

COUNTY OF SAN MATEO

Single Audit Reports

For the Fiscal Year Ended June 30, 2004

COUNTY OF SAN MATEO
Single Audit Reports
For the Fiscal Year Ended June 30, 2004

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

**INDEPENDENT AUDITOR'S REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Mateo (County), as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 8, 2004. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the San Mateo County Housing Authority (Authority) and the San Mateo Employees' Retirement Association (SamCERA), which represent the following percentages of assets and revenues/additions as of and for the fiscal year ended June 30, 2004:

Opinion Unit	Assets	Revenues/ Additions
Business-type Activities	25.4%	37.3%
Each Major Enterprise Fund – San Mateo Housing Authority	100.0%	100.0%
Aggregate Remaining Fund Information	36.6%	9.0%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Authority and the SamCERA, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted 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 (Schedule) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. In addition, the Schedule does not include expenditures of federal awards received by the Authority. The Authority's expenditures are audited by other auditors in accordance with OMB Circular A-133. The Schedule 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.

Macios, Sini & Company LLP

Certified Public Accountants

Walnut Creek, California

October 8, 2004

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients
U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY			
Direct Program:			
High Intensity Drug Trafficking Area	07	\$ 3,194,443	\$ -
TOTAL U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY		<u>3,194,443</u>	<u>-</u>
U.S. DEPARTMENT OF AGRICULTURE			
Direct Program:			
Market Protection and Promotion	10.163	408	-
Pass-Through Programs, State of California, Department of Social Services:			
Food Stamp Cluster:			
Food Stamps	10.551	8,845,540	-
State Administrative Matching Grants for Food Stamp Program	10.561	3,474,307	-
Sub-Total of Food Stamps Cluster		<u>12,319,847</u>	<u>-</u>
Pass-Through Programs, State of California, Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	111,640	-
National School Lunch Program	10.555	171,761	-
Sub-Total of Child Nutrition Cluster		<u>283,401</u>	<u>-</u>
Pass-Through Program, State of California, Department of Health Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	1,916,972	-
Pass-Through Program, State of California, Department of Aging:			
Nutrition Service Incentive (NSIP)	10.570	201,001	201,001
Sub-Total of Pass-Through Programs		<u>14,721,221</u>	<u>201,001</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>14,721,629</u>	<u>201,001</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Programs:			
Community Development Block Grants/Entitlement Grants	14.218	5,969,311	1,985,837
Emergency Shelter Grants Program	14.231	125,000	118,750
HOME Investment Partnerships Program	14.239	4,236,829	299,437
Sub-Total of Direct Programs		<u>10,331,140</u>	<u>2,404,024</u>
Pass-Through Program, City and County of San Francisco:			
Housing Opportunities for Persons with AIDS	14.241	670,000	538,210
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>11,001,140</u>	<u>2,942,234</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Programs: None		-	-
Pass-Through Program, State of California, Department of Parks & Recreation:			
Outdoor Recreation - Acquisition, Development and Planning	15.916	369,588	-
TOTAL U.S. DEPARTMENT OF INTERIOR		<u>369,588</u>	<u>-</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF JUSTICE			
Direct Programs:			
Local Law Enforcement Block Grants Program	16.592	12,025	-
State Criminal Alien Assistance Program	16.606	1,185,621	-
Public Safety Partnership and Community Policing Grants	16.710	288,924	-
Gang Resistance Education and Training	16.737	14,420	-
Drug Enforcement Administrative Grant	16	22,907	-
Sub-Total of Direct Programs		<u>1,523,897</u>	<u>-</u>
Pass-Through Programs, State of California, Office of Criminal Justice Planning:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	56,538	53,833
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	7,330	-
Byrne Formula Grant Program	16.579	89,585	-
Pass-Through Program, State of California, Board of Corrections			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	144,000	135,360
Pass-Through Programs, State of California, Office of Emergency Services			
Crime Victim Assistance	16.575	269,490	-
Byrne Formula Grant Program	16.579	314,283	-
Sub-Total of Pass-Through Programs		<u>881,226</u>	<u>189,193</u>
TOTAL U.S. DEPARTMENT OF JUSTICE		<u>2,405,123</u>	<u>189,193</u>
U.S. DEPARTMENT OF LABOR			
Direct Programs: None			
Pass-Through Program, State of California, Department of Aging:			
Senior Community Service Employment Program	17.235	125,457	125,457
Pass-Through Programs, State of California, Employment Development Department:			
Workforce Investment Act Cluster:			
WIA Adult Program	17.258	944,016	87,898
WIA Youth Activities	17.259	904,055	450,806
WIA Dislocated Workers	17.260	3,950,633	467,121
Sub-Total of Workforce Investment Act Cluster		<u>5,798,704</u>	<u>1,005,825</u>
WIA Incentive Grants - Section 503 Grants to States	17.267	2,440	-
Sub-Total of Pass-Through Programs		<u>5,926,601</u>	<u>1,131,282</u>
TOTAL U.S. DEPARTMENT OF LABOR		<u>5,926,601</u>	<u>1,131,282</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Program:			
Airport Improvement Program	20.106	66,619	-
Pass-Through Program, State of California, Department of Transportation:			
Highway Planning and Construction	20.205	222,953	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		<u>289,572</u>	<u>-</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Direct Programs: None		-	-
Pass-Through Program, State of California, State Water Control Resources Board: Local Oversight Program - Groundwater Protection	66	262,899	-
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY		262,899	-
U.S. DEPARTMENT OF EDUCATION			
Direct Programs: None		-	-
Pass-Through Program, San Mateo County Office of Education: Special Education - Grants to States	84.027	2,008,261	-
TOTAL U.S. DEPARTMENT OF EDUCATION		2,008,261	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
Health Center Grants for Homeless Populations	93.151	580,756	-
Community Health Centers	93.224	655,010	-
Consolidated Knowledge Development and Application (KD&A) Program	93.230	805,509	370,606
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	868,074	405,449
Healthy Community Access Program	93.252	1,118,051	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	984	-
Adolescent Family Life - Demonstration Projects	93.995	404,577	-
Sub-Total of Direct Programs		<u>4,432,961</u>	<u>776,055</u>
Pass-Through Programs, State of California, Department of Aging:			
Special Programs for the Aging - Title VII, Chapter 3 -Programs for Prevention of Elder Abuse, Neglect and Exploitation	93.041	12,380	12,380
Special Programs for the Aging - Title VII, Chapter 2 -Long Term Care Ombudsman Services for Older Individuals	93.042	62,633	62,633
Special Programs for the Aging -Title III, Part D - Disease Prevention and Health Promotion Services	93.043	45,120	45,120
Special Programs for the Aging Cluster:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	939,345	817,567
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	1,072,899	944,812
Sub-Total of Special Programs for the Aging Cluster		<u>2,012,244</u>	<u>1,762,379</u>
U.S. Repatriation	93.579	5,039	-
Medical Assistance Program (Medicaid, Title XIX)	93.778	369,693	-
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	19,900	18,091

See accompanying notes to Schedule of Expenditures of Federal Awards.

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)			
Pass-Through Programs, State of California, Department of Health and Human Services:			
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	1,420,207	151,591
Disabilities Prevention	93.184	695,414	-
Immunization Grants	93.268	200,024	-
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	906,118	-
Social Services Block Grant	93.667	196,067	-
Medical Assistance Program (Medicaid, Title XIX)	93.778	1,005,720	-
Preventive Health and Health Services Block Grant	93.991	6,829	-
Maternal and Child Health Services Block Grant to the States	93.994	1,186,331	-
Pass-Through Programs, State of California, Department of Mental Services:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	83,021	83,021
Block Grants for Community Mental Health Services	93.958	934,141	284,888
Pass-Through Programs, State of California, Department of Social Services:			
Promoting Safe and Stable Families	93.556	676,583	-
Temporary Assistance for Needy Families	93.558	39,497,580	-
Refugee and Entrant Assistance - State Administered Programs	93.566	24,899	-
Adoption Incentive Payments	93.603	71,235	-
Child Welfare Services - State Grants	93.645	352,921	-
Foster Care - Title IV-E	93.658	13,831,775	-
Adoption Assistance	93.659	2,570,766	-
Chafee Foster Care Independent Living	93.674	208,991	-
Medical Assistance Program (Medicaid, Title XIX)	93.778	2,523,606	-
Pass-Through Program, State of California, Department of Child Support Services:			
Child Support Enforcement	93.563	8,449,637	-
Pass-Through Programs, State of California, Department of Education:			
Child Care and Development Block Grant	93.575	1,815,525	1,815,525
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	494,434	-
Pass-Through Programs, State of California, Department of Alcohol and Drug Programs:			
Medical Assistance Program (Medicaid, Title XIX)	93.778	218,782	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	4,822,301	4,008,667
Pass-Through Program, City and County of San Francisco:			
HIV Emergency Relief Project Grants	93.914	2,405,265	640,465
Pass-Through Program, State of California, Emergency Medical Services Authority:			
Preventive Health and Health Services Block Grant	93.991	45,427	-
Sub-Total of Pass-Through Programs		<u>87,170,608</u>	<u>8,884,760</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>91,603,569</u>	<u>9,660,815</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HOMELAND SECURITY			
Direct Program:			
Emergency Management Performance Grants	97.042	137,528	-
Pass-Through Programs, State of California, Governor's Office of Emergency Services:			
State Domestic Preparedness Equipment Support Program	97.004	1,483,427	-
State and Local All Hazards Emergency Operations Planning	97.051	120,064	-
Citizen Corps	97.053	14,326	-
Sub-Total of Pass-Through Programs		1,617,817	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY		1,755,345	-
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 133,538,170	\$ 14,124,525

See accompanying notes to Schedule of Expenditures of Federal Awards.

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2004

1. GENERAL

The schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the County of San Mateo (County). All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies are included on this schedule except for assistance related to Medical Assistance (Medi-Cal) and Medicare Hospital Insurance (Medicare) (Note 5) and the Housing Authority of the County of San Mateo (Housing Authority) (Note 6).

2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting for program expenditures accounted for in the governmental funds and the accrual basis of accounting for program expenditures accounted for in the proprietary funds as described in Note 2(b) of the County's basic financial statements.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

5. MEDI-CAL AND MEDICARE

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

6. HOUSING AUTHORITY

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

<u>Program Title</u>	<u>CFDA No.</u>	<u>Expenditures</u>
Public and Indian Housing	14.850	\$ 391,729
Section 8 Programs:		
Moderate Rehabilitation	14.856	1,234,547
Voucher	14.871	58,436,279
Shelter Plus Care	14.238	1,745,455
Moving to Work	14.871	4,590,017
Supportive Housing	14.235	96,716
Total		<u>\$ 66,494,743</u>

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2004

7. FOOD COUPONS

The County issued food coupons valued at \$8,845,540 during the year ended June 30, 2004. This amount is for information only as receipts and issuances of food coupons are not recorded in the County's financial records.

8. LOANS OUTSTANDING

The County participates in certain federal award programs that sponsor revolving loan programs, which are administered by the County. These programs maintain servicing and trust arrangements with the County to collect loan repayments. The funds are returned to the programs upon repayment of the principal and interest. The federal government has imposed certain continuing compliance requirements with respect to the loans rendered under the programs. In accordance with Subpart B, Section 205 of the Office of Management and Budget Circular A-133, the County has reported the outstanding balance of loans from previous years that have continuing compliance requirements as of June 30, 2004 along with the value of total outstanding and new loans made during the current year.

The following is a summary of the loan programs maintained by the County and their balances at June 30, 2004:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>	<u>Prior Year Loans with Continuing Compliance Requirements</u>	<u>New Loans Issued During FY 2004</u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 28,090,494	\$ 27,925,817	\$ 2,079,695
HOME Investment Partnerships Program	14.239	12,428,803	8,771,569	3,727,234
		<u>\$ 40,519,297</u>	<u>\$ 36,697,386</u>	<u>\$ 5,806,929</u>

Included in the loan receivable amount outstanding are expenditures related to new loans issued during fiscal year 2003-04.

9. COMMUNITY ACCESS PROGRAM - CFDA#93.252

The Community Access Program included expenditures of \$591,543 incurred for the period from July 1, 2002 through June 30, 2003, which were not reported in that fiscal year.

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2004

10. SCHEDULES OF OFFICE OF CRIMINAL JUSTICE PLANNING (OCJP), OFFICE OF EMERGENCY SERVICES (OES), BOARD OF CORRECTIONS, AND CALIFORNIA DEPARTMENT OF JUSTICE GRANT EXPENDITURES

The State of California Office of Criminal Justice Planning (OCJP) was abolished by California Legislature in 2003. The administration of the OCJP programs was transferred to other State departments including the State of California Office of Emergency Services (OES) and State of California Board of Corrections (BOC). The following schedule represents expenditures for U.S. Department of Justice grants passed through OCJP (close-out expenditures), OES, and BOC, as well as OCJP and OES State funded grant expenditures for the fiscal year ended June 30, 2004. This information is included in the County's single audit report at the request of OCJP, OES, and BOC.

Program Title and Expenditure Category	Grant Number / Grant Period	Budget	Cumulative through June 30, 2003	Actual 7/1/03 - 6/30/04		Cumulative Actual Total	Variance
				Non-match	Match		
Region H Grant JP99000410							
Personal Services	10/1/99 - 9/30/03	\$ 56,653	\$ 52,511	\$ 2,704	\$ -	\$ 55,215	\$ 1,438
Operating Expenses		709,971	656,136	53,834	-	709,970	1
Equipment		-	-	-	-	-	-
Total		\$ 766,624	\$ 708,647	\$ 56,538 ¹	\$ -	\$ 765,185	\$ 1,439
Region H Grant JJ03010410							
Personal Services	7/1/03 - 6/30/04	\$ 8,100	\$ -	\$ 8,100	\$ -	\$ 8,100	\$ -
Operating Expenses		134,011	-	134,011	-	134,011	-
Equipment		1,889	-	1,889	-	1,889	-
Total		\$ 144,000	\$ -	\$ 144,000 ²	\$ -	\$ 144,000	\$ -
Victim Witness Assistance Program VW03220410							
Personal Services	7/1/03 - 6/30/04	\$ 356,325	\$ -	\$ 346,194	\$ -	\$ 346,194	\$ 10,131
Operating Expenses		31,010	-	30,108	-	30,108	902
Equipment		-	-	-	-	-	-
Total		\$ 387,335	\$ -	\$ 376,302 ³	\$ -	\$ 376,302	\$ 11,033
Special Emphasis Assistance Project SE03130410							
Personal Services	7/1/03 - 6/30/04	\$ 110,737	\$ -	\$ 86,002	\$ 21,500	\$ 107,502	\$ 3,235
Operating Expenses		24,949	-	14,157	3,540	17,697	7,252
Equipment		-	-	-	-	-	-
Total		\$ 135,686	\$ -	\$ 100,159 ³	\$ 25,040	\$ 125,199	\$ 10,487
San Mateo County Narcotics Task Force DC03140410							
Personal Services	7/1/03 - 9/30/03	\$ 51,736	\$ -	\$ 51,736	\$ -	\$ 51,736	\$ -
Operating Expenses		37,849	-	37,849	-	37,849	-
Equipment		-	-	-	-	-	-
Total		\$ 89,585	\$ -	\$ 89,585 ⁴	\$ -	\$ 89,585	\$ -
San Mateo County Narcotics Task Force DC033Q0410							
Personal Services	10/1/03 - 6/30/04	\$ 87,295	\$ -	\$ 87,295	\$ -	\$ 87,295	\$ -
Operating Expenses		143,703	-	143,703	-	143,703	-
Equipment		83,285	-	83,285	-	83,285	-
Total		\$ 314,283	\$ -	\$ 314,283 ⁴	\$ -	\$ 314,283	\$ -
LFLIP and Coverdell Training LF01010410							
Personal Services	5/1/03 - 7/31/03	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses		3,008,000	3,000,000	7,330	-	3,007,330	670
Equipment		-	-	-	-	-	-
Total		\$ 3,008,000	\$ 3,000,000	\$ 7,330 ⁵	\$ -	\$ 3,007,330	\$ 670
2003 Coverdell Training CQ03020410							
Personal Services	3/1/04 - 2/28/05	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses		8,721	-	-	-	-	8,721
Equipment		-	-	-	-	-	-
Total		\$ 8,721	\$ -	\$ -	\$ -	\$ -	\$ 8,721

¹ Amount is reported as federal expenditures in the Schedule under CFDA number 16.540 for the Juvenile Justice and Delinquency Prevention - Allocation to States program, passed through the State of California, Office of Criminal Justice Planning (page 4).

² Amount is reported as federal expenditures in the Schedule under CFDA number 16.540 for the Juvenile Justice and Delinquency Prevention - Allocation to States program, passed through the State of California, Board of Corrections (page 4).

³ Non-match expenditures for the Victim Witness Assistance Program include both federal (\$169,331) and state (\$206,971) and for the Special Emphasis Assistance Project are federal only. The federal portion of these expenditures are jointly reported as federal expenditures in the Schedule under CFDA number 16.575 for the Crime Victim Assistance program, passed through the State of California, Office of Emergency Services (page 4).

⁴ Expenditures for the San Mateo County Narcotics Task Force programs are reported as federal expenditures in the Schedule under CFDA number 16.579 for the Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program, passed through the State of California, Office of Criminal Justice Planning (page 4).

⁵ Amount is reported as federal expenditures in the Schedule under CFDA number 16.560 for the National Institute of Justice Research, Evaluation, and Development Project Grants, passed through the State of California, Office of Criminal Justice Planning (page 4).

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2004

10. SCHEDULES OF OFFICE OF CRIMINAL JUSTICE PLANNING (OCJP), OFFICE OF EMERGENCY SERVICES (OES), BOARD OF CORRECTIONS, AND CALIFORNIA DEPARTMENT OF JUSTICE GRANT EXPENDITURES (Continued)

Program Title and Expenditure Category	Grant Number / Grant Period	Budget	Cumulative through June 30, 2003	Actual 7/1/03 - 6/30/04		Cumulative Actual Total	Variance
				Non-match	Match		
California Cold Hit Project	CG00010410						
Personal Services	10/1/00 - 9/3/04	\$ 25,695	\$ 16,691	\$ 3,051	\$ -	\$ 19,742	\$ 5,953
Operating Expenses		39,910	30,550	7,163	-	37,713	2,197
Equipment		12,091	12,091	-	-	12,091	-
Total		<u>\$ 77,696</u>	<u>\$ 59,332</u>	<u>\$ 10,214</u> ⁶	<u>\$ -</u>	<u>\$ 69,546</u>	<u>\$ 8,150</u>
Statutory Rape Vertical Prosecution Program	VB03010410						
Personal Services	7/1/03 - 6/30/04	\$ 77,603	\$ -	\$ 77,603	\$ -	\$ 77,603	\$ -
Operating Expenses		-	-	-	-	-	-
Equipment		-	-	-	-	-	-
Total		<u>\$ 77,603</u>	<u>\$ -</u>	<u>\$ 77,603</u> ⁶	<u>\$ -</u>	<u>\$ 77,603</u>	<u>\$ -</u>

⁶ Amounts represent State funding only.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Mateo (County) as of and for the year ended June 30, 2004, which collectively comprise the County’s basic financial statements and have issued our report thereon dated October 8, 2004. These financial statements are the responsibility of the County’s management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Mateo County Housing Authority (Authority) and the San Mateo Employees’ Retirement Association (SamCERA), which represent the following percentages of assets and revenues/additions as of and for the fiscal year ended June 30, 2004:

<u>Opinion Unit</u>	<u>Assets</u>	<u>Revenues/ Additions</u>
Business-type Activities	25.4%	37.3%
Each Major Enterprise Fund – San Mateo Housing Authority	100.0%	100.0%
Aggregate Remaining Fund Information	36.6%	9.0%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Authority and the SamCERA, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 an opinion 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 internal control over financial reporting that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the County in a separate letter dated January 21, 2005.

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*. However, we noted certain additional matters that we reported to management of the County in a separate letter dated January 21, 2005.

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

Macios, Dini & Company LLP

Certified Public Accountants

Walnut Creek, California

October 8, 2004

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

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

Compliance

We have audited the compliance of the County of San Mateo (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, 2004. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the San Mateo Housing Authority (the Authority) that reported expenditures of federal awards of \$66,494,743, which is not included in the schedule of expenditures of federal awards for the year ended June 30, 2004. Our audit of compliance, described below, did not include the operations of the Authority because the Authority's expenditures of federal awards are audited by other auditors in accordance with OMB Circular A-133.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2004-1 through 2004-5.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with 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 are described in the accompanying schedule of findings and questioned costs as items 2004-1 through 2004-5.

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 the 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.

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

Macias, Sini & Company LLP
Certified Public Accountants

Walnut Creek, California
January 21, 2005

COUNTY OF SAN MATEO
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2004

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Reportable conditions identified that are not considered to be material weaknesses	None reported.
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	No
• Reportable conditions identified that are not considered to be material weaknesses	Yes
Type of auditor’s report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of major programs:

Program Title	CFDA Number
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC Program)	10.557
Community Development Block Grant	14.218
Home Investment Partnership Program	14.239
Workforce Investment Act Cluster	17.258 / 17.259 / 17.260
Temporary Assistance to Needy Families	93.558
Child Support Enforcement	93.563
Medical Assistance Program	93.778
High Intensity Drug Trafficking Area	99
Dollar threshold used to distinguish between Type A and Type B programs:	\$3,000,000
Auditee qualified as low-risk auditee?	Yes

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2004

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

Finding 2004-1 **U.S. Department of Health and Human Services**
Temporary Assistance Needy Families (TANF), CFDA 93.558
Passed Through the State of California, Department of Social Services
Administered by the San Mateo County Human Services Agency

Criteria

In accordance with OMB Circular A-133, a grantee is responsible for documenting eligibility determinations. Since the County is receiving TANF grant funding passed through the State, the State has developed various forms to be completed in the eligibility determination process including the “Statement of Facts for Cash Aid, Food Stamps, and Medi-Cal/State-run County Medical Services Program” (SAWS-2) form for each participant. This form is used to document the eligibility determination of the applicant and all relevant information supporting the determination.

OMB Circular A-133 also requires a grantee to use the Income Eligibility and Verification System (IEVS) to corroborate income information provided by the applicant during the eligibility determination process.

Condition

During our testing of controls and compliance over participant eligibility, we noted that of the 25 files selected for testing:

- 4 files had incomplete SAWS-2 forms in the file. Although the eligibility worker made notes throughout the form evidencing review of the form, the “County Use Only” section (last page) of the form, which documents the eligibility determination, was not completed. Furthermore, none of the forms were signed to indicate approval of eligibility determination.
- 2 files did not have either the required IEVS report included or the IEVS report was not signed by the eligibility worker to indicate that the form was reviewed and used in the eligibility determination process.

Effect

Without adequate documentation and record keeping, applicants’ eligibility status could not be readily verified. The County is at risk of providing services to ineligible individuals.

Recommendation

Management should emphasize the importance of completing all required forms for eligibility determination to all eligibility workers since the instances noted occurred in files managed by five separate eligibility workers. In addition, supervisors reviewing the eligibility determinations should ensure all documents are complete and address any issues with the appropriate eligibility work immediately.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2004

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

Finding 2004-1 (Continued)

Management Response

We agree. Line Supervisory Staff are accountable for overseeing the completion of all required forms for eligibility determination and addressing issues with appropriate eligibility worker. The importance of completing all required forms for eligibility determination will be emphasized at our Policy Operations and Services Team comprised primarily of Line Supervisory staff. In addition, we will issue a notice to staff reminding them of the need to complete all required forms for eligibility. We are also exploring the formation of a case review workgroup to assess the supervisory case review process.

Finding 2004-2 **U.S. Department of Housing and Urban Development**
HOME Investment Partnerships Program (HOME), CFDA 14.239
Administered by the San Mateo County Human Services Agency

Criteria

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

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

The primary recipient's responsibilities may be discharged for subrecipients receiving federal awards of \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more by relying upon the subrecipient's independent audits performed in accordance with OMB Circular A-133. For those subrecipients that are required to have single audits in accordance with OMB Circular A-133, the County, as the primary recipient, is also required to ensure that the audits are performed, and must follow-up on the resolution of all reported findings and questioned costs.

The primary recipient's responsibilities may be discharged for subrecipients receiving federal awards less than the threshold mentioned above by performing a combination of the following procedures:

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

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2004

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

Finding 2004-2 (Continued)

Condition

During our testing of compliance with subrecipient monitoring requirements for the HOME Program, we noted that the County did not obtain a single audit report for the subrecipient selected for testing (City of Daly City) for FY 2003 (since the single audit report for FY 2004 was not yet available). According to information available from the Federal Audit Clearinghouse, the City of Daly City incurred \$3,861,303 of federal expenditures in FY 2003 and was thus required to have a single audit performed.

In FY 2004, the County had a contract of \$546,587 with the City of Daly City, and had actual payments of \$284,437 for program expenditures during the year.

Effect

The County did not comply with the subrecipient monitoring requirements established by OMB Circular A-133.

Recommendation

We recommend that the County emphasize the importance of adherence to existing policies requiring the documentation and review of subrecipient monitoring activities. Procedures should be developed and implemented to ensure that:

1. Subrecipients who are required to have single audits performed in accordance with OMB Circular A-133 do so within nine months of the end of their fiscal period;
2. Subrecipients submit a copy of their single audit report to the County in a timely fashion; and
3. The County will follow up on any findings identified in the subrecipients' single audit report within 6 months after receipt of the audit report.

Management Response

The Office of Housing has been working on a set of procedures to address the ongoing monitoring of completed projects such as the City of Daly City project. The City of Daly City was contacted and will submit its current audit report.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2004

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

Finding 2004-3 **U.S. Department of Housing and Urban Development**
HOME Investment Partnerships Program (HOME), CFDA 14.239
Administered by the San Mateo County Human Services Agency

Criteria

Under the requirements of the Single Audit Act and OMB Circular A-133, the participating jurisdiction has the responsibility to comply with the Housing Quality Standards inspection requirements.

During the period of affordability (i.e., the period for which the non-Federal entity must maintain subsidized housing) for HOME assisted rental housing, the County, as the participating jurisdiction, must perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than: (a) every three years for projects containing 1 to 4 units, (b) every two years for projects containing 5 to 25 units, and (c) every year for projects containing 26 or more units. The County must perform on-site inspections of rental housing occupied by tenants receiving HOME-assisted tenant-based rental assistance to determine compliance with housing quality standards and to assure that any needed repairs are completed timely.

Condition

During our testing of compliance with Housing Quality Standards requirements for the HOME Program, we noted that 3 out of 10 projects did not have a housing quality inspection performed on a timely basis. In accordance with Part 4 of the OMB Circular A-133 Compliance Supplement for the HOME program, a project of 5 to 25 units should be inspected every 2 years. However, our review of the County's Housing Quality Standards inspection files indicated that no such inspection was performed for those three projects since FY 2002.

Effect

The County is in non-compliance with the Housing Quality Standards requirement as stated in Part 4 of the OMB Circular A-133 Compliance Supplement

Recommendation

We recommend the County to revisit, and modify as necessary, its Housing Quality Standards inspection policies to ensure that the required on-site inspections are performed on a timely basis. Supervisors should review the inspection listing on a frequent, regular basis to ensure that the responsible program specialists schedule and conduct the inspection within the required timeframe as required by the OMB Circular A-133.

Management Response

The Office of Housing has been working on a set of procedures to address the ongoing monitoring of completed projects. This includes the housing quality inspections, annual certifications of use, tenant income levels, and audits of entities with existing contracts or loans. Staff will develop an asset management manual and annual checklist.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2004

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

Finding 2004-4 **U.S. Department of Health and Human Services**
Child Support Enforcement, CFDA 93.563
Passed Through the State of California, Department of Child Support Services
Administered by the San Mateo County Department of Child Support Services

Criteria

Per the OMB Circular A-133 *Compliance Supplement*, non-federal entities are prohibited from contracting with parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 and all nonprocurement transactions (e.g., subawards to subrecipients). All vendors must certify that the organization and its principals are not suspended or debarred. The non-federal entities may rely upon the certification unless it knows that the certification is erroneous. Non-federal entities may, but are not required to, check for suspended and debarred parties, which are listed in the *List of Parties Excluded From Federal Procurement or Nonprocurement Programs*, issued by the General Services Administration (GSA).

Condition

During our testing of internal controls and compliance over procurement, suspension and debarment related to the Child Support Enforcement program, we noted that for two vendors contracts selected for testing the County did not obtain certifications from the vendors that they were not suspended or debarred from participating in federally funded programs. However, management indicated that the GSA listing was checked but did not document this procedure in their procurement files.

Effect

We were unable to verify whether management determined if vendors were suspended or debarred from participation in federally funded contracts. As such, the County could be contracting with vendors that are ineligible to participate in federally funded programs.

Recommendation

We recommend that the County develop and implement procedures to require vendors to provide the appropriate certifications that they are not suspended or debarred before the contract is approved or document that program staff have reviewed the GSA listing and determined that the potential vendor is not included on the listing of suspended or debarred organizations.

Management Response

The San Mateo County Department of Child Support Services checks the U.S. General Services Administration (GSA) Excluded Parties List System (EPLS) online for every potential vendor of services. The Department's Administrative Division Manager will ensure that staff that have reviewed the GSA listing and have determined that a potential vendor is not included on the listing of suspended or debarred organizations retain proper documentation in the procurement file for each respective contractor.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2004

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

Finding 2004-5

U.S. Office of National Drug Control Policy

High Intensity Drug Trafficking Area, CFDA 07

Administered by the San Mateo County Sheriff's Department

U.S. Department of Health and Human Services

Medical Assistance Program (Medicaid Title XIX), CFDA 93.778

Passed Through the State of California, Department of Aging

Administered by the San Mateo County Aging and Adult Services Division

(A Division of the San Mateo County Department of Health Services)

Healthy Community Access Program, CFDA 93.252

Administered by the San Mateo County Department of Health Services

Criteria

The U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* (OMB Circular A-133), requires that the County prepare a schedule showing total federal expenditures for the year for each federal program. Furthermore, OMB Circular A-133 requires that all Type A programs be audited at least once every three years. The County's Type A programs are those exceeding \$3 million.

Condition

During our review of the schedule of expenditures of federal awards (SEFA) for the current year, we noted the current year federal expenditures for the following programs were being improperly reported:

- High Intensity Drug Trafficking Area (HIDTA) Program (CFDA #07)– The Sheriff's Department was only reporting the current year's grant allocation amount, a practice used in all prior years' SEFAs as well.
- Medical Assistance Program (CFDA #93.778) - The Aging and Adult Service Division (a division of the Department of Health Services) was not reporting the federally funded In-Home Supportive Services (IHSS) program portion of this grant. The IHSS portion had also been excluded from prior years' SEFAs.
- Health Community Access Program (CFDA #93.252) – The Department of Health Services did not report \$591,543 in federally funded expenditures incurred during fiscal year 2003. These expenditures were included as part of the current expenditures balance reported of \$1,118,051.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2004

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

Finding 2004-5 (Continued)

Effect

For fiscal year 2004, we noted that the actual expenditures incurred for the HIDTA program were \$3,194,443 compared to the current year allocation of \$2,697,000. Actual expenditures for the Medical Assistance program for fiscal year 2004 were \$4,117,801, which included IHSS program expenditures of \$2,523,606. Had actual current year expenditures for these programs not been identified, they would have been missed as type A programs for fiscal year 2004. Also, had expenditures been appropriately reported on past SEFAs, these programs may have been considered type A programs in prior years.

The exclusion of the Health Community Access Program expenditures in the prior year would not have affected type A program determination, but based on the dollar amount expended this program should have been considered in the type B risk assessment for potential selection as a major program.

Recommendation

We recommend that departments be reminded that all current year federally funded expenditures should be reported for inclusion in the SEFA. For the departments identified above, procedures to capture federally funded expenditures should be reviewed and revised as appropriate to ensure federal expenditures are identified and properly accounted for in the appropriate reporting periods.

Management response

Sheriff's Department:

Although actual expenditures incurred for the HIDTA program for fiscal year 2004 exceeded its current year allocation amount, HIDTA was given authorization by the Office of National Drug Control Policy (ONDCP) to use unexpended funds from prior years' grants for fiscal year 2004 expenditures. Beginning fiscal year 2005, HIDTA will report its current year allocation amount along with unexpended funds that have been given grant extensions from ONDCP.

In addition to the issue identified above, we have also reviewed the process HIDTA uses to report all current year federally funded expenditures and have made all appropriate revisions that will ensure that all federal expenditures be identified and properly accounted for in the proper reporting periods and also reported for inclusion in the SEFA.

Department of Health Services - Aging and Adult Services Division:

We agree with this recommendation. We will review the federally funded expenditures to ensure that these federal expenditures are identified and properly accounted for and reported for inclusion in the SEFA in the appropriate reporting period.

Department of Health Services:

The Community Access Program was included in the budget of the County's hospital unit (San Mateo Medical Center) until FY 2001-2002. The Medical Center was responsible for the annual reporting of expenditures for single audit purposes. The program was moved to Department of Health Services in FY 2002-2003. Due to the transfer, change of staff as well as flow of documents, submission of the report of federal expenditures for single audit purposes for that year was overlooked. The County's Internal Audit Department that performs yearly review of the accuracy and completeness of the county reports also did not notice the missing program. We have adopted measures to ensure that the mistake will not recur.

COUNTY OF SAN MATEO
Status of Prior Years Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2004

Reference Number: 03-1

Federal Catalog Number/
Program Name: Medical Center Accounting

Audit Finding: *Allocation of Responsibilities for Accounting Staff:* The division of responsibilities for accounting and financial reporting between the Controller's Office and the Medical Center's accounting staff was unclear.

Accounting Manual: There is no formal documentation on accounting and financial reporting policies and procedures.

Staff Training: Accounting staff lack the necessary training to enable to prepare financial statements in accordance with generally accepted accounting principles.

Status of Corrective Action: In Process.

Reference Number: 03-2

Federal Catalog Number/
Program Name: 20.205 / Highway Planning and Construction

Audit Finding: Davis Bacon: Noted that one of the four projects' supporting records selected for certified payrolls testing could not be located.

Status of Corrective Action: Corrected.

Reference Number: 03-3

Federal Catalog Number/
Program Name: 14.218 / Community Development Block Grants/Entitlement Grants

Audit Finding: Suspension and Debarment: Noted that for the seven subrecipients selected for testing the County did not obtain certifications from the subrecipients that they were not suspended or debarred from participating in federally funded programs.

Status of Corrective Action: Corrected.

For three out of six subrecipients tested in FY 2004, certification of suspension and debarment clause was not included in their contract. We have alternatively verified that these subrecipients are not suspended or debarred on the GSA web site.

However, we noted that these contracts were executed before the start of the fiscal year. We verified that the department has since implemented appropriate language into new contracts.

COUNTY OF SAN MATEO
Status of Prior Years Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2004

Reference Number:	03-4
Federal Catalog Number/ Program Name:	14.218 / Community Development Block Grants/Entitlement Grants
Audit Finding:	Subrecipient Monitoring: Three of the ten files selected for testing did not have documentation that subrecipient monitoring procedures were performed.
Status of Corrective Action:	Corrected.