



COUNTY OF LOS ANGELES, CALIFORNIA

Single Audit Report

June 30, 2005

COUNTY OF LOS ANGELES, CALIFORNIA

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**Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Honorable Members of the Board of Supervisors
County of Los Angeles, California:

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 Los Angeles, California (the County) as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 9, 2005, which included a reference to the reports of 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.

Our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants, and other matters did not include the entities audited by the other auditors referred to in the previous paragraph. The findings, if any, of those other auditors are not included herein.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants, and other matters did not include the Community Development Commission, Los Angeles County Employees' Retirement Association, and the Children and Families First Commission. The findings, if any, included in the reports of the other auditors are not included herein.

Internal Control over Financial Reporting

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

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*.

This report is intended solely for the information and use of the County's Board of Supervisors and management, as well as officials of applicable 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.

KPMG LLP

December 9, 2005



KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with U.S. Office of Management and Budget Circular A-133

The Honorable Members of the Board of Supervisors
County of Los Angeles, California:

Compliance

We have audited the compliance of the County of Los Angeles, California (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The County's major federal programs are identified in the summary of auditors' 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 operations of the Community Development Commission which received \$259,867,830 in federal awards which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2005. Our audit, described below, did not include the operations of the Community Development Commission as the component unit 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 on the County's compliance with those requirements.

As described in the findings noted in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding activities allowed or unallowed and allowable cost/cost principles (Findings 05-25 and 05-33), cash management (Finding 05-04), eligibility (Findings 05-11 and 05-34), reporting (Finding 05-21), subrecipient monitoring (Findings 05-01, 05-02, 05-05, 05-14, 05-15, 05-16 and 05-17), and special tests and provisions (Finding 05-37) that are applicable to the State Criminal Alien Assistance Program, CALWorks Program, Foster Care Program, Promoting Safe and Stable Families, Ford Stamp Cluster Adoptions Program, Workforce Investment Act, Special Education Cluster, HIV – Emergency Relief Project, HIV – Prevention Project, Block Grant for Substance Abuse

Prevention and Treatment, Preparedness Equipment Support Cluster. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. The results of our auditing procedures also disclosed other 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 Findings 05-03, 05-06 through 05-10, 05-12, 05-13, 05-22 through 05-24, 05-27 through 05-32, 05-35 and 05-36.

Internal Control over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable conditions we identified are described in the accompanying schedule of findings and questioned costs as Findings 05-01, 05-02, 05-04 through 05-06, 05-08, 05-11, 05-13 through 05-34, 05-36 and 05-37.

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

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, 2005, and have issued our report thereon, which refers to the reports of other auditors, dated December 9, 2005, which included a reference to the reports of other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the County's Board of Supervisors and management, as well as officials of applicable 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.

KPMG LLP

August 18, 2006, except as to the
schedule of expenditures of federal
awards, which is as of December 9, 2005.

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

Description	Federal catalog of domestic assistance number (CFDA #)	Federal expenditures
U.S. Agency for International Development		
Direct Program:		
International Search and Rescue Operations	98.001	\$ 1,116,342
U.S. Department of Agriculture		
Direct Program:		
Nursery Pest Mitigation	10.025	13,109
Control of Invasive Weeds	10.025	26,880
Removal of Spotted Knap Weed	10.025	283
Subtotal expenditures – 10.025		<u>40,272</u>
Passed through the California Department of Aging:		
AAA III USDA CI	10.570	752,711
AAA III USDA CII	10.570	518,664
Subtotal expenditures – 10.570		<u>1,271,375</u>
Passed through the California Department of Education:		
Summer Food Service Program for Children	10.559	23,642
Summer Food Service Program for Children	10.559	462,240
Subtotal expenditures – 10.559		<u>485,882</u>
Child Nutrition Program – School Lunch	10.555	4,294,600
Child Nutrition Program – School Breakfast	10.556	2,841,658
Passed through the California Department of Food and Agriculture:		
Shell Eggs Standard Enforcement	10.162	3,841
Passed through the California Department of Social Services:		
Food Stamps:		
Dollar Value of Food Stamps Issued	* 10.551	832,350,004
NAFS:		
Food Stamp Program Administration – NAFS	* 10.561	98,625,765
Subtotal expenditures – 10.551, 10.561		<u>930,975,769</u>
Total U.S. Department of Agriculture		<u>939,913,397</u>
U.S. Department of Commerce		
Direct programs:		
2001 Tech Opportunity Prog Appl-Coastal Monitoring Program	11.552	95,968
Coastal Impact Assistance Program	11.419	54,593
Total U.S. Department of Commerce		<u>150,561</u>

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

Description	Federal catalog of domestic assistance number (CFDA #)	Federal expenditures
U.S. Department of Education		
Direct programs:		
Supplemental Education Opportunity	84.007	\$ 14,319
College Work – Study	84.033	165
Perkins Loan Program	84.038	5,172
Pell Grants	84.063	175,843
Passed through the California Department of Alcohol and Drugs:		
Drug-Free Schools and Communities:		
Club Live	84.186	75,000
School Based	84.186	400,000
Friday Night Live	84.186	75,000
Subtotal expenditures – 84.186		<u>550,000</u>
Passed through the Los Angeles County Office of Education		
Federal – Education Aid Disabled Student	* 84.027	<u>13,832,574</u>
Total U.S. Department of Education		<u>14,578,073</u>
U.S. Department of Health and Human Services		
Direct programs:		
Bioterrorism	93.003	25,423,941
Bioterrorism Hospital Preparedness Program	93.003	12,625,803
Subtotal expenditures – 93.003		<u>38,049,744</u>
Office of Minority Health	93.006	393,344
Tuberculosis/CDC Cooperative Agreement	93.116	5,660,492
Active Varicella Surveillance and EPID Studies	93.185	185,400
Childhood Lead Poisoning Case Management	93.197	709,384
Hansen’s Disease	93.215	336,523
State Epidemiology and LAB Surveillance Responses	93.283	1,067,936
Child Health and Disability Program	93.778	5,308,162
HIV Emergency Relief Project Grant	* 93.914	37,221,888
Scholarships for disadvantaged students	93.925	23,259
Special Projects of National Significants – PHC	93.928	542,579
Special Projects of National Significants – IT	93.928	433,613
Special Projects of National Significants – MSM Youth	93.928	44,351
Subtotal expenditures – 93.928		<u>1,020,543</u>
HIV Prevention Project	* 93.940	14,933,834
HIV/STD Counseling in Testing – AMB Clinic ER	93.941	93,033
Intervention EPI Res Study of HIV/AIDS-DAART	93.941	227,739
Subtotal expenditures – 93.941		<u>320,772</u>

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

Description	Federal catalog of domestic assistance number (CFDA #)	Federal expenditures
Epidemiology HIV/AIDS Res African American and Hispanic	93.943	\$ 288,830
HIV Risk Behavior Surveillance MSM	93.943	85,581
Rapid Testing	93.943	863,978
Simplified Procedures for Routing HIV Screening	93.943	86,078
STD – Test HIV Seronegative	93.943	43,972
Subtotal expenditures – 93.943		<u>1,368,439</u>
HIV Aids Surveillance and Seroprevalence	93.944	3,139,427
Morbidity and Risk Behavior Surveillance	93.944	134,530
Monitoring Atypical HIV Strains in Los Angeles County	93.944	41,921
Subtotal expenditures – 93.944		<u>3,315,878</u>
Los Angeles County Youth Treatment Services – SAMH	* 93.959	550,000
Comprehensive STD Prevention Systems	93.977	4,690,782
Monitor Prevalence of SED and TV Infection in Person	93.978	14,109
Refugee Preventive Health Services	93.978	1,026,896
Subtotal expenditures – 93.978		<u>1,041,005</u>
Passed through the California Department of Aging:		
Title VII:		
Elder Abuse Prevention	93.041	84,684
Ombudsman	93.042	206,803
Ombudsman Initiative	93.042	280,127
Subtotal expenditures – 93.042		<u>486,930</u>
Area Agency on Aging III D	93.043	527,390
Area Agency on Aging III B	* 93.044	5,443,385
Area Agency on Aging III C-I	* 93.045	5,018,591
Area Agency on Aging III C-II	* 93.045	4,136,189
Subtotal expenditures – 93.045		<u>9,154,780</u>
TA – Discretionary	93.576	98,937
Passed through the California Department of Alcohol and Drugs:		
Federal Drug Medi-Cal (Perinatal and Drug)	93.778	17,680,500
Alcohol Block Grant	* 93.959	41,734,475
Federal Female Offender	* 93.959	378,895
New Perinatal Set-Aside	* 93.959	3,704,357
SABG New HIV Set-Aside	* 93.959	3,736,962
SAPT Block Grant Adolescent Treatment	* 93.959	1,617,975
SAPT Prevention Set-Aside	* 93.959	12,705,056
Substance Abuse Prevention and Treatment Projects	* 93.959	185,916
Subtotal expenditures – 93.959		<u>64,063,636</u>

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

Description	Federal catalog of domestic assistance number (CFDA #)	Federal expenditures
Passed through the California Department of Education:		
Child Day Care Program	* 93.596	\$ 9,440,217
Passed through the California Department of Employment Development:		
AAA Title III E	93.052	2,915,779
Passed through the California Department of Health Services:		
Family Planning	93.217	648,391
Child Support Enforcement Title IV D	* 93.563	119,220,103
Community Services Block Grant American Indian 05F – 4620	93.569	1,797,733
Community Services Block Grant 03F-4317	93.569	1,320,888
Subtotal expenditures 93.569		<u>3,118,621</u>
Health Care Program – Children in Foster Care	* 93.658	7,008,536
Health Facilities Inspection	93.777	8,713,870
IHSS – PCSP Health Related	93.778	48,137,684
Medi-Cal Eligibility Determination	93.778	158,730,105
Subtotal expenditures – 93.778		<u>206,867,789</u>
CARE Act Title II	93.917	3,423,679
Maternal and Child Health	93.994	3,112,548
Passed through the California Department of Mental Health:		
McKinney Homeless Act Program	93.150	1,368,744
Mental Health Services:		
Block Grant	* 93.958	14,761,068
Passed through the California Department of Social Services:		
Promoting Safe and Stable Families (PSSF)	* 93.556	17,680,689
Calworks Diversion – Federal	* 93.558	19,033
Calworks Single	* 93.558	447,378,387
Calworks Tanf Timed-Out Assistance	* 93.558	39,842,445
Calworks – FG/U Assistance	* 93.558	374,059,495
Calworks Legal Immigrants (MC)	* 93.558	22,220,749
EA Foster Care Admin & Asst (Title IV-A)	* 93.558	38,580,866
Kingap Administration and Assistance	* 93.558	35,365,592
Adult Protective Services	* 93.558	8,854,127
Subtotal expenditures – 93.558		<u>966,320,694</u>
Refugee Resettlement	93.566	2,624,238
Refugee Employment Social Services	93.566	2,536,156
Subtotal expenditures – 93.566		<u>5,160,394</u>
Refugee Elderly Services	93.576	246,454
Refugee Targeted Assistance Program	93.584	1,776,769

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

Description	Federal catalog of domestic assistance number (CFDA #)	Federal expenditures
Chafee Education and Training Vouchers Program (ETV)	93.599	\$ 93,577
Children's Welfare Services IV-B – Direct Cost	93.645	9,372,384
AFDC – Foster Care – Administration and Assistance	* 93.658	141,174,467
Children's Welfare Services Title IV-E	* 93.658	191,498,828
Foster Family Licensing	* 93.658	534,867
Foster Parent Training	* 93.658	637,131
Group Home Month Visits/CWD	* 93.658	1,212,131
Cohort 1	* 93.658	107,328
Probation IV-E Administration and Assistance	* 93.658	320,000
Subtotal expenditures – 93.658		<u>335,484,752</u>
Adoptions – Administration and Assistance	* 93.659	96,767,955
Children's Welfare Services Title XX	* 93.667	13,869,089
Independent Living Skills – Children Services	93.674	10,105,017
Children's Welfare Services XIX (Health Reel)	93.778	21,194,456
Passed through the California Department of Health Services		
CSBG 04F-4445	93.569	3,498,635
CSBG American Indian 04F-4487	93.569	236,757
CSBG 05F – 4620	93.569	428,063
CSBG American Indian 05F – 4662	93.569	285,207
Subtotal expenditures – 93.569		<u>4,448,662</u>
Total U.S. Department of Health and Human Services		<u>2,076,857,864</u>
U.S. Department of Homeland Security		
Direct Programs:		
Terrorism Early Warning Expansion Project	97.008	164,572
Urban Search and Rescue – Hurricane Isabel	97.025	390,081
Passed through the California Department of Economic Opportunity:		
Food Basket Distribution	97.024	37,700
Passed through the California Office of Emergency Services:		
State Domestic Preparedness Program Group 01	* 97.004	50,221
State Domestic Preparedness Program Group 02	* 97.004	1,921,794
State Domestic Preparedness Program Group 03	* 97.004	4,399,807
State Domestic Preparedness Program Group 03,2	* 97.004	8,022,378
State Domestic Preparedness Program Group 04	* 97.004	2,188,814
Subtotal expenditures – 97.004		<u>16,583,014</u>
Earthquake (Northridge)	* 97.036	159,753,745
2003 California Wildfires	* 97.036	132,044
LA November Storm	* 97.036	40,826
2005 Winterstorms	* 97.036	185,055
Subtotal expenditures – 97.036		<u>160,111,670</u>

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

Description	Federal catalog of domestic assistance number (CFDA #)	Federal expenditures
Hazard Mitigation Grant	97.039	\$ 1,760,924
Total U.S. Department of Homeland Security		<u>179,047,961</u>
U.S. Department of Housing and Urban Development		
Direct programs:		
Homeless Foster Youth Program (HFYP)	14.235	1,998,230
HUD Lead Hazard Control Grant	14.900	1,588,626
National Rec Area Vac Lot Weeding	14.999	1,831
Passed through the City of Santa Clarita:		
CDBG Grant – Santa Clarita Services Center	14.218	13,000
Passed through the LA County Community Development Commission:		
Adventure Park Recreation Program	14.218	74,639
Amigo Park Mobile Recreation Program	14.218	29,345
Burke’s Club Drug Prevention and Gang Intervention	14.218	59,669
CCE East Los Angeles – 1st District	14.218	499,553
CCE – 2nd District	14.218	286,297
CCE – 4th District	14.218	14,869
CCE – 5th District	14.218	198,984
Century Sheriffs Youth Activity League Center Firestone	14.218	11,601
Century Station Code Enforcement Project	14.218	22,468
Charter Oak Youth Athletic League Program	14.218	30,000
Hacienda Heights Recreation Program	14.218	29,971
Lennox Station Community Youth Center	14.218	23,170
Loma Alta Park Recreation Program	14.218	21,940
Mayberry Park Recreation Program	14.218	117,646
Pamela Park Recreation Program	14.218	21,999
Pamela Park Youth Athletic League Program	14.218	19,906
Pathfinder Senior Recreation Program	14.218	9,534
Pearblossom Park Recreation Program	14.218	18,508
Roosevelt Park Youth Athletic League Program	14.218	106,949
Rowland Heights Youth Athletic League Program	14.218	64,751
Steinmetz Park Senior Center Expansion Project	14.218	590,020
Stephen Sorensen Park Community Building Project	14.218	23,369
Success through Awareness and Resistance (STAR)	14.218	<u>29,000</u>
Subtotal expenditures – 14.218		<u>2,304,188</u>
Passing through the Los Angeles Homeless Services Authority:		
Transitional Housing Program	14.235	<u>200,192</u>
Total U.S. Department of Housing and Urban Development		<u>6,106,067</u>
U.S. Department of Justice		
Direct programs:		
Asset Seizure and Forfeiture	16.000	44,316

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

Description	Federal catalog of domestic assistance number (CFDA #)	Federal expenditures
Asset Forfeiture	16.000	2,395,217
Drug Enforcement Administration	16.001	51,602
NU Sciences and Technology	16.560	20,000
Coverdell Forensic Sciences Improvement Act Program	16.560	68,855
DNA Capacity Enhancement	16.564	113,673
Mental Health Court Transition Project	16.580	58,600
Abolish Chronic Truancy (ACT)	16.592	291,279
Community Law Enforcement and Recovery (CLEAR)	16.592	178,256
Crash (Local Law Enforcement Block Grant)	16.592	158,000
L.A. Bridges (Local Law Enforcement Block Grant)	16.592	161,000
Local Law Enforcement Block Grant (LLEBG)	16.592	436,000
Local Law Enforcement Block Grant (LLEBG)	16.592	289,000
Local Law Enforcement Block Grant	16.592	4,177,878
CLEAR Local Law Enforcement Block Grant (LLEBG)	16.592	113,000
Strategies Against Gang Entrants (SAGE)	16.592	847,846
Subtotal expenditures – 16.592		<u>6,652,259</u>
State Criminal Alien Assistance Program	* 16.606	13,876,508
COPS Technology Grant 2002	16.710	57,871
COPS Creating a Culture of Integrity	16.710	4,159
COPS High Intent Crime Alien Apprehend and Prosecute (HICAAP)	16.710	50,264
COPS 2002 RCPI Integrity Initiative	16.710	207,761
COPS 2002 RCPI Integrity Center	16.710	7,724
COPS 2003 Institute Initiative (2003CKWXK007)	16.710	113,411
COPS 2003 Public Trust Initiative (2003HSWXK002)	16.710	288,663
COPS 2002 COPS Technology Grant	16.710	7,362
COPS in Schools (200SHWX0312)	16.710	91,938
COPS in Schools (200SHWX0378)	16.710	51,900
COPS Domestic Violence Test Site Program	16.710	1,223
Community Prosecution Project/VIPER (2003GPCX015)	16.710	140,671
Subtotal expenditures – 16.710		<u>1,022,947</u>
Passed through the Bureau of Justice Assistance:		
Community Gun Violence Prosecution Program (CGPP)	16.609	615,567
Project Sentry/Juvenile Gun Prosecution (JGP)	16.609	299,638
Subtotal expenditures – 16.609		<u>915,205</u>
Passed through the California Office of Emergency Services		
Lancaster Gang Violence Suppression	16.579	100,302
Project Safe Neighborhoods	16.609	8,890
Passed through the Community Oriented Policing Services:		
Community Law Enforcement and Recovery (CLEAR)	16.592	966,133

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

Description	Federal catalog of domestic assistance number (CFDA #)	Federal expenditures
Passed through the Office for Victims of Crime: Urban High Crime Neighborhood Initiative (OVC)	16.582	\$ 104,878
Passed through the Office of Justice Programs:		
Win Program	16.523	243,508
Challenge Activities Program	16.549	479,232
Anti-Drug Abuse/T.H.I.S.P.	16.579	244,914
Community Oriented Multi-agency Narcotics Enforcement	16.579	<u>1,563,241</u>
Subtotal expenditures – 16.579		<u>1,808,155</u>
Total U.S. Department of Justice		<u>28,930,280</u>
U.S. Department of Labor		
Passed through the California Department of Aging: Older American Title V Project	17.235	1,452,197
Passed through the California Department of Employment Development:		
Workforce Investment Act:		
Adult	* 17.258	13,422,499
Rapid Response	* 17.258	1,122,343
15% Title I-A (Healthcare Worker – Formula)	* 17.258	2,602,208
25% Actors' Fund	* 17.258	<u>126,477</u>
Subtotal expenditures – 17.258		<u>17,273,527</u>
Youth	* 17.259	16,254,054
High Concentration Youth	* 17.259	<u>231,929</u>
Subtotal expenditures – 17.259		<u>16,485,983</u>
Dislocated Worker	* 17.260	11,080,456
Universal Access	* 17.260	<u>70,177</u>
Subtotal expenditures – 17.260		<u>11,150,633</u>
Disability Project Navigator	17.261	101,964
National Emergency Grant (NEG)	17.261	<u>1,065,988</u>
Subtotal expenditures – 17.261		<u>1,167,952</u>
Total U.S. Department of Labor		<u>47,530,292</u>
U.S. Department of Transportation		
Direct program:		
Airport Improvement Program	20.106	1,118,175

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

Description	Federal catalog of domestic assistance number (CFDA #)	Federal expenditures
Passed through the California Department of Employment Development:		
Traffic Safety CB0213	20.600	\$ 564,230
Passed through the California Department of Transportation:		
Bridge Retrofit Program	20.205	1,377,162
Transportation Enhancement Activities	20.205	119,815
1998/1999 Demonstration	20.205	774,026
Surface Transportation Program (STP)	20.205	262,090
Regional Surface Transportation Program	20.205	115,385
Highway Bridge Rehabilitation	20.205	683,307
Subtotal expenditures – 20.205		<u>3,331,785</u>
Public Transportation for nonurbanized areas	20.509	174,409
Passed through the California Office of Traffic Safety:		
Traffic Safety CB0213	20.600	246,860
Total U.S. Department of Transportation		<u>5,435,459</u>
U.S. Department of Treasury		
Direct Programs:		
Gang Resistance, Education, and Training	21.052	14,225
U.S. Office of Library Services		
Passed through the California State Library:		
Public Library Staff Education Program	45.310	12,492
Global Language Materials Grant Program	45.310	100,000
Total U.S. Office of Library Services		<u>112,492</u>
U.S. Office of the President		
Direct Program:		
High Intensity Drug Traffic Assistance (HIDTA)	99.027	155,681
Total Expenditures of Federal Awards		<u>\$ 3,299,948,694</u>

* Denotes a major program, as defined by OMB Circular A-133.

See accompanying notes to Schedule of Expenditures of Federal Awards and the accompanying Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.

COUNTY OF LOS ANGELES, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

(1) General

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the County of Los Angeles, California (the County). The County's reporting entity is defined in the notes to the County's basic financial statements.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified-accrual basis of accounting, as described in note 1 of the notes to the County's basic financial statements. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the County's basic financial statements.

(3) Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, the County provided a significant amount of funding to various subrecipients. Due to the extensive number of federal programs and large volume of subrecipients, it is not practical to display the detailed subrecipient information in the schedule of expenditures of federal awards.

(4) Summary of Community Services Block Grant – CSBG CFDA #93.569

The following summarizes the federal expenditures for the County's Community Services Block Grant (CSBG), U.S. Department of Health and Human Services, passed through the California Department of Health Services CFDA #93.569 for the year ended June 30, 2005:

<u>Program name</u>	<u>Grant no.</u>	<u>Expenditure amount</u>
CSBG	04F-4445	\$ 3,498,635
CSBG – American Indian	04F-4487	236,757
CSBG	05F-4620	428,063
CSBG – American Indian	05F-4662	285,207
Total Community Action Program – CSBG		<u>\$ 4,448,662</u>

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

(1) Summary of Auditors' Results

(a) Basic Financial Statements

Type of auditors' report issued: **Unqualified Opinion.**

- Material weaknesses identified? **None noted.**
- Reportable conditions identified that are not considered to be material weaknesses? **None reported.**
- Noncompliance material to financial statements noted? **None noted.**

(b) Federal Awards

Internal control over major programs:

- Material weaknesses identified? **None noted.**
- Reportable conditions identified that are not considered to be material weakness(es)? **Yes, Findings 05-01, 05-02, 05-04 through 05-06, 05-08, 05-11, 05-13 through 05-34, 05-36 and 05-37.**

Type of auditors' report issued on compliance for major programs:

- State Criminal Alien Assistance Program – Qualified
- Child Support Enforcement Title IV D – Unqualified
- Health Care Program – Children in Health Care Program – Children in Foster Care – Qualified
- Children's Welfare Services Title XX – Unqualified
- Block Grants for Prevention and Treatment of Substance Abuse – Qualified
- Food Stamp Cluster – Qualified
- Workforce Investment Act – Qualified
- Aging Cluster – Unqualified
- Public Assistance Grant – Unqualified
- Preparedness Equipment Support Cluster – Qualified
- HIV Emergency Relief Project – Qualified
- HIV Prevention Project – Qualified
- Adoptions – Administration and Assistance – Qualified
- Promoting Safe and Stable Families – Qualified
- Mental Health Services Block Grant – Unqualified
- Special Education Cluster – Qualified

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

- Child Day Care – Unqualified
- CalWORKS – Qualified.

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133? **Yes, Findings 05-01 through 05-37.**

Identification of major programs:

<u>CFDA number(s)</u>	<u>Name of federal program or cluster</u>
16.606	State Criminal Alien Assistance Program
93.563	Child Support Enforcement Title IV D
93.658	Health Care Program – Children in Health Care Program – Children in Foster Care
93.667	Children’s Welfare Services Title XX
93.959	Block Grants for Prevention and Treatment of Substance Abuse
10.551, 10.561	Food Stamp Cluster
17.258, 17.259, 17.260	Workforce Investment Act (WIA)
93.044, 93.045	Aging Cluster
97.036	Public Assistance Grant
97.004	Preparedness Equipment Support Cluster
93.914	HIV Emergency Relief Project
93.940	HIV Prevention Project
93.659	Adoptions – Administration and Assistance
93.556	Promoting Safe and Stable Families
93.958	Mental Health Services Block Grant
84.027	Special Education Cluster
93.596	Child Day Care
93.558	CalWORKS

Dollar threshold used to distinguish between Type A and Type B program:

- Type A – Federal award expenditures equal to or exceeding \$9,899,846.

Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133? **No.**

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

(2) **Findings Relating to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards***

None noted.

(3) **Findings and Questioned Costs Relating to Federal Awards**

Finding 05-01 – Subrecipient Monitoring – During the Award Monitoring – Single Audit Reports

Information on the Federal Programs: U.S. Department of Education, Passed Through the Los Angeles County Office of Education, Special Education Cluster – CFDA #84.027

Specific Requirement: According to OMB Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart D-Federal Agencies and Pass-Through Entities, §400 Responsibilities. (d) Pass-through entity responsibilities are:

- Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- Ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
- Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

Condition: We noted the following findings related to subrecipient monitoring:

- Financial viability (fiscal) reviews were not conducted during the fiscal year for 6 of the 34 in-state subrecipients and/or contract providers sampled.
- Fiscal reviews were not performed for all of the 16 out-of-state providers sampled.
- During the fiscal year, seven subrecipients were subject to a single audit. Management failed to obtain single audit reports for three of the said seven subrecipients.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Lack of effective subrecipient monitoring activities may result in noncompliance with the federal grant guidelines

Recommendation: We recommend that management perform the required fiscal reviews and enforce established policies requiring subrecipients to submit single audit reports in a timely manner to be in compliance with OMB A-133 requirements.

Views of responsible officials and planned corrective actions: Department of Mental Health Financial Services Bureau (DMH FSB) is in the process of coordinating with DMH Contracts Development and Administration Division (CDAD) to inform the involved subrecipients/contract providers and require them

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

to submit their respective current audited financial statements. Also, all out-of-state subrecipients/contract providers will be required to submit their audited financial statements for fiscal review. In addition, after the end of each calendar year, FSB will provide a list of agencies that are due to submit the required financial statements to DMH CDAD for their appropriate action. This will ensure compliance with the required financial viability review.

DMH will enforce established policies requiring timely submission of single audit reports for those subrecipients/contract providers that receive \$500,000 and up from the Department. DMH FSB will coordinate with other DMH divisions to identify the subrecipients/contract providers receiving \$500,000 and up of federal awards from the Department upon completion of the 13th-month period of the fiscal year. Qualified subrecipients will be advised in writing to comply with the OMB A-133 single audit requirement.

Finding 05-02 – Subrecipient Monitoring – Identification of Federal Award Information

Information on the Federal Programs: U.S. Department of Education, Passed Through the Los Angeles County Office of Education, Special Education Cluster – CFDA #84.027

Specific Requirement: According to OMB Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart D-Federal Agencies and Pass-Through Entities, §400 Responsibilities. (d) Pass-through entity responsibilities include:

- Identifying federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the federal award.
- Advising subrecipients of requirements imposed on them by federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.

Condition: Federal award information (e.g., CFDA title and number, amount of award, award name, name of federal agency) and applicable compliance requirements at the time of the award were not included in contract agreements with the subrecipients. DMH Contract Development and Administration Division made no written communication with subrecipients to make them aware of the federal award information. In addition, in the financial summary attached to the contract agreements, the federal award amount under Special Education Grant (IDEA) is combined with the State Grant and is described as SB90/IDEA AB3632.

Questioned Costs: NA

Systemic or Isolated: Systemic

Effect: Failure to indicate federal award information may result in a subrecipient's noncompliance with federal grant guidelines

COUNTY OF LOS ANGELES, CALIFORNIA

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Year ended June 30, 2005

Recommendation: We recommend that management include in subrecipient contracts the required federal award information (e.g., CFDA title and number, award name, name of federal agency and amount of federal funds) and applicable compliance requirements at the time of the award.

Views of responsible officials and planned corrective actions: DMH will incorporate the federal award information (e.g., CFDA title and number, amount of award, award name, name of federal agency) and applicable compliance requirements at the time of the award in all future contracts and amendments. Also, subrecipients will be advised that grant-funded programs require audits and compliance with federal guidelines pursuant to circulars issued by the Office of Management and Budget (OMB) A-133.

DMH will separately identify the Special Education Grant (IDEA) in the Contract Financial Summary in future contracts and amendments.

Finding 05-03 – Allowable Costs and Activities – Unallowed Administration Expenses

Information on the Federal Programs: U.S. Department of Health and Human Services, Passed Through the California Department of Social Services, Promoting Safe and Stable Families – CFDA #93.556

U.S. Department of Health and Human Services, Passed Through the California Department of Social Services, Foster Care Program – CFDA #93.658

U.S. Department of Health and Human Services, Passed Through the California Department of Social Services, Adoptions – Administration and Assistance – CFDA #93.659

Specific Requirement: For purposes of Title IV-B, subpart 2, “administrative costs” are costs of auxiliary functions as identified through an agency’s accounting system which are: (i) allocable (in accordance with the agency’s approved cost allocation plan) to the Title IV-B, subpart 2 program cost centers, (ii) necessary to sustain the direct effort involved in administering the State plan for Title IV-B, subpart 2, or an activity providing service to the program, and (iii) centralized in the grantee department or in some other agency, and may include but are not limited to the following: procurement, payroll, personnel functions, management, maintenance and operation of space and property, data processing and computer services, accounting, budgeting, and auditing. (45 CFR sections 1357.32 (h)(1) and (2))

Condition: There were 3 of 30 selected invoices that were employee reimbursements for damages to personal vehicles during the course of work performed for Department of Children and Family Services (DCFS). Based on the review, all three employee reimbursements were substantiated and approved by the DCFS’ Safety and Compliance Section based on the County’s Policies and Procedures. However, these reimbursements are not claimable administrative costs for this federal program. The total amount of the three invoices was \$51,687. These costs are part of pooled administrative costs which are allocated to the programs based on the results of the time study.

COUNTY OF LOS ANGELES, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Questioned Costs: \$22,648 (calculated based on the amount of pooled costs allocated to each program)

Promoting Safe and Stable Families	\$	34
Foster Care Program		21,252
Adoptions – Administration and Assistance		1,362
	\$	<u>22,648</u>

Systemic or Isolated: Isolated

Effect: Unallowed costs have been improperly claimed under the federal grant

Recommendation: We recommend that DCFS management should properly review and approve direct and allocable costs to ensure that the costs/activities are allowable based on the program requirements.

Views of responsible officials and planned corrective actions: The Department agrees that employee reimbursements for damages to personal vehicles are not allowable cost for the federal grant. These should be County costs. Adjustments will be made to the County Expense Claim. Further, DCFS managers will review invoices to ensure compliance with OMB A-133 requirements.

Finding 05-04 – Cash Management – Interest Earned Not Remitted to Federal Agency

Information on the Federal Programs:

U.S. Department of Health and Human Services, Passed Through the California Department of Social Services, Promoting Safe and Stable Families – CFDA #93.556

U.S. Department of Health and Human Services, Passed Through the California Department of Social Services, Foster Care Program – CFDA #93.658

U.S. Department of Health and Human Services, Passed Through the California Department of Social Services, Adoptions – Administration and Assistance – CFDA #93.659

U.S. Department of Agriculture, Passed Through the Health and Human Services Agency California Department of Social Services, Food Stamps – CFDA #10.551, 10.561

U.S. Department of Health and Human Services, Passed Through the California Department of Social Services, CalWORKS – CFDA #93.558

Specific Requirement: According to A-102 Common Rule, when funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. When advance payment procedures are used, recipients must establish similar procedures for subrecipients.

Pass-through entities must establish reasonable procedures to ensure receipt of reports on subrecipients' cash balances and cash disbursements in sufficient time to enable the pass-through entities to submit complete and accurate cash transactions reports to the federal awarding agency or pass-through entity.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Pass-through entities must monitor cash drawdowns by their subrecipients to assure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity.

Interest earned on advances by local government grantees and subgrantees is required to be submitted promptly, but at least quarterly, to the federal agency. Up to \$100 per year may be kept for administrative expenses.

Condition: Advances are made to the departments by the state of California on a monthly basis. These advances are posted to the assigned departmental bank and program by the Auditor-Controller's Office. The departments receive remittance advices as a notification for the receipt of the funds. The monthly advances are monitored and reconciled to the program expenditures by the State on a quarterly basis. We noted that the departments have no reasonable procedures established to monitor interest earned on the advances.

Questioned Costs: Unknown

Systemic or Isolated: Systemic

Effect: Lack of procedures to monitor the time elapsing between the transfer of funds from the U.S. Treasury and disbursement as well as the remittance of any interest earned may lead to noncompliance of federal grant guidelines

Recommendation: We recommend that management implement reasonable cash management procedures to monitor and minimize the time elapsing between the transfers of funds and to ensure that interest earned is remitted back to the federal agency at least on a quarterly basis.

Views of responsible officials and planned corrective actions: We disagree with this finding. We believe that the Federal/State Cash Management Improvement Act (CMIA) agreement supersedes the general guidance in this area. The State has significant influence over the time frames for which the County receives these funds and when the County must disburse the funds. These time frames are designed for the County to receive funding in a manner that coincides with the disbursement requirements. We also disagree due to the absence of specific State and/or federal guidance in this area, despite the prevalence of other very detailed program and financial reporting requirements.

Finding 05-05 – Subrecipient Monitoring – During the Award Monitoring – Absence of Supporting Documents for Reviews Performed

Information on the Federal Programs: U.S. Department of Health and Human Services, Passed Through the California Department of Social Services, Promoting Safe and Stable Families – CFDA #93.556

Specific Requirement: According to OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart D-Federal Agencies and Pass-Through Entities, §400 Responsibilities.

(d) Pass-through entity responsibilities are:

- Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved

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Year ended June 30, 2005

- Ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year
- Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

Condition: We noted the following findings related to program reviews required to be performed on subrecipients:

- 26 of 29 selected Family Preservation (FP) subrecipients did not have their technical reviews conducted within the current fiscal year
- 3 of 29 FP technical review reports were not available for examination
- 18 of 24 quarterly program status reports for Family Support (FS) subrecipients were not available for examination
- 14 of 45 FP and/or FS subrecipients attended one or less of the two mandatory meetings.

We noted the following findings related to during the award monitoring activities:

- 3 of 45 subrecipients have neither the financial report nor the single audit reports on file
- 1 of 45 subrecipients has the financial report on file but not the single audit report
- 17 of 45 subrecipients don't have the current financial and single audit reports on file.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to properly monitor and issue timely reports on subrecipients' activities through the use of audits and other fiscal reviews result in noncompliance with federal guidelines

Recommendation: We recommend that management establish and enforce policies requiring a regular and consistent monitoring of subrecipients who receive federal and state funding and assign a staff to properly monitor the agencies in order to ensure compliance with OMB A-133 requirements.

Views of responsible officials and planned corrective actions: DCFS PSSF Managers developed policies for monitoring subrecipients. DCFS PSSF Managers will ensure these policies are followed immediately and that appropriate documentation such as quarterly reports and meeting attendance records are kept.

DCFS will assign the Contracts Section to monitor an agency's compliance and send notification letters to subrecipients informing them of the federal award information and explanation of the A-133 audit requirements by July 2006.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Finding 05-06 – Cash Management – Unreconciled Items

Information on the Federal Programs: U.S. Department of Health and Human Services, Passed Through the California Department of Health Services, Child Support Enforcement Title IV D – CFDA #93.563

Specific Requirement: *Government Auditing Standards* (2003 Revision) Section 5.13 indicates examples of deficiencies in internal controls that are considered to be reportable conditions, “auditors should report deficiencies in internal control considered to be reportable conditions as defined in AICPA standards.” The following are examples of matters that may be reportable conditions:

- Absence of appropriate reviews and approvals of transactions, accounting entries, or systems output
- Deficiencies in the design or operation of internal control that could result in violations of laws, regulations, provisions of contracts or grant agreements; fraud; or abuse having a direct and material effect on the financial statements or the audit objectives.

Condition: The total ARS and Court Trustee Balance Reconciliations contained two unreconciled items. The first item pertains to a reconciling difference from February 17, 1995 to November 30, 1998 of \$1,095,782, and the second item pertains to a reconciling difference from December 1, 1998 to December 31, 2004 of \$671,921.

Questioned Costs: \$1,095,782 (reconciling difference from February 17, 1995 to November 30, 1998)
\$671,921 (reconciling difference from December 1, 1998 to December 31, 2004)

Systemic or Isolated: Isolated

Effect: Failure to dispose of unreconciled differences may result in inaccurate federal financial records and reports.

Recommendation: We recommend that Child Support Services Department (CSSD) implement policies and procedures to ensure that reconciling items are researched and resolved on a timely basis.

Views of responsible officials and planned corrective actions: These reconciling items are mostly due to prior years’ ARS computer conversion problems and unavailability of appropriate ARS reports postconversion. Current activity is resolved promptly. Child Support Services Department will continue to consult with the State and County Counsel to determine the proper disposition of the remaining unidentified funds. The State is currently reviewing this issue as part of the process of transitioning all child support trust funds into a single statewide system. It is anticipated that this issue will be completely resolved when the State Disbursement Unit (SDU) is fully implemented beginning in July 2006.

Finding 05-07 – Equipment and Real Property Management – Physical Inspection of Equipment

Information on the Federal Programs: U.S. Department of Health and Human Services, Passed Through the California Department of Health Services, Child Support Enforcement Title IV D – CFDA #93.563

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Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Specific Requirement: According to A-102 Common Rule, equipment records shall be maintained accurately and shall include information on the location and condition of the equipment and the date the information was reported. Further, a physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years.

Condition: Based on the testwork performed, one out of eight items selected for physical inspection could not be located.

Questioned Costs: \$13,059 (cost of the unlocated item)

Systemic or Isolated: Isolated

Effect: Lack of accurate and complete inventory records resulted in noncompliance with federal grant guidelines

Recommendation: We recommend that management implement policies and procedures to ensure that information provided in the property documents are accurate.

Views of responsible officials and planned corrective actions: An investigation will be conducted and procedures will be implemented by May 30, 2006, to ensure that property documents are accurate.

Finding 05-08 – Reporting – Late Submission of Reports

Information on the Federal Programs: U.S. Department of Health and Human Services, Passed Through the California Department of Health Services, Child Support Enforcement Title IV D – CFDA #93.563

Specific Requirement: Based on the Plan of Cooperation, record maintenance and data reporting requirements necessitate submission of the Monthly Report of Collections and Distributions (Form CS 34) and Assistance Related Distribution/Disbursement Summary Report (Form CS 35) by the 15th of each calendar month for the previous month.

Condition: 10 of the 24 monthly reports examined (CS 34 and CS 35 reports) were submitted beyond the due date required by the Plan of Cooperation. Reports that were submitted late were delinquent between 1 – 6 days.

Questioned Costs: NA

Systemic or Isolated: Systemic

Effect: Failure to submit reports in a timely manner resulted in noncompliance with federal grant guidelines

Recommendation: We recommend that CSSD report information required by the State of California Health and Human Services Agency in a timely manner.

Views of responsible officials and planned corrective actions: We partially concur with this finding and will strengthen our internal coordination to expedite the process by instituting backup plans to avoid unnecessary delays in cases where designated staff are not available for review or approval.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Finding 05-09 – Special Tests and Provisions – Wage Assignments

Information on the Federal Programs: U.S. Department of Health and Human Services, Passed Through the California Department of Health Services, Child Support Enforcement Title IV D – CFDA #93.563

Specific Requirement: For all cases referred to the IV-D agency or applying for services under 45 CFR Section 302.33, in which an obligation to support and the amount of the obligation has been established, the agency must maintain a system for (a) monitoring compliance with the support obligation; (b) identifying on the date the parent fails to make payments in an amount equal to support payable for one month, or an earlier date in accordance with State law, those cases in which there is a failure to comply with the support obligation; and (c) enforcing the obligation. To enforce the obligation the agency must initiate income withholding, if required by and in accordance with 45 CFR section 303.100, and initiate any other enforcement action, unless service of process is necessary, within 30 calendar days of identification of the delinquency or other support-related noncompliance, or location of the absent parent, whichever occurs later.

Condition: Of our sample of 40 files, there was one instance where the number of days to enforce the obligation extended beyond 30 days. Management indicated that this exception was due to delays in creating an account. The wage assignment was not generated timely even though active employment information was available.

Questioned Costs: N/A

Systemic or Isolated: Isolated

Effect: Failure to generate timely wage assignments resulted in noncompliance with federal grant guidelines.

Recommendation: Management should ensure that activities to initiate income withholding be performed within the 30-day requirement.

Views of responsible officials and planned corrective actions: We agree with your findings. The order for support was filed on March 15, 2005 and the financial accounts were validated on ARS on May 12, 2005. The ONtW was printed and sent to the employer on May 14, 2005. This order was not submitted timely from the court, Domestic Support Unit (DSU), to our staff once the order was filed.

Currently CSSD has a Default Tracking system that prints transmittals showing cases sent to court for filing with the DSU. Once filed by DSU, a court order is transported to CSSD staff at Central Civil West, (same building, different floor) to have our staff input the terms of the court order on ARS. A copy of the training instructions is available to the staff.

We have determined that there is an omission in the process. Our Policy, Planning, and Training section is currently developing a procedure that will require CSSD staff to monitor the tracking log on the 30th day after forwarding the order to DSU, to ensure that all orders are filed and received by staff at CCW and that terms are validated. This procedure will ensure that all ONtW's shall be initiated to employers within the 30-day timeframe.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Finding 05-10 – Allowable Costs and Activities – Incorrect Subsidy Payment Rates

Information on the Federal Programs: U.S. Department of Health and Human Services, Passed Through the California Department of Social Services, Foster Care Program – CFDA #93.658

Specific Requirement: According to 42 USC 672, funds may be expended for Foster Care maintenance payments on behalf of eligible children, in accordance with the State's Foster Care maintenance payment rate schedule to individuals serving as foster family homes, to child-care institutions, or to public or nonprofit child-placement or child-care agencies.

Condition: Two of 36 case files selected for testwork used the incorrect assistance subsidy rates for Regional Centers for the current fiscal year which resulted in underpayments of \$1,338.

Questioned Costs: None

Systemic or Isolated: Isolated

Effect: Failure to pay the correct assistance subsidy rates may result in inaccurate federal financial records and reports.

Recommendation: We recommend that management perform internal sampling audits to ensure that state prescribed rates for Regional Centers in the APPS System are utilized when issuing the assistance subsidy payments.

Views of responsible officials and planned corrective actions: Agree. Revenue enhancement has assigned a staff person to perform the random sampling quality assurance review for the state prescribed rate for regional centers in the APPs System.

Finding 05-11 – Eligibility – Unavailability of Supporting Documents

Information on the Federal Programs: U.S. Department of Health and Human Services, Passed Through the California Department of Social Services, Foster Care Program – CFDA #93.658

Specific Requirement: According to 42 USC 672 (a), a child must meet the eligibility requirements of the former Aid to Families with Dependent Children (AFDC) program (i.e., meet the State-established standard of need as of July 16, 1996, prior to enactment of the Personal Responsibility and Work Opportunity Reconciliation Act). In addition, according to 45 CFR section 233.90(b)(3), unless the child is expected to graduate from a secondary educational, or an equivalent vocational or technical training, institution before his or her 19th birthday, eligibility ceases at the child's 18th birthday.

In determining eligibility requirements, the eligibility worker and the reviewing/approving supervisor complete and sign a Statement of Facts Supporting Eligibility for AFDC-Foster Care (FC2), which documents a child's information and eligibility verification in accordance to the program requirements. Also, a completed eligibility checklist is on file and signed by the supervisor.

Condition: There were 6 of 36 case files selected for testing that were not available for review.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Questioned Costs: \$187,086

- Case #1: \$42,097.50 = \$5,613.00 x 7.5 months (07/01/04 – 02/18/05)
- Case #2: \$8,419.50 = \$5,613.00 x 1.5 months (07/01/04 – 08/17/04)
- Case #3: \$67,356.00 = \$5,613.00 x 12 months (07/01/04 – 07/06/05)
- Case #4: \$11,226.00 = \$5,613.00 x 2 months (07/01/04 – 09/07/04)
- Case #5: \$12,222.00 = \$1,164.00 x 10.5 months (07/01/04 – 05/12/05)
- Case #6: \$45,765.00 = \$5,085.00 x 9 months (07/01/04 – 03/30/05)

Total \$187,086 Ineligible assistance payments from 07/01/04 – 06/30/05

Systemic or Isolated: Systemic

Effect: Failure to retain complete supporting documentation resulted in noncompliance with federal grant guidelines

Recommendation: We recommend that management adopt and maintain a systematic storage system so that case files can be readily located.

Views of responsible officials and planned corrective actions: Revenue Enhancement Management has submitted a request to DCFS Administration to expand the existing departmental storage vendor contract to include the Foster Care Eligibility cases.

Finding 05-12 – Special Tests and Provisions – Unavailability of Supporting Documents

Information on the Federal Programs: U.S. Department of Health and Human Services, Passed Through the California Department of Social Services, Foster Care Program – CFDA #93.658

Specific Requirement: Federal regulations require that relative/nonrelative extended family member (NREFM) caregiver homes be approved in accordance with the Adoptions and Safe Families Act (ASFA) of 1997 to be eligible for Title IVE reimbursement for maintenance payment expenditures. In response to this requirement, the State issued various County Fiscal Letters requiring the use of prescribed forms in documenting assessment of relative/NREFM and in ensuring that the assessment was done in accordance with federal requirements.

According to County Fiscal Letter I-56-04 regarding Clarification of the Relative Approval Monitoring Process, the completed forms SOC 815, 817, and 818 are required for case documentation. Relative or nonrelated extended family member homes cannot be considered as approved until the date all items are completed and cannot be claimed for IV-E funds until after that date. The CDSS expects the counties to maintain the original signed and initiated documents in the child’s case file should they be required for audit purposes. Specifically, counties are expected to retain documentation supporting compliance with criminal record clearances.

Condition: One of 40 case files selected for testing did not have the required supporting documentation on file.

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Questioned Costs: \$312 (Total amount paid to participant with missing case file)

Systemic or Isolated: Isolated

Effect: Failure to retain complete supporting documentation resulted in noncompliance with federal grant guidelines

Recommendation: We recommend that management adopt a checklist of required documents, and have adequate review and approval procedures to ensure that proper documentation is retained in the case files.

Views of responsible officials and planned corrective actions: Policies are in place to address the timeliness of the relative assessment, the document retention requirements, the document distribution requirements, and the review process. These policies are used by the reviewing SCSW to ensure compliance. SCSWs have developed and utilized checklists for “hard copy” case assessment reviews. With compliance on existing policies, appropriate and timely data entry to CWS/CMS, SCSWs’ full utilization of the case review checklist and enhanced staffing resources, suggested need for an additional review checklist is not deemed necessary.

Continuous efforts are being made to ensure all required data is documented in the appropriate areas of the automated Case Management System as assessments are completed, and this will also contribute to the document research and retrieval process.

Finding 05-13 – Special Tests and Provisions – Incomplete Supporting Documents

Information on the Federal Programs: U.S. Department of Health and Human Services, Passed Through the California Department of Social Services, Adoptions – Administration and Assistance – CFDA #93.659

Specific Requirement: Federal regulations require that relative/nonrelative extended family member (NREFM) caregiver homes be approved in accordance with the Adoptions and Safe Families Act (ASFA) of 1997 to be eligible for Title IV E reimbursement for maintenance payment expenditures. In response to this requirement, the State issued County Fiscal Letters 02-58, 02-59, and 02-78 requiring the use of prescribed forms in documenting the assessment of relative/NREFM and in ensuring that the assessment was done in accordance with federal requirements.

Condition: Based on testwork performed, the following findings were noted:

- 3 of 50 selected case files were not available for review
- 3 of 50 case files had the Form AD4320 but did not have complete signature approvals by the adoptive parents.

Questioned Costs: \$175,085 (specific amounts paid to participants that did not meet required criteria)

Systemic or Isolated: Systemic

Effect: Failure to retain complete supporting documentation resulted in noncompliance with federal grant guidelines

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Recommendation: We recommend that DCFS keep complete and adequate supporting documentations.

Views of responsible officials and planned corrective actions: Adoption supervisory staff approving documentation will be trained by their respective managers to ensure all forms and supporting documents are included in the case file. Supervisory staff will train their staff in the proper procedure in order to ensure that we are maintaining adequate supporting documentation for all cases.

Finding 05-14 – Subrecipient Monitoring – During the Award Monitoring – Fiscal Reviews

Information on the Federal Programs: U.S. Department of Health and Human Services, HIV Emergency Relief Project – CFDA #93.914

Specific Requirement: According to 42 USC 300 ff-14(b) and (e)(2)(B), Eligible Metropolitan Areas (EMAs) are required to establish policies in the areas of verification and documentation of client eligibility, require that service providers follow those policies, and oversee the implementation by service providers.

Further, according to 42 USC 300 ff-14(c), an EMA shall establish a quality management program to determine whether the services are consistent with the most recent Public Health Service guidelines for the treatment of HIV disease and related opportunistic infection and, as applicable, to develop strategies for bringing these services into conformity with these guidelines.

Condition: The Fiscal Monitoring Instrument (FMI) is the guide utilized to provide evidence of the procedures performed to support the issuance of the Financial Evaluation Report. Based on the testwork performed, the following findings were noted:

- 6 out of 50 items selected did not have Fiscal Monitoring Instruments (FMIs) and Financial Evaluation Reports
- 2 out of 50 items selected did not have FMIs, although the related Financial Evaluation Reports were issued
- 21 out of 50 items selected have no final Financial Evaluation Reports, only draft copies are available
- for 19 out of 50 items selected, fiscal reviews were not performed within the 3-year period County policy, but desk reviews were performed for the current year
- 4 out of 50 items selected did not have the Plan of Corrective Action on findings noted on the fiscal reviews
- 5 out of 50 items selected did not have Quality Management reviews.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to properly monitor and issue timely reports on subrecipients' activities through the use of audits and other fiscal reviews result in noncompliance with federal guidelines

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Recommendation: We recommend that Centralized Contract Monitoring Division (CCMD) ensure compliance with the performance of the fiscal reviews for programs at least once in three years, verifying that the subrecipients are in compliance with the requirements applicable to the federal program, including the audit requirements of OMB Circular A-133. Moreover, CCMD should keep complete documentation, including Financial Reviews and FMIs, to support the review performed. We also recommend that the Office of Aids Program and Policy (OAPP) perform Quality Management Reviews for all programs at least once a year.

Views of responsible officials and planned corrective actions: Since FY 04-05, CCMD has increased its performance of annual Desk financial viability reviews of subrecipients in an effort to supplement our monitoring efforts and ensure compliance with the triennial audit requirement. CCMD has been short staffed since its inception in 2001. Therefore, the performance of annual Desk financial viability reviews has been a useful tool in identifying high-risk contractors and prioritizing fiscal monitoring activities.

In addition, CCMD continues its efforts to ensure sufficient resources are provided to monitor department contracts. In December 2005, CCMD submitted a FY 06-07 budget request for additional staff to conduct fiscal monitoring. CCMD is in the process of updating its filing system to ensure complete documentation is maintained in an orderly fashion to support all reviews performed.

CCMD is also working to obtain the remaining outstanding CAPs. Once received, they will be assessed to determine if they adequately address the findings noted in the reports.

Historically, agency Quality Management reviews were performed and reports generated per service category. In essence, this produced several reports per agency. The OAPP Quality Management unit has developed guidelines for an agency-wide Quality Management review for all programs. Therefore, one report for all programs will be generated per agency. At the time KPMG was conducting fieldwork, OAPP staff were implementing agency-wide Quality Management reviews, and will continue to implement and perform Quality Management reviews for all programs once a year. This approach meets HRSA requirements regarding Quality Management reviews.

Finding 05-15 – Subrecipient Monitoring – During the Award Monitoring – Fiscal Reviews

Information on the Federal Programs: U.S. Department of Health and Human Services, HIV Prevention Project – CFDA #93.940

Specific Requirement: According to 42 USC 300 ff-14(b) and (e)(2)(B), EMAs are required to establish policies in the areas of verification and documentation of client eligibility, require that service providers follow those policies, and oversee the implementation by service providers.

Condition: The Fiscal Monitoring Instrument (FMI) is the guide utilized to provide evidence of the procedures performed to support the issuance of the Financial Evaluation Report. Based on the testwork performed, the following findings were noted:

- 5 out of 50 items selected did not have Financial Monitoring Instruments (FMIs) and Financial Evaluation Reports
- 1 out of 50 items selected did not have FMIs, although the related Financial Evaluation Reports were issued

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- 15 out of 50 items selected have no final Financial Evaluation Reports, only draft copies were available
- for 19 out of 50 items selected, fiscal reviews were not performed within the 3-year period County policy, but desk reviews were performed for the current year
- 4 out of 50 items selected did not have the Plan of Corrective Action on findings noted on the fiscal reviews.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to properly monitor and issue timely reports on subrecipients' activities through the use of audits and other fiscal reviews result in noncompliance with federal guidelines

Recommendation: We recommend that Centralized Contract Monitoring Division (CCMD) ensure compliance with the performance of the fiscal reviews for programs at least once in three years to verify that the subrecipients are in compliance with the requirements applicable to the federal program, including the audit requirements of OMB Circular A-133. Moreover, CCMD should keep complete documentation, including Financial Reviews and FMIs, to support the review performed.

Views of responsible officials and planned corrective actions: Since FY 04-05, CCMD has increased its performance of annual Desk financial viability reviews of subrecipients in an effort to supplement our monitoring efforts and ensure compliance with the triennial audit requirement. CCMD has been short staffed since its inception in 2001. Therefore, the performance of annual Desk financial viability reviews has been a useful tool in identifying high-risk contractors and prioritizing fiscal monitoring activities.

In addition, CCMD continues its efforts to ensure sufficient resources are provided to monitor department contracts. In December 2005, CCMD submitted a FY 06-07 budget request for additional staff to conduct fiscal monitoring. CCMD is in the process of updating its filing system to ensure complete documentation is maintained in an orderly fashion to support all reviews performed.

CCMD is also working to obtain the remaining outstanding CAPs. Once received, they will be assessed to determine if they adequately address the findings noted in the reports.

Finding 05-16 – Subrecipient Monitoring – During the Award Monitoring – Fiscal Reviews

Information on the Federal Programs: U.S. Department of Health and Human Services, Passed Through the California Department of Alcohol and Drugs, Substance Abuse Prevention and Treatment – CFDA #93.959

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Specific Requirement: According to OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart D-Federal Agencies and Pass-Through Entities, §400 Responsibilities. (d) Pass-through entity responsibilities:

- Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- Ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
- Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

Condition: The Fiscal Monitoring Instrument (FMI) is the guide utilized to provide evidence of the procedures performed to support the issuance of the Financial Evaluation Report. Based on the testwork performed, the following findings were noted:

- 3 out of 50 items selected did not have FMI and Financial Evaluation Reports
- 1 out of 50 items selected had the FMI but not the Financial Evaluation Report
- 18 out of 50 items have no final Financial Evaluation Reports, only draft copies were available
- 34 out of 50 items selected did not have fiscal reviews performed within the 3-year period County policy, but had desk reviews performed in the current year.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to properly monitor and issue timely reports on subrecipients' activities through the use of audits and other fiscal reviews result in noncompliance with federal guidelines

Recommendation: We recommend that Centralized Contract Monitoring Division (CCMD) perform fiscal reviews for programs at least once in three years to ensure that the subrecipients are in compliance with the requirements applicable to the federal program, including the audit requirements of OMB Circular A-133. Moreover, CCMD should keep complete documentation, i.e., Financial Reviews and FMIs, to support the review performed.

Views of responsible officials and planned corrective actions: Since FY 04-05, CCMD has increased its performance of annual Desk financial viability reviews of subrecipients in an effort to supplement our monitoring efforts and ensure compliance with the triennial audit requirement. CCMD has been short staffed since its inception in 2001. Therefore, the performance of annual Desk financial viability reviews has been a useful tool in identifying high risk contractors and prioritizing fiscal monitoring activities. CCMD also continues its efforts to ensure sufficient resources are provided to monitor department contracts. In December 2005, CCMD submitted a FY 06-07 budget request for additional staff to conduct fiscal monitoring.

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CCMD is in the process of updating its filing system to ensure complete documentation is maintained in an orderly fashion to support all reviews performed.

Finding 05-17 – Subrecipient Monitoring – During the Award Monitoring

Information on the Federal Programs: U.S. Department of Homeland Security, Passed Through the California Office of Emergency Services, Preparedness Equipment Support Cluster – CFDA #97.004

Specific Requirement: Operational Areas (OAs), and their recipients, must comply with the audit requirements contained in OMB Circular A-133 and Title 28, CFR, Part 66.26.

Based on Title 28, CFR, Part 66.26, State or local governments that provide federal awards to a subgrantee, which expends \$500,000 or more in federal awards in a fiscal year, shall determine whether the subgrantee spent federal assistance funds provided in accordance with applicable laws and regulations. This may be accomplished by reviewing an audit of the subgrantee made in accordance with the Act, Circular A-110, or through other means (e.g., program reviews) if the subgrantee has not had such an audit. Moreover, it must be ensured that appropriate corrective action is taken within six months after receipt of the audit report in instance of noncompliance with federal laws and regulations.

Condition: There are no subrecipient monitoring activities performed for 50 of the 50 subrecipients reviewed.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to properly monitor and issue timely reports on subrecipients' activities through the use of audits and other fiscal reviews result in noncompliance with federal guidelines

Recommendation: We recommend that the Office of Emergency Management (OEM) develop and perform subrecipient monitoring procedures to ensure that federal awards are used for authorized purposes. This will ensure that subrecipients know and comply with the terms and conditions of the grant.

Views of responsible officials and planned corrective actions: Due to lack of staff, the subrecipient monitoring of all the subrecipients have not been performed. The monitoring checklist, though, has been completed and the goal is to get this process started in three months.

Finding 05-18 – Allowable Costs and Activities – Controls Over Payments to Subrecipients for Reimbursement of Expenditures and Other Vendors

Information on the Federal Programs: U.S. Department of Labor (DOL), Passed Through the California Department of Employment Department, Workforce Investment Act – CFDA #17.258,17.259,17.260

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Specific Requirement: *Government Auditing Standards* (2003 Revision) Section 5.13 indicates examples of deficiencies in internal controls that are considered to be reportable conditions, “auditors should report deficiencies in internal control considered to be reportable conditions as defined in AICPA standards.” The following are examples of matters that may be reportable conditions:

- Absence of appropriate reviews and approvals of transactions, accounting entries, or systems output
- Deficiencies in the design or operation of internal control that could result in violations of laws, regulations, provisions of contracts or grant agreements; fraud; or abuse having a direct and material effect on the financial statements or the audit objectives.

The agreement between the State of California Employment Development Department and the County of Los Angeles Department of Community and Senior Services states:

“Subgrantee shall not be required to maintain a separate bank account but shall separately account for WIA funds on deposit. All funding under this agreement will be made by check or wire transfer payable to the Subgrantee for deposit in Subgrantee’s bank account or city and county governmental bank accounts. To provide for the necessary and proper internal controls, funds should be withdrawn and disbursed by no less than two representatives of the Subgrantee...”

Condition: We noted in a sample of 50 subrecipient invoices and respective payment vouchers, 4 were not approved and 12 did not have the proper level of approval.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Absence of supervisory review may result in the submission of unallowable costs and activities causing noncompliance with federal grant guidelines

Recommendation: We recommend that the County stress the importance of maintaining strong internal controls over payments made to subrecipients. Program personnel should review all subrecipient expenditures to help ensure that overpayments are not made and charged to the federally funded program.

Views of responsible officials and planned corrective actions: The Department reviewed the transactions in question that did not contain the appropriate levels and provided this documentation to KPMG on April 14, 2006. Most of the documents were July 2005 payments. Internal fiscal reviews were conducted on the documents; however, the payment document did not contain the approval signatures. During deployment of the County’s new financial system (eCAPS) in July 2005, after staff “submitted” a payment document, the document was immediately routed to the A-C for approval.

During the initial deployment of the system, we were still getting familiar with the new system and processes. The section has since implemented process to ensure that all documents, regardless of system issues, contain the appropriate signatures.

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Finding 05-19 – Allowable Costs and Activities – Controls Over Monthly Reconciliation of Cost Statements

Information on the Federal Programs: U.S. Department of Labor (DOL), Passed Through the California Department of Employment Department, Workforce Act Investment – CFDA #17.258, 17.259, 17.260

U.S. Department of Health and Human Services, Passed Through the California Department of Aging, Aging Cluster – CFDA #93.044, 93.045

Specific Requirement: *Government Auditing Standards* (2003 Revision) Section 5.13 indicates examples of deficiencies in internal controls that are considered to be reportable conditions, “auditors should report deficiencies in internal control considered to be reportable conditions as defined in AICPA standards.” The following are examples of matters that may be reportable conditions:

- Absence of appropriate reviews and approvals of transactions, accounting entries, or systems output
- Deficiencies in the design or operation of internal control that could result in violations of laws, regulations, provisions of contracts or grant agreements; fraud; or abuse having a direct and material effect on the financial statements or the audit objectives.

Condition: We reviewed 11 monthly reconciliations between the cost statements and general ledger and noted 4 reconciliations were not approved and 3 were missing.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Absence of supervisory review may result in the submission of incomplete and inaccurate reports causing noncompliance with federal grant guidelines

Recommendation: The review and approval of monthly cost pool allocation summaries should be documented and retained by the County.

Views of responsible officials and planned corrective actions: The immediate supervisor and fiscal officer in charge, with the exception of the November and May statements, approved the cost statements in question. The immediate supervisor was the only approver of the November cost statement. The May cost statement was not approved, due to the implementation of cost pools, and the year-to-date adjustments that followed were not finalized until the June cost statement. We continue to ensure that proper reviews and approvals of the monthly cost statements are in place.

Finding 05-20 – Cash Management – Lack of Segregation of Duties

Information on the Federal Programs: U.S. Department of Labor (DOL), Passed Through the California Department of Employment Department, Workforce Act Investment – CFDA #17.258, 17.259, 17.260

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Specific Requirement: *Government Auditing Standards* (2003 Revision) Section 5.13 indicates examples of deficiencies in internal controls that are considered to be reportable conditions, “auditors should report deficiencies in internal control considered to be reportable conditions as defined in AICPA standards.” The following are examples of matters that may be reportable conditions:

- Absence of appropriate reviews and approvals of transactions, accounting entries, or systems output
- Deficiencies in the design or operation of internal control that could result in violations of laws, regulations, provisions of contracts or grant agreements; fraud; or abuse having a direct and material effect on the financial statements or the audit objectives.

Condition: There appears to be a lack of separation of duties with the approval and processing of cash drawdowns. The fiscal supervisor approves the expenditure summaries, prepares drawdown calculations, and processes the actual monthly cash drawdown.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Lack of controls to ensure segregation of duties may lead to inappropriate approvals for cash drawdowns

Recommendation: The County should consider having different employees perform the tasks pertaining to the approval and processing of cash drawdowns.

Views of responsible officials and planned corrective actions: During FY 2004-05, accounting staff was trained to address the issue of segregation of duties for the WIA report and claim functions. Due to employee turnover in accounting staff and a long-term leave of the WIA supervisor in the accounting section, the section did not have sufficient staff to prepare reports/claims.

On March 21, 2006, the Board of Supervisors approved the fiscal reorganization of the department, adding additional fiscal positions to the department. This reorganization allows the section to hire additional staff to perform cash and revenue management responsibilities. Effective FY 2005-06, staff were identified and trained to perform reporting and cash drawdown functions for WIA claims.

Finding 05-21 – Reporting – Unavailability of Supporting Documents

Information on the Federal Programs: U.S. Department of Labor (DOL), Passed Through the California Department of Employment Department, Workforce Act Investment – CFDA #17.258,17.259,17.260

Specific Requirement: *Government Auditing Standards* (2003 Revision) Section 5.13 indicates examples of deficiencies in internal controls that are considered to be reportable conditions, “auditors should report deficiencies in internal control considered to be reportable conditions as defined in AICPA standards.” The following are examples of matters that may be reportable conditions:

- Absence of appropriate reviews and approvals of transactions, accounting entries, or systems output

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- Deficiencies in the design or operation of internal control that could result in violations of laws, regulations, provisions of contracts or grant agreements; fraud; or abuse having a direct and material effect on the financial statements or the audit objectives.

The agreement between the State of California Employment Development Department and the County of Los Angeles Department of Community and Senior Services states:

“Subgrantee will compile and submit reports of activities, expenditures, status of cash, and closeout information by the specified dates as prescribed by the Subgrantor.”

The due date for financial and program reports is the 20th of the following month.

Condition: We selected 25 reports remitted to the State of California Employment Development Department and noted that the annual and 8 program reports were missing and not available for review. In addition, 3 of the monthly program reports were remitted late by 3, 7, and 19 days respectively.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to retain reports may result in noncompliance with federal grant guidelines

Recommendation: The County should implement controls to retain all reports and its respective underlying data remitted to their pass-thru agency. Further, management should ensure the timely submission of all reports.

Views of responsible officials and planned corrective actions: Management Information System (MIS) staff did not submit a quarterly report on participants to the State. According to the WIA Participant Reporting Handbook, the Extract file was run by MIS staff monthly and automatically created a participant summary report quarterly. This data resides in a quarterly report table; therefore, we did not need to submit a quarterly report to the State. The Extract file is due to the State on the 20th of each month. On the 20th, we run the Extract to the State. The Extract runs approximately four – eight hours. If there were errors in the data, the Extract file fails. We must then correct the data and run the Extract file again. This is done until an Extract file is created and the County gets a notification from the State that the Extract file was created. The previous MIS Supervisor did not always keep copies of the successful Extract notifications. The current MIS Supervisor is keeping copies of all Extract notifications as of December 2005.

Finding 05-22 – Subrecipient Monitoring – During the Award Monitoring – Program/Fiscal Reviews

Information on the Federal Programs: U.S. Department of Labor (DOL), Passed Through the California Department of Employment Department, Workforce Act Investment – CFDA #17.258,17.259,17.260

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Specific Requirement: According to OMB Circular No. A-133, *Revised to show changes published in the Federal Register June 27, 2003, Audits of States, Local Governments, and Non-Profit Organizations*, Subpart D-Federal Agencies and Pass-Through Entities, §400 Responsibilities. (d) Pass-through entity responsibilities are:

- Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved
- Ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year
- Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action
- Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records
- Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part.

Condition: The County performs an annual program/fiscal review for each subrecipient. For these program/fiscal reviews, management obtains a corrective action plan, if necessary. In addition to the program/fiscal reviews, management also obtains a Single Audit Report and related corrective action plan.

We reviewed the subrecipient monitoring log which details the status of the program, fiscal, and Single Audits of all subrecipients. We selected 25 subrecipients and verified whether the log accurately reflected the status of the required reviews. Of the 25 sampled, we noted the statuses of 6 subrecipients were not accurately reflected on the log. Examples of such discrepancies are as follows:

- The log did not contain a site visit date when one in fact had occurred
- The log reflected no Corrective Action Plan received when one was present in the file reviewed.

Further, of the 25 subrecipients selected, we noted the following exceptions:

- Five were delinquent in receiving Corrective Action Plans related to the program and fiscal reviews
- Two had received Corrective Action Plans but were not appropriately reviewed by management
- One did not receive a program or fiscal review.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to properly monitor subrecipient activities resulted in noncompliance with the federal grant guidelines

Recommendation: We recommend the County strengthen its current controls over subrecipient monitoring to ensure that subrecipients are complying with federal grant requirements.

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Views of responsible officials and planned corrective actions: The Department of Community and Senior Services will ensure that it strengthens its controls over subrecipient monitoring, particularly as it pertains to the collection of corrective action plans and the timely resolution of all monitoring findings.

Finding 05-23 – Reporting – Late Submission of Reports

Information on the Federal Programs: U.S. Department of Health and Human Services, Passed Through the California Department of Aging, Aging Cluster – CFDA #93.044, 93.045

Specific Requirement: *Government Auditing Standards* (2003 Revision) Section 5.13 indicates examples of deficiencies in internal controls that are considered to be reportable conditions, “auditors should report deficiencies in internal control considered to be reportable conditions as defined in AICPA standards.” The following are examples of matters that may be reportable conditions:

- Absence of appropriate reviews and approvals of transactions, accounting entries, or systems output
- Deficiencies in the design or operation of internal control that could result in violations of laws, regulations, provisions of contracts or grant agreements; fraud; or abuse having a direct and material effect on the financial statements or the audit objectives.

The agreement between the State of California Employment Development Department and the County of Los Angeles Department of Community and Senior Services states:

“Subgrantee will compile and submit reports of activities, expenditures, stats of cash, and closeout information by the specified dates as prescribed by the Subgrantor.”

The SPR 107 and 108 reports are due at the end of each month. The SPR 101 reports are due at the end of quarter. The SPR 102A, 102B, 103, 104, 105, and 106 are due August 30, 2005.

Condition: We reviewed 34 reports remitted to the California Department of Aging and noted that 22 monthly, 2 quarterly and 5 annual reports were remitted late. Reports that were submitted late were delinquent between 3 – 27 days.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to submit reports in a timely manner resulted in noncompliance with the federal grant guidelines

Recommendation: The County should implement controls ensure the timely submission of all reports.

Views of responsible officials and planned corrective actions: Program and fiscal reports are transmitted to the State by Program staff. Although the Area Agency on Aging reports were prepared prior to the due date, actual transmissions dates occurred later. In order to have better control of transmitting reports to the State, in February 2006, the Program Accounting Section assumed responsibility for directly transmitting monthly reports.

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Finding 05-24 – Subrecipient Monitoring – During the Award Monitoring

Information on the Federal Programs: U.S. Department of Health and Human Services, Passed Through the California Department of Aging, Aging Cluster – CFDA #93.044, 93.045

Specific Requirement: According to OMB Circular No. A-133, *Revised to show changes published in the Federal Register June 27, 2003, Audits of States, Local Governments, and Non-Profit Organizations*, Subpart D-Federal Agencies and Pass-Through Entities, §400 Responsibilities. (d) Pass-through entity responsibilities are:

- Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved
- Ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year
- Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action
- Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records
- Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part.

Condition: We selected 46 subrecipients and noted that management did not appropriately review the Corrective Action Plans remitted for 9 subrecipients. Further, management did not obtain a Single Audit Report for 2 subrecipients.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to properly monitor and issue timely reports on subrecipients' activities through the use of audits and other fiscal reviews result in noncompliance with federal guidelines

Recommendation: We recommend the County strengthen its current controls over subrecipient monitoring to obtain and review all Single Audit Reports and Corrective Action Plans for subrecipients as required by the federal grant requirements.

Views of responsible officials and planned corrective actions: Our records indicate that all audit reports were received by CSS, and for those that were not, the subrecipient's payments were suspended pending receipt of the audit report from the subrecipient. This control was in affect at the time of KPMG's review. Additionally, we will ensure that we strengthen our controls regarding the review of all corrective action plans submitted by our subrecipient.

Finding 05-25 – Allowable Costs and Activities – Incomplete Supporting Documents

Information on the Federal Programs: U.S. Department of Justice, Passed through the Bureau of Justice Assistance, State Criminal Alien Assistance Program – CFDA #16.606

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Specific Requirement: The federal guidelines for the Fiscal Year 2005 SCAAP application include the following:

Facility and Correctional Officer Reporting Requirements

- Salary information reported in the SCAAP application must reflect the total salaries and wages paid to full- and part-time correctional officers and others who meet the SCAAP definition. The reported sum should total the jurisdiction's actual salary expenditures for the applicable reporting period, not a projection, estimate, or average. Correctional officer salary costs may include premium pay for specialized service, shift differential pay, and fixed-pay increases for time in service. It may also include employee benefits and overtime required by negotiated contract, statute, or regulation.
- Employees, officers, and contractual staff whose primary responsibility is providing noncustody services to the facility or its inmate population are not eligible for inclusion in the SCAAP salary calculation. This includes office and secretarial support, administrative, housekeeping, maintenance, food, health, education, training, vocation, counseling, and medical staff.
- Financial records, supporting documents, statistical records, a copy of the inmate records submission, and all other records pertinent to a grant shall be retained for a period of at least three years following the closeout of the grant.

Condition: During our procedures over the SCAAP federal reporting requirements, we noted the following exceptions:

- of the 796 employee timesheets sampled, 130 were missing
- for two employee timesheets, there was no supervisor approval
- the reported overtime of three employees did not match respective pay registers.

Questioned Costs: \$56,900

130 missing timesheets	\$	48,132
2 timesheets without supervisor approval		67
3 employee timesheets that did not match pay registers		8,701
	\$	<u>56,900</u>

Systemic or Isolated: Systemic

Effect: Failure to maintain timesheets to substantiate allowable costs and properly approving the timesheets resulted in noncompliance with the federal grant guidelines on the County level.

Recommendation: We recommend that the Sheriff's department implement policies and procedures to ensure accurate federal reporting. Furthermore, management should retain documentation to support all information included in their SCAAP application. Such documentation should include timesheets and the corresponding payroll registers and listings of all excluded administrative personnel by facility. Changes to

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administrative personnel should be monitored to ensure only eligible employees are included in the application for federal funds.

Views of responsible officials and planned corrective actions: It is assumed that since the majority of the remaining employees whose records were missing were assigned to similar units of assignment, the records may have been destroyed by a 2005 flood in the Department's Alhambra, California main timekeeping location, wherein a significant number of time records were ruined.

Effective January 1, 2005, the Department's PLM Unit has developed a filing process and an automated numerical tracking system to enhance the storage and retrieval of all time and attendance documents maintained by this unit. A copy of that process was included in the 2003 – 2004 audit response and is also submitted with this response.

In response to the absence of signature approvals, existing policy requires that all documents without the proper authorization are returned to the Unit Commander for correction. If the document is incomplete, a violation of policy notice is prepared and will accompany the notice. The PLM unit will follow up on this issue and ensure a violation of policy notice was in fact submitted.

Differences with pay registers may be due to late data entry or due to various pay period deadlines and reporting. One must keep in mind that pay periods are two weeks in arrears and may reflect monthly overtime in two different calendar months. Further research and discussion with the auditor may be necessary to identify monies actually received in a given month.

The complexity of the Los Angeles County Civil Service Rules system and the lengthy job class specification processes controlled by the County's Department of Human Resources does not make it feasible for the Sheriff's Department to implement a system for the sole benefit of identifying administrative classifications. The broad duties defined in the Department's Deputy Sheriff and Custody Assistant classifications ensure maximum usage of these positions, thus creating a more efficient operation. The Department's Custody Support Services unit has implemented a system of documenting staff who perform administrative and other noneligible duties, by employee, their position, and salary, and excludes them from the SCAAP salary calculation.

Finding 05-26 – Allowable Costs and Activities – Lack of Appropriate Approval

Information on the Federal Programs: U.S. Department of Agriculture, Passed Through the Health and Human Services Agency California Department of Social Services, Food Stamps – CFDA #10.551, 10.561

Specific Requirement: *Government Auditing Standards* (2003 Revision) Section 5.13 indicates examples of deficiencies in internal controls that are considered to be reportable conditions, "auditors should report deficiencies in internal control considered to be reportable conditions as defined in AICPA standards." The following are examples of matters that may be reportable conditions:

- Absence of appropriate reviews and approvals of transactions, accounting entries, or systems output
- Deficiencies in the design or operation of internal control that could result in violations of laws, regulations, provisions of contracts or grant agreements; fraud; or abuse having a direct and material effect on the financial statements or the audit objectives.

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Condition: A time study is used to allocate program costs to various programs. We reviewed 40 time study cluster sheets to verify proper approval. Of the 40 time study cluster sheets, we noted 8 exceptions where there was no approval noted by the District Supervisor, 7 of which the time study observer signed off for both the employee and district supervisor.

Questioned Costs: Unknown

Systemic or Isolated: Systemic

Effect: Lack of controls to ensure segregation of duties may lead to inappropriate approvals for cash drawdowns

Recommendation: We recommend that the County maintain strong internal controls over the approval of the time study process. Management should verify that the person approving the time study is separate from the person conducting the time study.

Views of responsible officials and planned corrective actions: The County DPSS time study coordinator has distributed a memo to observers and district supervisors at the end of January 2006 that addressed our initial audit findings. Their memo indicated that observers must initial in their own initials for employees in the field or out of the office, as well as indicating that whenever an observer signs off for an employee in the field/out of office, they are not allowed to also sign off for the district supervisors.

Finding 05-27 – Eligibility – Incomplete Supporting Documentation

Information on the Federal Programs: U.S. Department of Agriculture, Passed Through the Health and Human Services Agency California Department of Social Services, Food Stamps – CFDA #10.551, 10.561

Specific Requirement: According to OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments – Eligibility of participants, the County should maintain and verify the following:

- Required eligibility determinations and redeterminations, (including obtaining any required documentation/verifications) were performed and the individual was determined to be eligible. Specific individuals were eligible in accordance with the compliance requirements of the program
- Benefits paid to or on behalf of the individuals were calculated correctly and in compliance with the requirements of the program
- Benefits were discontinued when the period of eligibility expired
- Quality control process to obtain assurances about eligibility.

Condition: During our procedures over our sample of 35 cases, we noted the following exceptions:

- During our eligibility compliance testing, we found one instance of a participant reporting in a statement of facts, \$11,000 of some form of grant or tuition aid, although we found no supporting documentation in the case file.
- We noted that one case file was missing a statement of facts for the 04-05 period during which they received food stamp benefits. This is a control failure which leads to a compliance failure since the

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lack of a signed statement of facts means we have no basis to conclude whether the participant met the eligibility requirements for 04-05.

- We noted three cases where the information in the recipient's case file didn't match the information in the LEADER system. In one such instance, \$101 of earned income on a pay stub for April 2005 in the case file was not reported in the LEADER system. In another instance, the recipient's self reported tuition/grant assistance of \$11,000 in the case file on a statement of facts for 04-05 was not in the LEADER system nor was any supporting documentation for this \$11,000 in the case file (see bullet point above). In another instance, the LEADER system reported income for a recipient, but this income could not be found in the recipient's case file. In each of these cases the supervisor had clicked the electronic authorization evidencing their reconciliation of the LEADER system and the case file and authorization for food stamp assistance.

Questioned Costs: \$1,292 (annual payments made to participants noted)

Systemic or Isolated: Systemic

Effect: Failure to retain supporting documentation with proper authorization may result to ineligible costs being charged to the federal grant

Recommendation: We recommend that eligibility determination workers collect and retain supporting documentation to verify eligibility of food stamp applicants in accordance with applicable federal grant guidelines. Additionally, management should implement policies and procedures to ensure underlying eligibility data reconciles to the LEADER eligibility system.

Views of responsible officials and planned corrective actions: The Department of Public Social Services agrees with this finding and will implement a corrective action plan to comply with the recommendations by July 31, 2006.

Finding 05-28 – Reporting – Late Submission of Reports

Information on the Federal Programs: U.S. *Department of Agriculture*, Passed Through the Health and Human Services Agency California Department of Social Services, Food Stamps – CFDA #10.551, 10.561

Specific Requirement: Based on the agreement with the Health and Human Services Agency California Department of Social Services, the DFA-256 (Food Stamp Program Participation and Benefit Issuance Report) is due 20 days following the activity month.

Condition: 4 of the 12 monthly DFA-256 reports examined were submitted beyond the due date required by the State. The February – April 2005 DFA-256 reports were late by three – seven days. Additionally, the June 2005 DFA-256 report was not remitted to the State until September 14, 2005, overdue by 56 days.

Questioned Costs: NA

Systemic or Isolated: Systemic

Effect: Failure to submit reports in a timely manner resulted in noncompliance with federal grant guidelines

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Recommendation: We recommend that management report information required by their cognizant agency within a timely manner.

Views of responsible officials and planned corrective actions: DPSS concurs with the recommendation. The Department implemented timely reports to the State effective August 2005.

Finding 05-29 – Allowable Costs and Activities – Payroll and Employee Benefits

Information on the Federal Programs: U.S. Department of Homeland Security, Public Assistance Cluster – CFDA #97.036

Specific Requirement: As stated in A-133 Compliance Supplement, for performance of eligible permanent restoration, straight-time salaries and benefits of a subgrantee’s permanently employed personnel are eligible.

OMB Circular A-87, Attachment A, paragraphs A and D state, respectively:

“... [Costs must] be necessary and reasonable for the performance and administration of federal awards.”

“The total cost of federal awards is comprised of the allowable direct cost of the program, plus its allocable portion of allowable indirect costs, less applicable credits. Typical direct costs chargeable to federal awards are compensation of employees for the time devoted and identified specifically to the performance of those awards.”

Condition: We selected 25 employees and noted management had over-claimed reimbursement totaling \$4,282 in overhead costs for 14 individuals.

Questioned Costs: \$4,282

Systemic or Isolated: Systemic

Effect: Unallowed costs have been improperly claimed under the federal grant

Recommendation: Management should ensure that their billing process for payroll and employee benefits expenses does not include overhead. All additional billings beyond actual payroll and employee benefit expenses should be properly documented and approved by the federal cognizant agency.

Views of responsible officials and planned corrective actions: The County concurs with the intent of the recommendation. The inaccurate claiming was primarily caused by the County’s Department of Public Works (DPW) internal billing process to include overhead in their rates when billing the LAC+USC Medical Center Replacement Project. It would be impractical and cost prohibitive to exclude DPW’s overhead rate from the County’s internal billing process and business practice.

The LAC+USC Medical Center Replacement Project budget is approximately \$820 million, of which \$608 million in cost is considered FEMA eligible. FEMA has approved to reimburse the County \$420 million for the project costs. The County believes that the remaining FEMA eligible cost of \$188 million (\$608,000,000 less \$420,000,000) can be used by other County expenditures to more than offset any ineligible costs that have been or will be inadvertently claimed.

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Finding 05-30 – Reporting – Late reports

Information on the Federal Programs: U.S. Department of Health and Human Services, passed through the California Department of Education, Child Day Care Program – CFDA #93.596

Specific Requirement: Per review of the Funding Terms and Conditions, the following reports are required:

- (1) Child Care Annual Aggregate Report (CDD-800) to the California Department of Education (CDE) by December 1 of each year
- (2) Monthly Child Care Population Information (CDD-801A) electronically in accordance with instructions from CDE
- (3) If the contractor is selected and notified by mail to submit sample data, they must complete the Child Development Data Collection Sample Report (CDD-801B) electronically in accordance with the instructions from CDE.

Condition: Based on the testwork performed, it was noted that the Child Care Annual Aggregate Report (CDD-800), 7 out of the 12 CDD-801A reports, and the annual financial and compliance audit were submitted late by 2 – 30 days.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Recommendation: We recommend that management monitor their report submission to ensure that required reports are submitted timely.

View of responsible officials and planned corrective actions: DCFS completed the 801-A report manually for the period reviewed (FY 2004-05). The department had an electronic interface built in e-CAPS in FY 2005-06. The interface enabled DCFS Child Care program staff to file the report electronically with the State Department of Education using our Kindertrack data tracking software. DCFS has had no late 801-A reports to the State since switching to the current system.

Finding 05-31 – Reporting – Lack of Management Review on Provider File Checklists

Information on the Federal Programs: U.S. Department of Health and Human Services, passed through the California Department of Education, Child Day Care Program – CFDA #93.596

Specific Requirement: Per review of the Funding Terms and Conditions, appropriate controls must be in place regarding provider case files. The following is one particular control:

- (1) Provider file checklists are maintained and signed off by supervisors verifying the contents of each case file (Management Review).

Condition: 20 of the 50 provider file checklists did not have proper management review and were missing appropriate child care agent signatures.

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Questioned Costs: N/A

Systemic or Isolated: Systemic

Recommendation: We recommend that management implement controls to ensure that an appropriate review and approval is implemented over provider file checklists.

View of responsible officials and planned corrective actions: The DCFS internal quality control checklist sheets may have some signatures missing but it does not equate with a lack of oversight and controls. In addition to the child care eligibility staff, who initiate a provider folder, the Glendora office staff also monitor, verify payment rates, and review provider information for accuracy and completeness which is done electronically through "Kindertrack." This finding is incomplete in its scope and understanding of childcare provider monitoring, checks and balances, and provider payment verification.

The Child Care Program hired a Provider Quality Control Specialist in FY 2005-06 to audit provider folders regularly by reviewing the provider file checklists for completeness, accuracy, and signatures.

As a final layer of quality control, beginning in FY 2005-06, all payments made to childcare providers who do business with DCFS are screened via the e-CAPS payments system through the IRS database. If a provider is not in good standing with the IRS, or their tax ID number, DBA, social security number, and/or name, do not match the IRS data base, the payment is held until whatever actions are needed have been completed.

Finding 05-32 – Allowable Costs and Activities – Missing Timesheets

Information on the Federal Programs: U.S. Department of Health and Human Services, passed through the California Department of Education, Child Day Care Program – CFDA #93.596

Specific Requirement: *Government Auditing Standards* (2003 Revision) Section 5.13 indicates examples of deficiencies in internal controls that are considered to be reportable conditions, "auditors should report deficiencies in internal control considered to be reportable conditions as defined in AICPA standards." The following are examples of matters that may be reportable conditions:

- Absence of appropriate reviews and approvals of transactions, accounting entries, or systems output
- Deficiencies in the design or operation of internal control that could result in violations of laws, regulations, provisions of contracts or grant agreements; fraud; or abuse having a direct and material effect on the financial statements or the audit objectives.

Condition: Based on the procedures performed, 2 of the 30 timesheets requested cannot be found.

Questioned Costs: \$2,420 (amount paid to two individuals with missing timesheets)

Systemic or Isolated: Isolated

Recommendation: We recommend that management implement controls retain documentation to support all hours worked for the program.

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View of responsible officials and planned corrective actions: The DCFS Personnel Officer issued a memorandum (August 2005) to all managers explaining departmental guidelines regarding document retention.

Finding 05-33 – Allowable Costs and Activities – Lack of Supporting Documents

Information on the Federal Programs: U.S. Department of Health and Human Services Passed Through the California Department of Social Services, CALWorks – CFDA #93.558

Specific Requirement: Funds may be used to carry out a program to fund individual development accounts established by individuals eligible to receive assistance under TANF (Temporary Assistance for Needy Families), (42 USC 604 (h); 45 CFR part 263 subpart C)

Condition: Procedures were performed to verify whether the assistance payments were properly given to participants. Based on the testwork performed, the following were noted:

- 9 out of 50 items selected did not have the case file folder or the folders provided do not contain the relevant information
- 2 out of 50 items selected pertain to participants who were paid in an amount that was different from what was recomputed by KPMG.

Questioned Costs: \$4,642 (specific amounts paid without supporting documents)

Systemic or Isolated: Systemic

Effect: Unallowed costs may have been improperly claimed under the federal grant, and failure to maintain adequate supporting documents resulted in noncompliance with the federal grant guidelines on the County level

Recommendation: We recommend that the Department of Public and Social Services retain adequate supporting documents and adhere to policies and procedures to make sure that aid is granted only to eligible individuals.

Views of responsible officials and planned corrective actions: While DPSS may not agree with the number of deficiencies noted under “Condition,” we agree to take appropriate corrective action to retain adequate supporting documents and adhere to policies and procedures to ensure that aid is granted only to eligible individuals.

Finding 05-34 – Eligibility – Absence of Supporting Documents

Information on the Federal Programs: U.S. Department of Health and Human Services Passed Through the California Department of Social Services, CALWorks – CFDA #93.558

Specific Requirement: To be eligible for TANF assistance, as defined in 45 CFR section 260.31 or any MOE-funded benefits, services, or assistance, a family must include a minor child who lives with a parent or other adult caretaker relative. The child must be less than 18 years old, or, if a full-time student in a secondary school (or the equivalent of vocational or technical training), less than 19 years old. A family must also be “needy,” i.e., financially eligible according to the State’s applicable income and resource

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criteria. (42 USC 602, 602(a)(1)(B)(iii), 42 USC 609(a)(7)(B)(IV), 608(a)(1), 619(2), and 45 CFR Section 263.2 (b)(2))

Condition: Procedures were performed to verify whether the assistance payments were made to eligible individuals. Based on the testwork performed, the following were noted:

- 4 out of 50 items selected pertains to participants whose QR7s were not received, thus, assistance should not have been paid out
- 10 out of 50 items selected did not have the case file folder or the folders provided do not contain the relevant information
- 5 out of 50 items selected did not have school record information for children under 18
- 7 out of 50 items selected did not have the Home Interview files, so test on whether the children lives with the parent at the time of aid cannot be verified
- 4 out of 50 items selected did not have the birth certificates of the individuals claimed, so proof of citizenship cannot be verified
- 11 out of 50 items selected have no proof of earned or unearned income
- 1 out of 50 items selected did have a valid Social Security Number card on file.

Questioned Costs: \$12,452 (specific amounts paid to ineligible claimants)

Systemic or Isolated: Systemic

Effect: Failure to maintain adequate supporting documents resulted in noncompliance with the federal grant guidelines on the County level.

Recommendation: We recommend that the Department of Public and Social Services retain adequate supporting documents and adhere to policies and procedures to make sure that aids are granted only to eligible individuals.

Views of responsible officials and planned corrective actions: While DPSS may not agree with the number of deficiencies noted under “Condition,” we agree to take appropriate corrective action to retain adequate supporting documents and adhere to policies and procedures to make sure that aid is granted only to eligible individuals.

Finding 05-35 – Reporting – Late Submission of Reports

Information on the Federal Programs: U.S. Department of Health and Human Services Passed Through the California Department of Social Services, CALWorks – CFDA #93.558

Specific Requirement: Based on the agreement with the Health and Human Services Agency California Department of Social Services, the County is required to submit the following reports:

CA-237 CW (Caseload Movement Report): – This report is due by the 18th calendar day of the month following the report month.

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CA-253 CW (Reasons For Discontinuances of Cash Grant Report): – This report is due by the 18th calendar day of the month following the report month.

CA-255 CW (Reasons For Denials and Other Nonapprovals of Applications for Cash Grant): – This report contains statistical information on applications and requests for restoration of the CalWORKs program, which have been denied or otherwise disposed of without approval, classified by primary reason for action. This report is due by the 18th calendar day of the month following the report month.

WTW 25 & WTW 25A (CalWORKs Welfare-To-Work Monthly Activity Report for All (Other) Families and Two-Parent Separate State Program) – The WtW 25 and WtW 25A report contain statistical information on All Other Families and Two-Parent Families who are enrolled in mandatory WtW employment-preparation activities. This report is due by the 20th calendar day of the month following the report month.

WTW 30 (TANF Work Participation Rate) – This report contains the Welfare to Work participation rate that measures the rate of families meeting work participation requirements. This report is due 75 days from the last day of the reporting month.

Condition: 27 of the 30 reports examined were submitted beyond the due date required. Reports that were submitted late were delinquent between 3 – 75 days.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Failure to submit reports in a timely manner resulted in noncompliance with federal grant guidelines

Recommendation: We recommend that the department report information required by the State of California Department of Public and Social Services in a timely manner.

View of responsible officials and planned corrective actions: The Department agrees that, for the time span covered by this report, some of the required reports were not current, but all Departmental reports required by the State of California's Department of Public Social Services are now reported in a timely manner.

Finding 05-36 – Subrecipient Monitoring – Absence of Single Audit Reports

Information on the Federal Programs: U.S. Department of Health and Human Services Passed Through the California Department of Social Services, CALWorks – CFDA #93.558

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Specific Requirement: According to OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart D-Federal Agencies and Pass-Through Entities, §400 Responsibilities. (d) Pass-through entity responsibilities are:

- Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved
- Ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year
- Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

Condition: 9 of the 35 Monthly Management Reports required from subrecipients were not submitted within 15 days from the end of the reporting month end. Reports that were submitted late were delinquent between 2 – 15 days.

During the fiscal year, 25 subrecipients were subject to a single audit. Management failed to obtain single audit reports for 19 of the said 25 subrecipients.

Questioned Costs: N/A

Systemic or Isolated: Systemic

Effect: Lack of effective subrecipient monitoring activities may result in noncompliance with the federal grant guidelines

Recommendation: We recommend that management follow up on the required reports and require subrecipients to submit single audit reports in a timely manner to be in compliance with OMB A-133 requirements

View of responsible officials and planned corrective actions: The Department agrees with the recommended action. Management will follow up on the required reports and will require contractors to submit the single audit reports in a timely manner to be in compliance with OMB A-133 requirements.

Finding 05-37 – Special Tests and Provisions – Lack of Supporting Documents

Information on the Federal Programs: U.S. Department of Health and Human Services, Passed Through the California Department of Social Services, CALWorks – CFDA #93.558

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Specific Requirement: Three special tests and provisions apply to this program:

- (1) When an individual is not cooperating in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, the County must deduct an amount equal to not less than 25% from the assistance that would otherwise be provided to the family of an individual and may deny the family all assistance (42 USC 608(a)(2) and 609 (a) (8); 45 CFR Sections 264.30 and 264.31).
- (2) The County must reduce or terminate the assistance payable to the family for refusal to work subject to any good cause or other exemptions established. (42 USC 609(a)(14); 45 CFR Sections 261.14, 261.16 and 261.54).
- (3) If an individual is an adult single custodial parent caring for a child under the age of six, the County may not reduce or terminate assistance for the individual's refusal to engage in required work if the individual demonstrates an inability to obtain needed child care based upon the following reasons: (a) unavailability of appropriate child care within a reasonable distance from the individual's home or work site; (b) unavailability or unsuitability of informal child care by a relative or under other arrangements; and (c) unavailability of appropriate and affordable formal child care arrangements. (42 USC 607(e)(2) and 609(a)(11); 45 CFR Sections 261.15, 261.56 and 261.57) Compliance with this requirement is evidenced by completion of Form 6050 and submission of appropriate supporting documentation (eg., birth certificates and medical certificates and records).

Condition: The results of the procedures performed related to each of the above requirements are as follows:

- (1) 22 out of 50 items selected did not have the required forms on file
- (2) 7 out of 50 items did not have the Form 6050 on file
- (3) 26 out of 50 items selected have the Form 6050 on file but not for the appropriate period and 2 out of 50 items selected did not have the Form 6050 on file. In addition, 21 out of 50 items selected are not adequately supported by required documentation.

Questioned Costs: \$4,379 (specific monthly amounts paid to claimants that did not meet required criteria)

Systemic or Isolated: Systemic

Effect: Failure to submit reports in a timely manner resulted in noncompliance with federal grant guidelines

Recommendation: We recommend that DPSS management should adopt a checklist of required documents and have adequate review and approval procedures to ensure that proper documentation required in the case files are kept based on the program requirements.

Views of responsible officials and planned corrective actions: While DPSS may not agree with the number of deficiencies noted under "Condition," we agree to take appropriate corrective action to adopt a checklist of required documents and have adequate review and approval procedures to ensure that proper documentation required in the case files is kept based on the program requirements.