Fiscal staff will also be cross trained to ensure that we have back up staff to perform required reporting functions. Additionally, fiscal staff will confirm that written procedures for completing the SAPT grant reporting functions are up to date.

COUNTY OF SAN MATEO
Schedule of Prior Year Finding and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Reference Number: 2011-01

Federal Catalog Number/
Program Name: 81.128 - Energy Efficient and Conservation Block Grant Program (EECBG)

Audit Finding: During our review of the internal controls of the County Department of Public Works over compliance with reporting requirements, we noted a lack of secondary review on the accuracy and completeness of the ARRA performance reports and SF-425 reports before final submission.

We recommended that the County Department of Public Works evaluate its current policies and procedures over the reporting process, and designate knowledgeable individuals to review prepared reports before they are submitted to the granting agencies to reduce the risk of incorrect reports.

Status of Corrective Action: Corrective action was implemented.