

COUNTY OF SAN MATEO

Single Audit Reports

For the Year Ended June 30, 2010

COUNTY OF SAN MATEO

For the Year Ended June 30, 2010

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Mateo, California (County) as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 5, 2010. Our report includes a reference to other auditors, and also includes an explanatory paragraph indicating that the County adopted the provisions of Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. 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 on separately by those auditors.

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.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2010-A, that we consider to be a significant deficiency in internal control over financial reporting. 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.

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 other matters that we reported to management of the County in a separate letter dated November 5, 2010.

Management's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

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

Certified Public Accountants
Walnut Creek, California

November 5, 2010

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 the 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, 2010. The County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County’s management. Our responsibility is to express an opinion on the County’s compliance based on our audit.

The County’s basic financial statements include the operations of the Housing Authority of the County of San Mateo (Housing Authority), which expended \$60,494,725 in federal awards that is not included in the schedule of expenditures of federal awards for the year ended June 30, 2010. Our audit as 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, 2010. 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 2010-01, 2010-02, and 2010-03.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-02 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-01, 2010-03 and 2010-04 to be significant deficiencies.

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, 2010, and have issued our report thereon dated November 5, 2010. Our report includes a reference to other auditors and also includes an explanatory paragraph indicating that the County adopted the provisions of Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Our audit was performed 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 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.

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 the responses.

This report is intended solely for the information and use of the County Grant 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

Certified Public Accountants
Walnut Creek, California

March 31, 2011, except for the Schedule of
Expenditures of Federal Awards, which is
dated November 5, 2010

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

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				
Pass-Through Programs, State of California, Department of Food and Agriculture:				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	\$ 322,485	\$ -	07-0102
Plant and Animal Disease, Pest Control, and Animal Care	10.025	28,945	-	09-0442
Plant and Animal Disease, Pest Control, and Animal Care	10.025	141,701	-	08-0698
Plant and Animal Disease, Pest Control, and Animal Care	10.025	13,316	-	09-0620
Plant and Animal Disease, Pest Control, and Animal Care	10.025	4,983	-	09-0745
Plant and Animal Disease, Pest Control, and Animal Care	10.025	2,446	-	09-0809
Plant and Animal Disease, Pest Control, and Animal Care	10.025	61,978	-	09-0663
Total Plant and Animal Disease, Pest Control, and Animal Care		575,854	-	
Senior Farmers Market Nutrition Program	10.576	10,000	10,000	None
ARRA - Wildland Fire Management	10.688	7,920	7,200	09-0653
Pass-Through Programs, State of California, Department of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program (SNAP)				
	10.561	5,831,091	-	None
ARRA-State Administrative Matching Grants for SNAP	10.561	110,252	-	None
State Administrative Matching Grants for SNAP	10.561	56,882	-	09-11233
State Administrative Matching Grants for SNAP	10.561	61,571	-	06-55115
Subtotal of SNAP Cluster		6,059,796	-	
Pass-Through Programs, State of California, Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	128,497	-	41-10413-6045223-01
National School Lunch Program	10.555	200,564	-	41-10413-6045223-01
Subtotal of Child Nutrition Cluster		329,061	-	
Pass-Through Program, State of California, Department of Public Health:				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	2,946,947	-	08-85467
Subtotal of Pass-Through Programs		9,929,578	17,200	
TOTAL U.S. DEPARTMENT OF AGRICULTURE		9,929,578	17,200	
U.S. DEPARTMENT OF COMMERCE				
Pass-Through Program, National Marine Sanctuary Foundation:				
Marine Sanctuary Program	11.429	373,416	-	None
Pass-Through Program, City and County of San Francisco:				
Public Safety Interoperable Communications Grant Program	11.555	454,491	-	2007-2008
Subtotal of Pass-Through Programs		827,907	-	
TOTAL U.S. DEPARTMENT OF COMMERCE		827,907	-	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants / Entitlement Grants	14.218	2,369,847	1,829,819	--
ARRA - Community Development Block Grants / Entitlement Grants	14.253	210,172	178,541	--
Subtotal of CDBG - Entitlement Grants Cluster		2,580,019	2,008,360	
Emergency Shelter Grants Program	14.231	122,250	122,250	--
Home Investment Partnerships Program	14.239	21,148,018	1,014,075	--
Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	146,400	117,000	--
ARRA - Homeless Prevention Rapid Re-housing Program	14.257	394,193	325,407	--
Subtotal of Direct Programs		24,390,880	3,587,092	
Pass-Through Program, San Francisco Redevelopment Agency:				
Housing Opportunities for Persons with AIDS	14.241	779,300	568,448	None
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		25,170,180	4,155,540	

See notes to the schedule of expenditures of federal awards.

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2010

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				
Direct Programs:				
Edward Byrne Memorial Formula Grant Program	16.579	23,620	-	--
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	59,170	-	--
State Criminal Alien Assistance Program	16.606	1,801,676	-	--
Public Safety Partnership and Community Policing Grants	16.710	519,342	-	--
Edward Byrne Memorial Justice Assistance Grant Program	16.738	30,999	28,954	--
Forensic DNA Backlog Reduction Program	16.741	95,328	-	--
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	43,274	-	--
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program Grants to Units of Local Government	16.804	550,343	-	--
Second Chance Act Prisoner Reentry Initiative	16.812	248,582	180,007	--
Subtotal of Direct Programs		3,372,334	208,961	
Pass-Through Program, State of California, Corrections Standards Authority: Juvenile Accountability Block Grants	16.523	42,272	42,272	CSA 181-09
Pass-Through Program, City and County of San Francisco: Public Safety Partnership and Community Policing Grants	16.710	603,281	-	2007CK-WX-0028
Pass-Through Programs, State of California, Emergency Management Agency: Crime Victim Assistance	16.575	110,000	-	SE09190410
Crime Victim Assistance	16.575	174,534	-	VW09280410
Subtotal of Crime Victim Assistance		284,534	-	
Edward Byrne Memorial Formula Grant Program	16.579	384,315	-	DC09200410
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	44,605	-	CQ08060410
ARRA - State Victim Assistance Formula Grant Program	16.801	19,042	-	VS09010410
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program Grants to Units of Local Government	16.804	276,439	165,313	ZO09010410
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program Grants to Units of Local Government	16.804	56,688	-	ZA09010410
Pass-Through Programs, National Police Athletic / Activity League: ARRA - Edward Byrne Memorial Competitive Grant Program	16.808	4,861	-	ARRACA128
ARRA - Edward Byrne Memorial Competitive Grant Program	16.808	4,471	-	ARRACA122
ARRA - Edward Byrne Memorial Competitive Grant Program	16.808	4,869	-	ARRACA098
ARRA - Edward Byrne Memorial Competitive Grant Program	16.808	5,829	-	ARRACA097
Subtotal of ARRA - Edward Byrne Memorial Competitive Grant Program		20,030	-	
Subtotal of Pass-Through Programs		1,731,206	207,585	
TOTAL U.S. DEPARTMENT OF JUSTICE		5,103,540	416,546	
U.S. DEPARTMENT OF LABOR				
Pass-Through Program, State of California, Department of Aging: Senior Community Service Employment Program	17.235	169,792	169,792	TV-0910-08
ARRA - Senior Community Service Employment Program	17.235	39,326	39,326	ES-0809-08
Subtotal of Senior Community Service Employment Program		209,118	209,118	
Pass-Through Programs, State of California, Employment Development Department: WIA Cluster:				
WIA Adult Program	17.258	551,471	107,848	K074175
ARRA-WIA Adult Program	17.258	362,086	32,412	R970571
Subtotal of WIA Adult Program		913,557	140,260	
WIA Youth Activities	17.259	844,615	668,522	K074175
ARRA-WIA Youth Activities	17.259	773,516	525,778	R970571
Subtotal of WIA Youth Activities		1,618,131	1,194,300	
WIA Dislocated Workers	17.260	2,212,291	139,160	K074175
WIA Dislocated Workers	17.260	231,767	48,000	R970571
ARRA-WIA Dislocated Workers	17.260	1,367,923	49,029	R970571
Subtotal of WIA Dislocated Workers		3,811,981	236,189	
Subtotal of WIA Cluster		6,343,669	1,570,749	
Subtotal of Pass-Through Programs		6,552,787	1,779,867	
TOTAL U.S. DEPARTMENT OF LABOR		6,552,787	1,779,867	

See notes to the schedule of expenditures of federal awards.

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2010

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 TRANSPORTATION				
Direct Program:				
Airport Improvement Program	20.106	3,085,345	-	--
Highway Planning and Construction Cluster:				
Pass-Through Program, State of California, Department of Transportation:				
Highway Planning and Construction	20.205	529,551	-	BROS 0081(011)
Highway Planning and Construction	20.205	4,727	-	BRLO 5935(052)
Highway Planning and Construction	20.205	73,000	-	STP 6084(146)
Highway Planning and Construction	20.205	163,429	-	CML 5935(044)
Highway Planning and Construction	20.205	11,309	-	CML 5935(045)
Highway Planning and Construction	20.205	40,000	-	CML 5935(048)
ARRA - Highway Planning and Construction	20.205	1,725,667	-	ESPL 5935(054)
Subtotal of Highway Planning and Construction		2,547,683	-	
Pass-Through Program, State of California, Department of Transportation:				
Recreational Trails Program	20.219	157,420	-	None
Subtotal of Highway Planning and Construction Cluster		2,705,103	-	
Subtotal of Pass-Through Programs		2,705,103	-	
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		5,790,448	-	
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Pass-Through Program, State of California, Department of Public Health:				
Beach Monitoring and Notification Program Implementation Grants	66.472	15,000	-	08-85539
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY		15,000	-	
U.S. DEPARTMENT OF ENERGY				
Direct Programs:				
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	796,042	-	--
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	129,425	81,899	--
Subtotal of Direct Programs		925,467	81,899	
TOTAL U.S. DEPARTMENT OF ENERGY		925,467	81,899	
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Program, San Mateo County Office of Education:				
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	1,979,619	-	04-14468-1041-01
Pass-Through Program, State of California, Alcohol and Drug Programs:				
Safe and Drug-Free Schools and Communities - State Grants	84.186	220,000	161,395	SFD-07-04
Subtotal of Pass-Through Programs		2,199,619	161,395	
TOTAL U.S. DEPARTMENT OF EDUCATION		2,199,619	161,395	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs:				
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Care, and School Based Health Centers)	93.224	1,033,219	-	--
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	106,068	62,241	--
ARRA - Grants to Health Center Programs	93.703	144,708	-	--
Health Care and Other Facilities	93.887	33,825	-	--
Adolescent Family Life - Demonstration Projects	93.995	392,024	-	--
Subtotal of Direct Programs		1,709,844	62,241	
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	9,709	-	AP-0910-08
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	43,796	43,796	AP-0910-08
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	42,293	42,293	AP-0910-08

See notes to the schedule of expenditures of federal awards.

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2010

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)				
Pass-Through Programs, State of California, Department of Aging: (Continued)				
Medicare Enrollment Assistance Program	93.071	3,421	3,294	MI-0910-08
Aging Cluster:				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	761,070	637,780	AP-0910-08
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	1,100,310	958,492	AP-0910-08
Nutrition Services Incentive Program	93.053	213,665	213,665	AP-0910-08
ARRA - Aging Home - Delivered Nutrition Services for States	93.705	61,737	59,633	NS-0809-08
ARRA - Aging Congregate Nutrition Services for States	93.707	124,510	121,130	NS-0809-08
Subtotal of Aging Cluster		<u>2,261,292</u>	<u>1,990,700</u>	
National Family Caregiver Support, Title III, Part E	93.052	352,091	317,945	AP-0910-08
Medical Assistance Program	93.778	385,650	-	MS-0910-13
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	120,841	112,139	HI-0910-08
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	7,118	7,043	MI-0910-08
Subtotal of CMS Research, Demonstrations and Evaluations		<u>127,959</u>	<u>119,182</u>	
Pass-Through Programs, State of California, Department of Health Care Services:				
Disabilities Prevention	93.184	912,840	-	None
Immunization Cluster:				
Immunization Grants	93.268	283,618	-	09-11297
Children's Health Insurance Program	93.767	375,339	-	None
Medical Assistance Program	93.778	1,727,784	-	None
Medical Assistance Program	93.778	61,619	-	08-85088
ARRA - Medical Assistance Program	93.778	539,632	-	None
Pass-Through Programs, State of California, Department of Public Health:				
Environmental Public Health and Emergency Response	93.070	1,174,988	-	EPO 09-41/EPO P3-41
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	107,615	-	EPO 08-41
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	645,041	-	EPO 09-41
Subtotal of Centers for Disease Control and Prevention - Investigations and Technical Assistance		<u>752,656</u>	-	
National Bioterrorism Hospital Preparedness Program	93.889	19,512	-	EPO HPP 07-41
National Bioterrorism Hospital Preparedness Program	93.889	63,102	-	EPO 08-41
National Bioterrorism Hospital Preparedness Program	93.889	249,700	-	EPO 09-41
Subtotal of National Bioterrorism Hospital Preparedness Program		<u>332,314</u>	-	
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	35,846	-	09-11148
Maternal and Child Health Services Block Grant to the States	93.994	625,182	-	200941
Pass-Through Programs, State of California, Department of Mental Health:				
Projects for Assistance in Transition from Homelessness (PATH)	93.150	146,530	146,530	None
Block Grants for Community Mental Health Services	93.958	875,817	202,774	None
Pass-Through Programs, State of California, Department of Social Services:				
Promoting Safe and Stable Families	93.556	234,250	-	None
TANF Cluster:				
Temporary Assistance for Needy Families	93.558	34,359,907	-	None
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	3,399,457	-	None
Subtotal of TANF Cluster		<u>37,759,364</u>	-	
Refugee and Entrant Assistance - State Administered Programs	93.566	57,490	-	None
U.S. Repatriation	93.579	1,319	-	None
Child Welfare Services - State Grants	93.645	374,806	-	None
Foster Care - Title IV-E	93.658	11,003,025	-	None
ARRA - Foster Care - Title IV-E	93.658	157,483	-	None
Foster Care - Title IV-E	93.658	1,286,536	-	2024.00.01
ARRA-Foster Care - Title IV-E	93.658	298,219	-	2024.00.01
Subtotal of Foster Care - Title IV-E		<u>12,745,263</u>	-	

See notes to the schedule of expenditures of federal awards.

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2010

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)				
Pass-Through Programs, State of California, Department of Social Services: (Continued)				
Adoption Assistance	93.659	2,647,088	-	None
ARRA-Adoption Assistance	93.659	228,403	-	None
Subtotal of Adoption Assistance		<u>2,875,491</u>	<u>-</u>	
Social Services Block Grant	93.667	1,115,360	-	None
Chafee Foster Care Independence Program	93.674	181,246	-	None
Medical Assistance Program	93.778	3,995,113	-	None
ARRA-Medical Assistance Program	93.778	627,846	-	None
Pass-Through Programs, State of California, Department of Child Support Services:				
Child Support Enforcement	93.563	6,247,867	-	None
ARRA-Child Support Enforcement	93.563	1,263,731	-	None
Subtotal of Child Support Enforcement		<u>7,511,598</u>	<u>-</u>	
Pass-Through Programs, State of California, Department of Education:				
CCDF Cluster:				
Child Care and Development Block Grant	93.575	29,649	29,649	C2AP-9058
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	395,577	-	CAPP-9063
Subtotal of CCDF Cluster		<u>425,226</u>	<u>29,649</u>	
Pass-Through Programs, State of California, Alcohol and Drug Programs:				
Medical Assistance Program	93.778	354,860	101,961	07B1CASAPT-02
ARRA-Medical Assistance Program	93.778	82,257	19,187	07B1CASAPT-02
Block Grants for Prevention and Treatment of Substance Abuse	93.959	4,603,963	4,349,588	07B1CASAPT-02
Pass-Through Program, State of California, Secretary of State:				
Voting Access for Individuals with Disabilities - Grants to States	93.617	4,800	-	09G26141
Voting Access for Individuals with Disabilities - Grants to States	93.617	66,186	-	08G26129
Voting Access for Individuals with Disabilities - Grants to States	93.617	51,773	-	07G26115
Subtotal of Voting Access for Individuals with Disabilities - Grants to States		<u>122,759</u>	<u>-</u>	
Pass-Through Program, City and County of San Francisco:				
HIV Emergency Relief Project Grants	93.914	1,578,264	288,039	DPHC1000072801
HIV Emergency Relief Project Grants	93.914	482,443	52,232	None
Subtotal of HIV Emergency Relief Project Grants		<u>2,060,707</u>	<u>340,271</u>	
HIV Care Formula Grants	93.917	452,374	-	07-65080
HIV Prevention Activities - Health Department Based	93.940	164,312	-	07-65080
Subtotal of Pass-Through Programs		<u>86,815,980</u>	<u>7,707,170</u>	
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>88,525,824</u>	<u>7,769,411</u>	
OFFICE OF THE EXECUTIVE PRESIDENT				
Direct Program:				
High Intensity Drug Trafficking Areas Program	95.001	3,338,409	-	--
Pass-Through Program, State of California, San Diego County Sheriff's Office:				
High Intensity Drug Trafficking Area Program	95.001	25,333	-	None
Subtotal of High Intensity Drug Trafficking Area Program		<u>3,363,742</u>	<u>-</u>	
TOTAL OFFICE OF THE EXECUTIVE PRESIDENT		<u>3,363,742</u>	<u>-</u>	
U.S. DEPARTMENT OF HOMELAND SECURITY				
Pass-Through Programs, City and County of San Francisco:				
Homeland Security Grant Program	97.067	1,497,047	-	2008 UASI
Homeland Security Grant Program	97.067	130,782	-	2007-0008 UASI
Pass-Through Programs, State of California, Emergency Management Agency:				
Emergency Management Performance Grants	97.042	166,861	-	2009-0015
Homeland Security Grant Program	97.067	1,332,096	-	2007-0008
Homeland Security Grant Program	97.067	1,206,581	-	2008-0006
Homeland Security Grant Program	97.067	602,313	-	2009-0019
Buffer Zone Protection Program (BZPP)	97.078	13,832	-	2008-0008
Subtotal of Pass-Through Programs		<u>4,949,512</u>	<u>-</u>	
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY		<u>4,949,512</u>	<u>-</u>	
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 153,353,604</u>	<u>\$ 14,381,858</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 Year Ended June 30, 2010

1. GENERAL

The schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the County of San Mateo, California (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 6).

In accordance with requirements under U.S. Office of Management and Budget (OMB) Circular A-133, expenditures for 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 the 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 7).

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

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2010

6. HOUSING AUTHORITY OF THE COUNTY OF SAN MATEO

Housing Authority 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, 2010. The federal programs of the Housing Authority are as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Public and Indian Housing	14.850	\$ 289,366
Capital Fund Program	14.872	347,582
ARRA Capital Fund	14.885	109,191
Section 8 Programs:		
Moderate Rehabilitation	14.856	1,315,981
Housing Choice Vouchers	14.871	50,430,587
Shelter Plus Care	14.238	2,405,583
Moving to Work	14.881	4,894,502
Supporting Housing	14.235	701,933
Total		<u>\$ 60,494,725</u>

7. 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, 2010 along with the value of total new and outstanding loans made during the current year.

During the year ended June 30, 2010, the County incurred \$36,934 in expenditures related to new loans under the HOME program. As of June 30, 2010, the total amount of HOME loans outstanding subject to continuing compliance requirements was \$20,949,366, which is included in the Schedule.

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2010

8. 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-0910-08	\$ -	\$ 169,792
ARRA-Senior Community Service Employment Program	17.235	ES-0809-08	-	39,326
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, and Exploitation	93.041	AP-0910-08	-	9,709
Special Programs for Aging-Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042	AP-0910-08	-	43,796
Special Programs for Aging-Title III, Part D Disease Prevention and Health Promotion Services	93.043	AP-0910-08	-	42,293
Special Programs for Aging-Title III, Part B Grants for Supportive Services and Senior Centers	93.044	AP-0910-08	-	761,070
Special Programs for Aging-Title III, Part C Nutrition Services	93.045	AP-0910-08	125,841	1,100,310
National Family Caregiver Support, Title III, Part E	93.052	AP-0910-08	-	352,091
Nutrition Services Incentive Program	93.053	AP-0910-08	-	213,665
Medical Enrollment Assistance Program	93.071	MI-0910-08	-	3,421
ARRA-Aging Home-Delivered Nutrition Services for States	93.705	NS-0809-08	-	61,737
ARRA-Aging Congregate Nutrition Services for States	93.707	NS-0809-08	-	124,510
Medical Assistance Program (Medicaid; Title XIX)	93.778	MS-0910-13	385,650	385,650
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	HI-0910-08	180,357	120,841
	93.779	MI-0910-08	-	7,118
Total Expenditures of CDA and Federal Awards			<u>691,848</u>	<u>\$ 3,435,329</u>
State Awards - California Department of Aging:				
CBSP - Administration		AP-0910-08	2,670	
CBSP - Linkages		AP-0910-08	58,440	
CBSP - Respite Purchase of Service		AP-0910-08	3,760	
CBSP - Brown Bag Program		AP-0910-08	5,302	
CBSP - ADCRC		AP-0910-08	17,104	
Ombudsman Volunteer Recruitment Initiative		AP-0910-08	70,585	
Total Expenditures of CDA Awards			<u>\$ 849,709</u>	

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2010

9. PROGRAM TOTALS

The following table summarizes programs funded by various sources or grants 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 name.

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	--	\$ 23,620
State of California, Emergency Management Agency	DC09200410	384,315
	Program Total	<u>\$ 407,935</u>
(2) CFDA no. 16.710 - Public Safety Partnership and Community Policing Grants		
U.S. Department of Justice	--	\$ 519,342
City and County of San Francisco	2007CK-WX-0028	603,281
	Program Total	<u>\$ 1,122,623</u>
(3) CFDA no. 16.742 - Paul Coverdell Forensic Sciences Improvement Grant Program		
U.S. Department of Justice	--	\$ 43,274
State of California, Emergency Management Agency	CQ08060410	44,605
	Program Total	<u>\$ 87,879</u>
(4) CFDA no. 16.804 - Edward Byrne Memorial Justice Assistance Grant (JAG) Program Grants to Units of Local Government		
ARRA-U.S. Department of Justice	--	\$ 550,343
ARRA-State of California, Emergency Management Agency	ZO09010410	276,439
ARRA-State of California, Emergency Management Agency	ZA09010410	56,688
	Program Total	<u>\$ 883,470</u>
(5) Medicaid Cluster		
CFDA no. 93.778 - Medical Assistance Program		
State of California, Department of Aging	MS-0910-13	\$ 385,650
State of California, Department of Health Care Services	None	1,727,784
State of California, Department of Health Care Services	08-85088	61,619
ARRA-State of California, Department of Health Care Services	None	539,632
State of California, Department of Social Services	None	3,995,113
ARRA-State of California, Department of Social Services	None	627,846
State of California, Alcohol and Drug Programs	07B1CASAPT-02	354,860
ARRA-State of California, Alcohol and Drug Programs	07B1CASAPT-02	82,257
	Cluster Total	<u>\$ 7,774,761</u>
(6) Homeland Security Cluster		
CFDA no. 97.067 - Homeland Security Grant Program		
City and County of San Francisco	2008 UASI	\$ 1,497,047
City and County of San Francisco	2007-0008 UASI	130,782
State of California, Emergency Management Agency	2007-0008	1,332,096
State of California, Emergency Management Agency	2008-0006	1,206,581
State of California, Emergency Management Agency	2009-0019	602,313
	Program Total	<u>\$ 4,768,819</u>

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2010

**10. 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, 2010. This information is included in the County's single audit report at the request of CalEMA.

Program Title and Expenditure Category	Grant Number Grant Period CFDA no. *	Budget	Cumulative through June 30, 2009	Actual 7/1/09-6/30/10		Cumulative through June 30, 2010	Variance
				Non-match	Match		
2008 Coverdell Training Program							
Personnel Services	CQ08060410	\$ 12,169	\$ 1,214	\$ 10,955	\$ -	\$ 12,169	\$ -
Operating Expenses	10/1/08-8/31/10	53,462	17,800	33,650	-	51,450	2,012
Equipment	CFDA no. 16.742	-	-	-	-	-	-
Total		\$ 65,631	\$ 19,014	\$ 44,605	\$ -	\$ 63,619	\$ 2,012
Special Emphasis Victim Witness Program							
Personnel Services	SE09190410	\$ 171,876	\$ -	\$ 110,000	\$ 27,500	\$ 137,500	\$ 34,376
Operating Expenses	7/1/09-9/30/10	-	-	-	-	-	-
Equipment	CFDA no. 16.575	-	-	-	-	-	-
Total		\$ 171,876	\$ -	\$ 110,000	\$ 27,500	\$ 137,500	\$ 34,376
Victim Witness Assistance Program							
Personnel Services	VW09280410	\$ 174,534	\$ -	\$ 174,534	\$ -	\$ 174,534	\$ -
Operating Expenses	7/1/09-6/30/10	-	-	-	-	-	-
Equipment	CFDA no. 16.575	-	-	-	-	-	-
Total		\$ 174,534	\$ -	\$ 174,534	\$ -	\$ 174,534	\$ -
VOCA Stimulus Victim Witness Assistance							
Personnel Services	VS09010410	\$ 27,380	\$ -	\$ 13,857	\$ 3,463	\$ 17,320	\$ 10,060
Operating Expenses	7/1/09-9/30/10	6,669	-	5,185	1,215	6,400	269
Equipment	CFDA no. 16.801	-	-	-	-	-	-
Total		\$ 34,049	\$ -	\$ 19,042	\$ 4,678	\$ 23,720	\$ 10,329
Offender Treatment Recovery Act Program							
Personnel Services	ZO09010410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses	10/01/09-03/31/11	862,872	-	276,439	-	276,439	586,433
Equipment	CFDA no. 16.804	-	-	-	-	-	-
Total		\$ 862,872	\$ -	\$ 276,439	\$ -	\$ 276,439	\$ 586,433
San Mateo County Narcotics Task Force							
Personnel Services	ZA09010410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses	3/1/10-2/28/12	435,238	-	56,688	-	56,688	378,550
Equipment	CFDA no. 16.804	35,000	-	-	-	-	35,000
Total		\$ 470,238	\$ -	\$ 56,688	\$ -	\$ 56,688	\$ 413,550
San Mateo County Narcotics Task Force							
Personnel Services	DC09200410	\$ 147,916	\$ -	\$ 147,916	\$ -	\$ 147,916	\$ -
Operating Expenses	7/1/09-6/30/10	175,793	-	175,793	-	175,793	-
Equipment	CFDA no. 16.579	60,606	-	60,606	-	60,606	-
Total		\$ 384,315	\$ -	\$ 384,315	\$ -	\$ 384,315	\$ -

* 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 Year Ended June 30, 2010

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
... Material weaknesses identified?	No
... 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?	Yes
... 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 Circular A-133?	Yes

Identification of major programs:

<u>Program Title</u>	<u>CFDA Number</u>
Supplemental Nutrition Assistance Program Cluster.....	10.561
Home Investment Partnerships Program.....	14.239
Workforce Investment Act Cluster	17.258, 17.259, 17.260
Airport Improvement Program	20.106
Highway Planning and Construction Cluster.....	20.205, 20.219
Electricity Delivery and Energy Reliability, Research, Development and Analysis.....	81.122
Aging Cluster	93.044, 93.045, 93.053, 93.705, 93.707
Temporary Assistance for Needy Families Cluster	93.558, 93.714

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

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2010

Section II – Financial Statement Findings

2010-A Authorization for Changes to the Charge Master
Significant Deficiency

The Charge Description Master (“CDM”) pricing tables are periodically revised to account for changes in the Medical Center’s operating environment and market prices for services and supplies provided to patients. During our tests of internal controls over the patient billing we noted that the documents authorizing changes to the CDM were not available for review. In addition, we noted that the process to request a change to the CDM is informal (mainly emails) and the procedures for requesting a change and listing of authorized individuals have not been documented.

We recommend that the Medical Center develop and communicate formal procedures for requesting changes to the CDM. In addition, a list of individuals authorized to approve changes should be maintained by the patient accounting department. Finally, the Medical Center should formalize a process to maintain authorization documents.

Management’s Response:

A policy and procedure was implemented in July 2010, whereas specific guidelines are detailed with regards to CDM updates. This policy and procedure has been communicated with all Deputy Directors as well as their management staff. As of July 2010, only specified managers who have accessibility to Craneware have the ability to request changes in the CDM. The access to the CDM is limited to the CDM Coordinator along with assigned personnel in the CDM department. In addition, key ISD personnel have access to the CDM. Reports now generate automatically which indicate any changes or updates that have been performed within the CDM. During the period of October, November and December, the Craneware system has been taken off line intermittently to perform necessary charge review processes. While the system is off-line, as a backup, requests are submitted to the CDM Coordinator via email. Prior to implementation of new CDM requests, the CDM Coordinator will obtain proper approval from either the CFO or the Director of Revenue Cycle Operations. The policy enacted in July 2010 did not specify this scenario; therefore, the policy will be revised and sent for the approval process in November 2010. As a general rule, the Medical Center will no longer utilize authorization documents as the system is maintained via electronic means. The exceptions would be external regulatory updates received. Those are filed within the CDM department.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2010

Section III – Federal Award Findings and Questioned Costs

Finding 2010-01 Davis Bacon Act

U.S. Department of Transportation

Direct Program

Airport Improvement Program, CFDA number 20.106

Federal award numbers and years: 3-06-0097-11; 2006 3-06-0210-12; 2008
3-06-0097-12; 2009 3-06-0210-13; 2009
3-06-0210-11; 2007 3-06-0210-14; 2009

Passed through the State of California, Department of Transportation

Highway Planning and Construction Cluster,

CFDA number 20.205 (ARRA and non-ARRA) and 20.219

Pass-through award numbers and years: all awards; 2009 and 2010

Administered by the County of San Mateo Department of Public Works

Criteria

The Davis-Bacon Act requires all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds be paid prevailing wage rates. Contractors or subcontractors must submit weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls). The County is responsible for enforcing the compliance of contractors and subcontractors with Davis-Bacon Act requirements. In the event that the contractor does not provide the required certified payrolls by the due date, the County should initiate timely corrective actions to ensure compliance, such as sending timely follow-up requests to the contractor and withholding payment until the certified payrolls are received.

Condition

During our review of the County's compliance with the Davis-Bacon Act for the Airport Improvement Program and Highway Planning and Construction (HPC) Cluster, we tested 40 samples from a population of 780 certified payrolls for the Airport Improvement Program and 12 samples from a population of 121 certified payrolls for the HPC Cluster. Our testing showed that the Department of Public Works (Department) did not collect the required certified payrolls before disbursing federal awards to the contractors for 19 of the 40 selected samples for the Airport Improvement Program and 9 of the 12 selected samples for the HPC Cluster.

Cause of Condition

The Department makes monthly progress payments to contractors. Although contractors are required to submit certified payrolls weekly, they did not consistently comply with the required timeframe.

Effect

The Department of Public Works did not consistently verify the laborers and mechanics employed by the contractors and subcontractors were paid prevailing wage rates before releasing payment to the contractor. While the Department typically withholds 10% of the work performed as retention to be released upon project completion and final acceptance, there is a risk that federal funds may be paid to contractors who do not comply with the Davis-Bacon Act requirements. However, the Department of Public Works' subsequent collection and review of certified payrolls determined prevailing wage rates were paid.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2010

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

Finding 2010-01 (Continued)

Questioned Cost

Not applicable.

Recommendation

We recommend the Department of Public Works evaluate its procedures and controls over the monitoring of certified payroll submission to ensure certified payrolls have been submitted by the contractor and to determine whether prevailing wage rates are paid before releasing payment to the contractor. Procedures should indicate follow up actions to be taken when the contractor does not comply with contract provisions.

Management Response and Corrective Action Plan

The Department of Public Works was aware of the requirements to comply with the Davis-Bacon Act during the construction of its federally funded projects. The Airports Divisions had also hired and relied on an aviation engineering firm to ensure compliance with these requirements.

The Department will institute the following requirements to further ensure compliance with the Davis-Bacon Act:

1. In addition to the retention of fund requirements listed above, for projects utilizing California Department of Transportation (Caltrans) standard specification, the Department will implement the requirements of paragraph four of Section 7-1.01A(3) "Payroll Records" of the Caltrans Standard Specifications related to retention of payment, which states:

"If by the 15th of the month, the Contractor has not submitted satisfactory payrolls for all work performed during the monthly period ending on or before the first of that month, the Department will retain an amount equal to 10 percent of the estimated value of the work performed (exclusive of Mobilization) during the month from the next monthly estimate, except that this retention shall not exceed \$10,000 nor be less than \$1,000. Retentions for failure to submit satisfactory payrolls shall be additional to all other retentions provided for in the contract. The retention for failure to submit payrolls for any monthly period will be released for payment on the monthly estimate for partial payments next following the date that all the satisfactory payrolls for which the retention was made are submitted."

2. The approval form for the monthly progress payments to the contractor will be modified to include a requirement for the Project Inspector and Construction Manager to confirm that the Davis-Bacon Act requirements have been met.

Furthermore, the Airports Division has hired a new aviation consultant engineering firm to perform construction project management services during future AIP projects. A recently hired in-house Airport Project Manager will be tasked with specifically reviewing the work of the consultant project manager to ensure that the consultant is fulfilling his responsibilities as they relate to the compliance with federal requirements for AIP projects including the proper review of the contractor's weekly submission of certified payrolls. Contractors will be notified immediately if they are not in compliance with the contract provisions and will not be paid until the condition is corrected.

COUNTY OF SAN MATEO
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2010

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

Finding 2010-02 Allowable Costs/Cost Principles

U.S. Department of Housing and Urban Development

Direct Programs

CDBG – Entitlement Grants Cluster, CFDA numbers 14.218 and 14.253

Federal award number and year: B-09-UY-06-0006; 2009

Home Investment Partnerships Program, CFDA number 14.239

Federal award number and year: M-09-DC-06-0216; 2009

ARRA – Homeless Prevention Rapid Re-housing Program, CFDA 14.257

Federal award number and year: S-09-UY-06-0006; 2009

Administered by the County of San Mateo Department of Housing

Criteria

To be allowable under Federal awards, costs must be allocable to federal awards under the provisions of OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. Indirect costs should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived. Furthermore, non-federal entities desiring to claim indirect costs under Federal awards must prepare an indirect cost allocation plan (plan) to support those costs. The plan and related supporting documentation should be retained for audit in accordance with the records retention requirements contained in the OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments*.

Condition

Department of Housing (Department) management meets at the beginning of each year to discuss and determine the indirect cost allocation rates between the various Department programs. The Department was unable to provide documentary evidence to support the methodology used to determine the allocation rates.

Cause of Condition

The indirect cost rates are determined internally within the Department each year through verbal discussions. There are no formal written procedures outlining the methodology for computing these rates.

Effect

Allocation rates used to derive the indirect costs charged to various housing programs are not supported.

Questioned Cost

Indirect costs allocated to federal programs during fiscal year 2009-10 were as follows:

Community Development Block Grants/Entitlement Grants, CFDA number 14.218	\$ 159,539
Home Investment Partnerships Program, CFDA number 14.239	46,982
ARRA – Community Development Block Grants/Entitlement Grants, CFDA 14.253	15,466
ARRA – Homeless Prevention Rapid Re-housing Program, CFDA 14.257	<u>15,282</u>
Total	<u>\$ 237,269</u>

Recommendation

We recommend that the Department develop and implement a formal cost allocation methodology to support indirect costs allocated to federal programs.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2010

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

Finding 2010-02 (Continued)

Management Response and Corrective Action Plan

Management agrees that we need to formalize as written procedures the reasonable procedures we have been using to allocate indirect costs. However, we do not agree that the finding is a material weakness because: 1) we in fact followed the allocation procedures informally, and 2) the finding has no dollar impact on the federal programs and the financial statements as a whole, even though questioned costs are listed above as required by OMB Circular A-133.

On a regular basis we review relevant factors, discuss allocations and direct clerical staff as to appropriate division of eligible indirect costs among the multiple federal programs we administer. We review and take consideration of new factors when allocating indirect costs. For example, during Fiscal Year 09-10, we added CDBG-R and HPRP programs into the allocation plan in mid-year once we knew the ARRA grants were approved. Furthermore, all the costs were allowable and chargeable to federal programs. We monitored costs allocated to the programs during the year; the allocations to each program were in very reasonable amounts and did not exceed the claimable amounts allowed by the federal programs.

Finding 2010-03 Special Tests and Provisions – Housing Quality Standard
U.S. Department of Housing and Urban Development

Direct Program

Home Investment Partnerships Program, CFDA number 14.239

Federal award number and year: M-09-DC-06-0216; 2009

Administered by the County of San Mateo Department of Housing

Criteria

Pursuant to Code of Federal Regulation, Title 24 sections 92.251, 92.252 and 92.504(b), the County, as a participating jurisdiction, is required to perform on-site inspections of rental housing that is funded by the Home Investment Partnerships Program in order to determine compliance with housing quality standards and verify any deficiencies are repaired on a timely basis.

Condition

During our review of 9 inspection reports selected from 35 projects that are subject to inspection in FY2010, we noted the following exceptions:

- ... 3 cases in which inspector comments were not addressed or followed up to ensure proper repair.
- ... 9 cases in which inspector reports did not have supervisor review and approval.
- ... 2 cases in which inspector reports were completed without a signature of the preparer.

Cause of Condition

The Department of Housing has experienced significant staff turnover during the fiscal year. This created difficulties in the transition of responsibilities to new personnel. Consequently, follow-up activities on inspection deficiencies were overlooked in the cases listed above.

Effect

Deficiencies noted from housing inspections were not reviewed to ensure repairs were performed in a timely manner.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2010

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

Finding 2010-03 (Continued)

Questioned Cost

Not Applicable.

Recommendation

We recommend that the Department ensure that all required forms are completed and reviewed by the necessary personnel and that any necessary repairs are monitored and revisited in a timely manner to ensure that federal compliance requirements are met.

Management Response and Corrective Action Plan

Management acknowledges that weakness of quality assurance processes resulted in compliance deficiencies. In particular written protocols were somewhat ambiguous and incomplete, inspection of records by supervisor was not thorough, and no internal quality assurance sampling regimen was in place. These weaknesses resulted in the specific conditions cited in this finding (i.e., missing signature of inspector, lack of evidence of post-inspection follow-up). Remedies for these weaknesses are in place or in progress and expected to be in place by June 30, 2011.

An inspection procedure had been established for percentage of units in a development for site monitoring, frequency of visits, and documentation and follow-up practices. However, the procedures were not adhered to in a consistent manner. The reason for this was that during FY 2009-10, the Housing and Community Development (HCD) experienced staff changes due to maternity leave of one staff person and the appointment of an interim supervisor from the ranks following retirement of a long-time supervisor. Management restructured staffing in FY2010-11, partially necessitated by a reduction by 2 FTE of program staff handling HOME site inspections. In lieu of a supervisor, a rotating Lead position has been created. The current incumbent in that position has established new protocols for HOME site inspections with the aim of correcting and counteracting systemic deficiencies.

The revised protocols include the following: (1) joint site inspections with or leveraging the work of cooperating HOME jurisdictions in which both jurisdictions have invested HOME funding in a single project; (2) “piggy-backing” on recent HQS inspections of HOME-assisted units by Housing Authority staff, who perform yearly inspections on units in which the occupants receive Section 8; (3) benchmarking an inspection sample at 25% of HOME-assisted units, not to exceed 5 units in a development, unless it is felt, based on the overall condition of the units or tenant complaints, more units need to be inspected. (Most of our HOME developments limit HOME-assisted units to eleven); and (4) developing a template for a paperwork trail for summarizing, documenting and following up on inspection findings.

Two additional measures are under development. A file-compliance checklist will be added to each file, and will be reviewed and initialed by management or delegate. Also, the Department’s quality assurance unit, which currently focuses primarily on the Department’s Housing Authority division, will adapt and implement for HOME inspection files a successful file inspection regimen currently in use for the approximately 2,000 inspections conducted annually by Housing Authority.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2010

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

Finding 2010-04 Reporting

U.S. Department of Transportation

Passed through the State of California, Department of Transportation
Highway Planning and Construction Cluster, CFDA number 20.205 (ARRA)
Pass-through award number and year: ESPL 5935(054); 2009
Administered by the County of San Mateo Department of Public Works

U.S. Department of Health and Human Services

Passed through the State of California, Department of Aging
Aging Cluster, CFDA numbers 93.044, 93.045, 93.053, 93.705 and 93.707
Pass-through award numbers and year: AP-0910-08 and NS-0809-08; 2009
Administered by the County of San Mateo Health System

Criteria

The County receives pass-through federal awards under the American Recovery and Reinvestment Act (ARRA) from the State of California. To satisfy certain ARRA reporting requirements, the County is required to submit monthly ARRA performance reports for the Highway Planning and Construction (HPC) Cluster, and the Aging Cluster for ARRA-funded activities during the year. For the Aging Cluster, the County is also required to submit monthly Financial Expenditures Reports and Request for Funds reports as well as an annual Client Summary Profile Data performance report and monthly Service Summary performance reports showing statistical data related to program participants. Reports should be mathematically accurate, supported by underlying data, and summarized in accordance with the required or stated criteria and methodology.

Condition

During our review of internal control over compliance with the reporting requirements for the programs listed above, we observed a lack of secondary review on the following reports:

- ... HPC Cluster – monthly ARRA performance reports; and
- ... Aging Cluster – monthly ARRA performance reports, monthly Financial Expenditures Reports, monthly Request for Funds reports, annual Client Summary Profile Data performance report, and monthly Service Summary performance reports.

However, our procedures did not identify any errors in the samples of reports selected for review.

Cause of Condition

The County did not establish a procedure for secondary review of the reports after the data was entered into the reporting system and prior to final submission to the grantors.

Effect

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

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2010

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

Finding 2010-04 (Continued)

Questioned Cost

Not Applicable.

Recommendation

We recommend the County revisit 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.

Management Response and Corrective Action Plan

Department of Public Works

After the Department received the needed data from the contractor, the Department's Construction Manager verifies the accuracy of the information with the Project Inspector. The Construction Manager then inputs the information in the California Department of Transportation's (Caltrans) reporting system for electronic submission. The Caltrans' reporting system does not include a save function, but does allow submissions up to the reporting due date. The Department will implement a procedure to review the inputted information for accuracy and completeness before the reporting due date.

Health System

Effective immediately, the Accountant will print out the hard copy of the Monthly Expenditure and Request for Fund Report with the back up documentation for the Financial Services Manager to review before submitting the report electronically to the State. All Performance Reports done by the Community Program Analyst will be submitted to the Program Supervisor and/or Health Services Manager to review prior to electronic submission to the State.

COUNTY OF SAN MATEO
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2010

Reference Number: 2009-01

Federal Catalog Number/
Program Name: 17.258, 17.259, 17.260 /
Workforce Investment Act Cluster

Audit Finding: The County uses the WIA Application Form to record an applicant's basic characteristics and to determine eligibility. An applicant undergoes an interview process whereby a case worker verifies the applicant's eligibility through examination of official documents. The applicant may also make an "applicant statement" to declare eligibility when documents are unverifiable or unreasonably difficult to obtain. A supervisor reviews the application form to ensure program verifications are properly performed. The application form is to be signed by the applicant, the case worker, and the supervisor.

During our testing of internal control over compliance with eligibility requirements from a population of 350 WIA participants, we noted that out of 40 participants selected for testing:

- 1 participant's application form was not signed by the applicant to certify the validity of information provided to determine eligibility;
- 3 participants' application forms were not signed by the case worker; and
- 3 participants' application forms were not signed by the supervisor to indicate proper review.

We recommend the County emphasize the importance of fully completing all required forms for eligibility determinations.

Status of Corrective Action: Corrected.