

COUNTY OF SAN MATEO

Single Audit Reports

Year Ended June 30, 2013



Certified Public Accountants.

COUNTY OF SAN MATEO

Single Audit Reports
Year Ended June 30, 2013

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**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***

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2013, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated October 31, 2013. Our report contains a reference to other auditors who audited the financial statements of the Housing Authority of the County of San Mateo, the San Mateo County Employees’ Retirement Association, the First 5 San Mateo County, and the Health Plan of San Mateo, as described in our report on the County’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-002, 2013-003, and 2013-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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*.

County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & Connell LLP

Walnut Creek, California
October 31, 2013

**Independent Auditor’s Report on Compliance for
Each Major Program; on Internal Control over Compliance; and on the
Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the County’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County’s major federal programs for the year ended June 30, 2013. 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.

The County’s basic financial statements include the operations of the Housing Authority of County of San Mateo (Housing Authority), which received \$63,594,804 in federal awards that are not included in the accompanying schedule of expenditures of federal awards during the year ended June 30, 2013. Our audit, described below, did not include the operations of Housing Authority because the Housing Authority engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the County’s major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County’s compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-005. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 and on State of California Department of Community Services and Development Supplemental Schedules

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated October 31, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards and State of California Department of Community Services and Development supplemental schedules of revenues and expenditures are presented for purposes of additional analysis as required by OMB Circular A-133 and the State of California Department of Community Services and Development, respectively, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and supplemental schedules of revenues and expenditures are fairly stated in all material respects in relation to the basic financial statements as a whole.

Macias Gini & Connell LLP

Walnut Creek, California
March 27, 2014

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COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients	Pass-Through Entity Number
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through State of California, Department of Food and Agriculture:				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	\$ 4,766	\$ -	11-0565-SF
Plant and Animal Disease, Pest Control, and Animal Care	10.025	7,380	-	11-0538-SF
Plant and Animal Disease, Pest Control, and Animal Care	10.025	271,207	-	12-0125-SF
Plant and Animal Disease, Pest Control, and Animal Care	10.025	262,710	-	12-0155-SF
Plant and Animal Disease, Pest Control, and Animal Care	10.025	13,167	-	12-0310-SF
Plant and Animal Disease, Pest Control, and Animal Care	10.025	8,440	-	12-0463-SF
Total Plant and Animal Disease, Pest Control, and Animal Care		<u>567,670</u>	<u>-</u>	
Senior Farmers Market Nutrition Program	10.576	8,000	8,000	None
Passed Through State of California, Department of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program (SNAP)	10.561	6,448,382	-	None
State Administrative Matching Grants for SNAP	10.561	281,633	29,874	12-10181
State Administrative Matching Grants for SNAP	10.561	68,147	-	09-11233
Subtotal of SNAP Cluster		<u>6,798,162</u>	<u>29,874</u>	
Passed Through State of California, Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	83,785	-	41-10413-6045223-01
National School Lunch Program	10.555	117,754	-	41-10413-6045223-01
Subtotal of Child Nutrition Cluster		<u>201,539</u>	<u>-</u>	
Passed Through State of California, Department of Public Health:				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	2,389,353	-	11-10492
Subtotal of Pass-Through Programs		<u>9,964,724</u>	<u>37,874</u>	
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>9,964,724</u>	<u>37,874</u>	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants / Entitlement Grants	14.218	4,396,120	2,672,843	--
ARRA - Community Development Block Grants / Entitlement Grants	14.253	57,871	57,871	--
Subtotal of CDBG - Entitlement Grants Cluster		<u>4,453,991</u>	<u>2,730,714</u>	
Emergency Solutions Grant Program	14.231	281,035	266,974	--
Home Investment Partnerships Program	14.239	30,275,033	2,300,508	--
ARRA - Homeless Prevention and Rapid Re-Housing Program Technical Assistance	14.262	52	7	--
Subtotal of Direct Programs		<u>35,010,111</u>	<u>5,298,203</u>	
Passed Through San Francisco Redevelopment Agency:				
Housing Opportunities for Persons with AIDS	14.241	873,900	631,347	None
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>35,884,011</u>	<u>5,929,550</u>	
U.S. DEPARTMENT OF THE INTERIOR				
Direct Program:				
Partners for Fish and Wildlife	15.631	5,513	-	--
TOTAL U.S. DEPARTMENT OF THE INTERIOR		<u>5,513</u>	<u>-</u>	
U.S. DEPARTMENT OF JUSTICE				
Direct Programs:				
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	65,115	-	--
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	311,635	-	--
Public Safety Partnership and Community Policing Grants	16.710	300,000	-	--
Edward Byrne Memorial Justice Assistance Grant Program	16.738	143,217	-	--
DNA Backlog Reduction Program	16.741	231,683	-	--
Edward Byrne Memorial Competitive Grant Program	16.751	90,240	-	--
Second Chance Act Prisoner Reentry Initiative	16.812	996,797	465,042	--
Subtotal of Direct Programs		<u>2,138,687</u>	<u>465,042</u>	
Passed Through State of California, Corrections Standards Authority:				
Juvenile Accountability Block Grants	16.523	53,558	-	CSA 181-09
Passed Through State of California, Emergency Management Agency:				
Crime Victim Assistance	16.575	153,066	-	VW12310410
Crime Victim Assistance	16.575	22,902	-	UV11020410
Crime Victim Assistance	16.575	88,890	-	UV12030410
Subtotal of Crime Victim Assistance		<u>264,858</u>	<u>-</u>	

See notes to the schedule of expenditures of federal awards

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients	Pass-Through Entity Number
U.S. DEPARTMENT OF JUSTICE (Continued)				
Passed Through State of California, Emergency Management Agency (Continued):				
Edward Byrne Memorial Formula Grant Program	16.579	\$ 145,250	\$ -	DC11220410
Edward Byrne Memorial Justice Assistance Grant Program	16.738	74,123	-	BSCC-638-12
Edward Byrne Memorial Justice Assistance Grant Program	16.738	152,444	152,444	DI10010410
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	32,748	-	CQ10070410
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	15,101	-	CQ12080410
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program Grants to Units of Local Government	16.804	208,374	-	ZP09010410
Subtotal of Pass-Through Programs		946,456	152,444	
TOTAL U.S. DEPARTMENT OF JUSTICE		3,085,143	617,486	
U.S. DEPARTMENT OF LABOR				
Direct Programs:				
Community Based Job Training Grants	17.269	1,029,873	573,919	--
Workforce Innovation Fund	17.283	488,987	381,188	--
Subtotal of Direct Programs		1,518,860	955,107	
Passed Through State of California, Department of Aging: Senior Community Service Employment Program	17.235	161,702	155,230	TV-1213-08
Passed Through State of California, Employment Development Department:				
WIA Cluster:				
WIA Adult Program	17.258	678,060	169,239	K282504
WIA Adult Program	17.258	1,044,160	72,662	K386331
WIA Adult Program	17.258	175,998	160,539	K178694
Subtotal of WIA Adult Program		1,898,218	402,440	
WIA Youth Activities	17.259	848,587	586,856	K386331
WIA Youth Activities	17.259	314,533	314,533	K282504
Subtotal of WIA Youth Activities		1,163,120	901,389	
WIA Dislocated Worker Formula Grants	17.278	160,660	78,761	K282504
WIA Dislocated Worker Formula Grants	17.278	1,899,504	25,644	K386331
WIA Dislocated Worker Formula Grants	17.278	790,537	404,804	K178694
Subtotal WIA Dislocated Workers Formula Grants		2,850,701	509,209	
Subtotal of WIA Cluster		5,912,039	1,813,038	
Subtotal of Pass-Through Programs		6,073,741	1,968,268	
TOTAL U.S. DEPARTMENT OF LABOR		7,592,601	2,923,375	
U.S. DEPARTMENT OF TRANSPORTATION				
Direct Program:				
Airport Improvement Program	20.106	133,823	-	--
Passed Through State of California, Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	2,326	-	BRLO 5935(052)
Highway Planning and Construction	20.205	17,743	-	BRLO 5935(053)
Highway Planning and Construction	20.205	19,983	-	BPMP 5935(062)
Highway Planning and Construction	20.205	809,114	-	STPL 5935(061)
Highway Planning and Construction	20.205	223,493	-	STPL-5935(058)
Subtotal of Highway Planning and Construction Cluster		1,072,659	-	
Passed Through State of California, Department of Parks and Recreation: Recreational Trails Program	20.219	22,254	-	RT-41-006
Passed Through San Mateo County Transit District:				
Federal Transit Formula Grants	20.507	24,917	-	None
Jobs Access and Reverse Commute Program	20.516	292,180	-	None
Subtotal of Pass-Through Programs		1,412,010	-	
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		1,545,833	-	
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Passed Through State of California, Department of Public Health:				
Beach Monitoring and Notification Program Implementation Grants	66.472	24,000	-	None
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY		24,000	-	
U.S. DEPARTMENT OF ENERGY				
Direct Program:				
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	100,962	-	--
TOTAL U.S. DEPARTMENT OF ENERGY		100,962	-	

See notes to the schedule of expenditures of federal awards

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients	Pass-Through Entity Number
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs:				
Injury Prevention and Control Research and State and Community Based Programs	93.136	\$ 149,078	\$ -	--
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	1,507,461	-	--
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	579,232	-	--
Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526	91,535	-	--
Health Care Innovation Awards (HCIA)	93.610	13,183	-	--
Subtotal of Direct Programs		<u>2,340,489</u>	<u>-</u>	
Passed Through State of California, Department of Aging:				
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	10,586	5,257	AP-1213-08
Special Programs for the Aging - Title VII, Chapter 2 - Long-Term Care Ombudsman Services for Older Individuals	93.042	44,600	44,600	AP-1213-08
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	43,598	43,598	AP-1213-08
Aging Cluster:				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	863,759	772,700	AP-1213-08
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	1,182,463	1,037,577	AP-1213-08
Nutrition Services Incentive Program	93.053	201,174	201,174	AP-1213-08
Subtotal of Aging Cluster		<u>2,247,396</u>	<u>2,011,451</u>	
National Family Caregiver Support, Title III, Part E	93.052	322,371	288,182	AP-1213-08
Medical Assistance Program	93.778	342,690	-	MS-1213-13
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	105,455	95,170	HI-1213-08
Passed Through State of California, Department of Community Services and Development:				
Community Services Block Grant	93.569	89,680	89,680	11F-4242
Community Services Block Grant	93.569	371,846	371,846	12F-4440
Community Services Block Grant	93.569	118,805	118,805	13F-3040
Subtotal of Community Services Block Grant		<u>580,331</u>	<u>580,331</u>	
Passed Through State of California, Department of Health Care Services:				
Disabilities Prevention	93.184	872,474	-	San Mateo (41)
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	1,055,770	-	201141
Immunization Cooperative Agreements	93.268	254,502	-	11-10600
Children's Health Insurance Program	93.767	224,338	-	None
Medical Assistance Program	93.778	1,254,462	-	None
Medical Assistance Program	93.778	91,255	-	11-10546
Passed Through State of California, Department of Public Health:				
Public Health Emergency Preparedness	93.069	44,812	-	EPO 11-41
Public Health Emergency Preparedness	93.069	617,921	-	EPO 12-41
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	237,449	-	None
National Bioterrorism Hospital Preparedness Program	93.889	143,715	-	EPO 11-41
National Bioterrorism Hospital Preparedness Program	93.889	352,440	-	EPO 12-41
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	31,060	-	11-10059
Maternal and Child Health Services Block Grant to the States	93.994	717,890	-	201241 San Mateo
Passed Through State of California, Department of Mental Health:				
Projects for Assistance in Transition from Homelessness (PATH)	93.150	144,176	144,176	None
Block Grants for Community Mental Health Services	93.958	877,042	274,332	None
Passed Through State of California, Department of Social Services:				
Guardianship Assistance	93.090	6,711	-	None
Promoting Safe and Stable Families	93.556	327,935	-	None
Temporary Assistance for Needy Families	93.558	29,388,263	-	None
Refugee and Entrant Assistance - State Administered Programs	93.566	45,725	-	None
U.S. Repatriation	93.579	166	-	None
Stephanie Tubbs Jones Child Welfare Services Program	93.645	310,925	-	None
Foster Care - Title IV-E	93.658	14,724,518	-	None
ARRA - Foster Care - Title IV-E	93.658	867	-	None
Foster Care - Title IV-E	93.658	1,391,193	-	2024.00.01
Subtotal of Foster Care - Title IV-E		<u>16,116,578</u>	<u>-</u>	
Adoption Assistance	93.659	2,584,778	-	None
Social Services Block Grant	93.667	1,299,091	-	None
Chafee Foster Care Independence Program	93.674	166,922	-	None
Medical Assistance Program	93.778	5,272,070	-	None

See notes to the schedule of expenditures of federal awards

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amount Provided to Subrecipients	Pass-Through Entity Number
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
Passed Through State of California, Department of Child Support Services: Child Support Enforcement	93.563	\$ 7,286,178	\$ -	None
Passed Through State of California, Department of Education: Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	419,563	-	CAPP-2060
Passed Through State of California, Alcohol and Drug Programs: Medical Assistance Program	93.778	435,943	208,684	None
Block Grants for Prevention and Treatment of Substance Abuse	93.959	4,545,845	4,315,384	None
Passed Through State of California, Secretary of State: Voting Access for Individuals with Disabilities - Grants to States	93.617	7,577	-	11G26138
Passed Through City and County of San Francisco: HIV Emergency Relief Project Grants	93.914	1,074,438	122,413	DPHC13000516
HIV Emergency Relief Project Grants	93.914	465,407	53,718	None
Subtotal of HIV Emergency Relief Project Grants		<u>1,539,845</u>	<u>176,131</u>	
HIV Care Formula Grants	93.917	304,134	-	10-95289
HIV Prevention Activities - Health Department Based	93.940	294,984	-	DPHC12000948
HIV Prevention Activities - Health Department Based	93.940	173,601	-	DPHC13000904
Subtotal of HIV Prevention Activities - Health Department Based		<u>468,585</u>	<u>-</u>	
Subtotal of Pass-Through Programs		<u>81,143,167</u>	<u>8,187,296</u>	
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>83,483,656</u>	<u>8,187,296</u>	
OFFICE OF THE EXECUTIVE PRESIDENT				
Direct Program: High Intensity Drug Trafficking Areas Program	95.001	3,763,827	-	--
TOTAL OFFICE OF THE EXECUTIVE PRESIDENT		<u>3,763,827</u>	<u>-</u>	
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through City and County of San Francisco: Homeland Security Grant Program	97.067	1,271,851	-	2010-UASI
Homeland Security Grant Program	97.067	3,197,450	-	2011-UASI
Passed Through State of California, Emergency Management Agency: Emergency Management Performance Grants	97.042	245,157	-	2012-0027
Homeland Security Grant Program	97.067	2,369,725	-	2011-SS-0077 UASI
Homeland Security Grant Program	97.067	1,297,826	-	2010-0085 UASI
Homeland Security Grant Program	97.067	94,848	-	2012-SS-00123 UASI
Homeland Security Grant Program	97.067	649,199	-	2010-0085
Homeland Security Grant Program	97.067	1,516,855	-	2011-SS-0077
Homeland Security Grant Program	97.067	12,767	-	2012-SS-00123
Subtotal of Pass-Through Programs		<u>10,655,678</u>	<u>-</u>	
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY		<u>10,655,678</u>	<u>-</u>	
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 156,105,948</u>	<u>\$ 17,695,581</u>	

See notes to the schedule of expenditures of federal awards

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

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 agencies are included in this Schedule except for assistance related to Medical Assistance (Medi-Cal) and Medicare Hospital Insurance (Medicare) (Note 5) and the Housing Authority of the County of San Mateo (Housing Authority) (Note 6).

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

2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting for program expenditures accounted for in the governmental funds and the accrual basis of accounting for program expenditures accounted for in the proprietary funds as described in Note 2(b) of the County's basic financial statements. In addition, the outstanding balance of prior years' loans that have significant continuing compliance requirements has been included in total federal expenditures for the Home Investment Partnership Program (Note 7).

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

5. MEDI-CAL AND MEDICARE

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

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

6. HOUSING AUTHORITY OF THE COUNTY OF SAN MATEO

Housing Authority federal expenditures are excluded from the Schedule and are separately audited by other auditors. Federal expenditures for the Housing Authority programs are taken from the separately issued single audit report for the year ended June 30, 2013. The federal programs of the Housing Authority are as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Moving To Work Demonstration Program:		
Low Rent Operating Subsidy	14.881	\$ 396,267
Housing Choice Vouchers	14.881	58,250,912
Section 8 Programs:		
Moderate Rehabilitation	14.856	1,375,903
Housing Choice Vouchers	14.871	478,477
Shelter Plus Care	14.238	2,330,216
Supportive Housing	14.235	633,050
Continuum of Care	14.267	129,979
Total		<u>\$ 63,594,804</u>

7. LOANS OUTSTANDING

The County participates in certain federal award programs that sponsor revolving loan programs, which are administered by the County. These programs maintain servicing and trust arrangements with the County to collect loan repayments. The funds are returned to the programs upon repayment of the principal and interest. The federal government has imposed certain significant continuing compliance requirements with respect to the loans rendered under the HOME Investment Partnership (HOME) Program (CFDA number 14.239). In accordance with Subpart B, Section 205 of the U.S. Office of Management and Budget Circular A-133, the County has reported the outstanding balance of loans from previous years that have significant continuing compliance requirements as of June 30, 2013 along with the value of total outstanding and new loans made during the current year.

During the year ended June 30, 2013, the County incurred \$2,300,508 in expenditures related to new loans under the HOME program. As of June 30, 2013, the total amount of HOME loans outstanding subject to continuing compliance requirements was \$30,094,858, which is included in the Schedule.

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

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

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

Federal Grantor Pass-through Grantor Program Title	CFDA No.	Grant/ Contract Number	Expenditures	
			State	Federal
U.S. Department of Labor				
<i>Passed through CA Department of Aging</i>				
Senior Community Service Employment Program	17.235	TV-1213-08	\$ -	\$ 161,702
U.S. Department of Health & Human Services				
<i>Passed through CA Department of Aging</i>				
Special Programs for Aging-Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, & Exploitation	93.041	AP-1213-08	-	10,586
Special Programs for Aging-Title VII, Chapter 2 Long-Term Care Ombudsman Services for Older Individuals	93.042	AP-1213-08	-	44,600
Special Programs for Aging-Title III, Part D Disease Prevention and Health Promotion Services	93.043	AP-1213-08	-	43,598
Special Programs for Aging-Title III, Part B Grants for Supportive Services and Senior Centers	93.044	AP-1213-08	-	863,759
Special Programs for Aging-Title III, Part C Nutrition Services	93.045	AP-1213-08	107,314	1,182,463
National Family Caregiver Support	93.052	AP-1213-08	-	322,371
Nutrition Services Incentive Program	93.053	AP-1213-08	-	201,174
Medical Assistance Program (Medicaid; Title XIX) Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.778	MS-1213-13	342,690	342,690
	93.779	HI-1213-08	179,214	105,455
Total Expenditures of CDA and Federal Awards			<u>\$ 629,218</u>	<u>\$ 3,278,398</u>
State Awards-California Department of Aging:				
Ombudsman Special Deposit Fund		AP-1213-08	\$ 18,514	
Ombudsman Skilled Nursing Facility Quality & Accountability Fund		AP-1213-08	55,012	
Total Expenditures of CDA Awards			<u>\$ 702,744</u>	

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

9. PROGRAM TOTALS

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

CFDA no. / Program Title / Federal Grantor or Pass-Through Grantor	Pass Through Identifying Number	Federal Expenditures
(1) CFDA no. 16.738 - Edward Byrne Memorial Justice Assistance Grant Program		
U.S. Department of Justice	--	\$ 143,217
State of California, Emergency Management Agency	BSCC-638-12	74,123
State of California, Emergency Management Agency	DII0010410	152,444
	Program Total	<u>\$ 369,784</u>
(2) CFDA no. 16.742 - Paul Coverdell Forensic Sciences Improvement Grant Program		
State of California, Emergency Management Agency	CQ10070410	\$ 32,748
State of California, Emergency Management Agency	CQ12080410	15,101
	Program Total	<u>\$ 47,849</u>
(3) CFDA no. 93.069 - Public Health Emergency Preparedness		
State of California, Department of Public Health	EPO 11-41	\$ 44,812
State of California, Department of Public Health	EPO 12-41	617,921
	Program Total	<u>\$ 662,733</u>
(4) CFDA no. 93.889 - National Bioterrorism Hospital Preparedness Program		
State of California, Department of Public Health	EPO 11-41	\$ 143,715
State of California, Department of Public Health	EPO 12-41	352,440
	Program Total	<u>\$ 496,155</u>
(5) CFDA no. 93.778 - Medical Assistance Program (Medicaid: Title XIX)		
State of California, Department of Aging	MS-1213-13	\$ 342,690
State of California, Department of Health Care Services	None	1,254,462
State of California, Department of Health Care Services	11-10546	91,255
State of California, Department of Social Services	None	5,272,070
State of California, Alcohol and Drug Programs	None	435,943
	Program Total	<u>\$ 7,396,420</u>
(6) CFDA no. 97.067 - Homeland Security Grant Program		
City and County of San Francisco	2010-UASI	\$ 1,271,851
City and County of San Francisco	2011-UASI	3,197,450
State of California, Emergency Management Agency	2011-SS-0077 UASI	2,369,725
State of California, Emergency Management Agency	2010-0085 UASI	1,297,826
State of California, Emergency Management Agency	2012-SS-00123 UASI	94,848
State of California, Emergency Management Agency	2010-0085	649,199
State of California, Emergency Management Agency	2011-SS-0077	1,516,855
State of California, Emergency Management Agency	2012-SS-00123	12,767
	Program Total	<u>\$ 10,410,521</u>

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

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

The following schedule represents expenditures for U.S. Department of Justice grants passed through the State of California Emergency Management Agency (CalEMA) as well as CalEMA funded grant expenditures for the year ended June 30, 2013. This information is included in the County's single audit report at the request of CalEMA.

Program Title and Expenditure Category	Grant Number Grant Period	Budget	Cumulative through June 30, 2012	Actual 7/1/12-6/30/13		Cumulative through June 30, 2013	Variance
				Non-match *	Match		
Victim Witness Assistance Program							
Personnel Services	VW12310410	\$ 153,066	\$ -	\$ 153,066	\$ -	\$ 153,066	\$ -
Operating Expenses	7/1/12-6/30/13	-	-	-	-	-	-
Equipment	CFDA no. 16.575	-	-	-	-	-	-
Total		\$ 153,066	\$ -	\$ 153,066	\$ -	\$ 153,066	\$ -
Underserved Victim Advocacy and Outreach Program							
Personnel Services	UV11020410	\$ 156,250	\$ 127,621	\$ 22,902	\$ 5,727	\$ 156,250	\$ -
Operating Expenses	10/1/11-9/30/12	-	-	-	-	-	-
Equipment	CFDA no. 16.575	-	-	-	-	-	-
Total		\$ 156,250	\$ 127,621	\$ 22,902	\$ 5,727	\$ 156,250	\$ -
Underserved Victim Advocacy and Outreach Program							
Personnel Services	UV12030410	\$ 145,525	\$ -	\$ 88,890	\$ 22,221	\$ 111,111	\$ 34,414
Operating Expenses	10/1/12-9/30/13	-	-	-	-	-	-
Equipment	CFDA no. 16.575	-	-	-	-	-	-
Total		\$ 145,525	\$ -	\$ 88,890	\$ 22,221	\$ 111,111	\$ 34,414
San Mateo County Narcotics Task Force							
Personnel Services	DC11220410	\$ 159,412	\$ 67,937	\$ 56,475	\$ -	\$ 124,412	\$ 35,000
Operating Expenses	7/1/11-6/30/13	94,337	40,562	88,775	-	129,337	(35,000)
Equipment	CFDA no. 16.579	-	-	-	-	-	-
Total		\$ 253,749	\$ 108,499	\$ 145,250	\$ -	\$ 253,749	\$ -
Justice Assistance Grant Drug Court							
Personnel Services	D110010410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses	01/10/11-12/31/12	414,440	247,641	152,444	-	400,085	14,355
Equipment	CFDA no. 16.738	-	-	-	-	-	-
Total		\$ 414,440	\$ 247,641	\$ 152,444	\$ -	\$ 400,085	\$ 14,355
Edward Byrne Memorial Justice Assistance Grant Program							
Personnel Services	BSCC 638-12	\$ 123,613	\$ -	\$ 21,025	\$ -	\$ 21,025	\$ 102,588
Operating Expenses	01/10/12-09/30/13	81,595	-	53,098	-	53,098	28,497
Equipment	CFDA no. 16.738	-	-	-	-	-	-
Total		\$ 205,208	\$ -	\$ 74,123	\$ -	\$ 74,123	\$ 131,085

continued

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

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

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

Program Title and Expenditure Category	Grant Number Grant Period	Budget	Cumulative through June 30, 2012	Actual 7/1/12-6/30/13		Cumulative through June 30, 2013	Variance
				Non-match *	Match		
continued							
2009 Coverdell Forensic Science Improvement Program							
Personnel Services	CQ10070410	\$ 19,506	\$ 7,121	\$ 12,385	\$ -	\$ 19,506	\$ -
Operating Expenses	10/1/10-8/31/12	50,442	30,079	20,363	-	50,442	-
Equipment	CFDA no. 16.742	10,964	10,964	-	-	10,964	-
Total		<u>\$ 80,912</u>	<u>\$ 48,164</u>	<u>\$ 32,748</u>	<u>\$ -</u>	<u>\$ 80,912</u>	<u>\$ -</u>
2012 Coverdell Forensic Science Improvement Program							
Personnel Services	CQ12080410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses	10/1/12-8/31/12	-	-	-	-	-	-
Equipment	CFDA no. 16.742	17,073	-	15,101	-	15,101	1,972
Total		<u>\$ 17,073</u>	<u>\$ -</u>	<u>\$ 15,101</u>	<u>\$ -</u>	<u>\$ 15,101</u>	<u>\$ 1,972</u>
Evidence Based Probation Supervision Recovery Act Program							
Personnel Services	ZP09010410	\$ 561,000	\$ 379,750	\$ 181,250	\$ -	\$ 561,000	\$ -
Operating Expenses	1/1/12-3/31/13	107,221	80,097	27,124	-	107,221	-
Equipment	CFDA no. 16.804	-	-	-	-	-	-
Total		<u>\$ 668,221</u>	<u>\$ 459,847</u>	<u>\$ 208,374</u>	<u>\$ -</u>	<u>\$ 668,221</u>	<u>\$ -</u>

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

COUNTY OF SAN MATEO
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	Yes
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

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

Identification of major programs:

<u>Program Title</u>	<u>CFDA Number</u>
State Administrative Matching Grants for Supplemental Nutrition Assistance Program (SNAP)	10.561
CDBG – Entitlement Grants Cluster.....	14.218 and 14.253
Home Investment Partnerships Program.....	14.239
Community Job Based Training Grants.....	17.269
Temporary Assistance for Needy Families.....	93.558
Child Support Enforcement	93.563
Block Grants for Prevention and Treatment of Substance Abuse.....	93.959

Dollar threshold used to distinguish between Type A and Type B programs:	\$3,000,000
Auditee qualified as low-risk auditee?	No

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section II – Financial Statement Findings

2013-001 Medical Center Financial Accounting and Reporting Process

Material Weakness

Criteria:

The financial accounting and reporting process is the responsibility of the management of an organization and the completeness and accuracy of financial statements is dependent on internal controls designed and implemented by management. The County has established various policies and procedures to ensure financial transactions are accurately captured and reported in a timely manner. These policies address accounting and reporting requirements for balances such as accounts payable and others, deposits, capital assets, and due to other governmental agencies. The Medical Center, as a department of the County, has adopted these policies.

Condition:

During our audit, we noted errors in the account balances of accounts payable and others, deposits, and capital assets. The following is a summary of our findings:

Accounts Payable and Others

The Medical Center received from the Health Plan of San Mateo a \$14,000,000 intergovernmental transfer that is due to the State's Department of Health Care Services. This amount was erroneously reported in the accounts payable and others balance instead of the due to other governmental agencies balance. The financial statements were adjusted for this error.

Furthermore, we noted that the amount due to the County for \$1,487,948 related to Medicaid Coverage Expansion - Federal Financial Participation (MCE-FFP) for fiscal year 2012 was reported as a component of the accounts payable and other balance instead of the due to other County funds balance. Moreover, the amount due to the County for the MCE-FFP for fiscal year 2013 of \$1,015,656 was not recorded. The financial statements were adjusted for these errors.

Deposits

The Medical Center has a 3% per annum simple interest loan receivable for \$2,690,043 as of June 30, 2013, related to financial assistance extended to Brius LLC for the operations of the Burlingame Long Term Care facility. This loan receivable was erroneously recorded as a component of the deposits balance instead of the loans receivable balance. The financial statements were adjusted for this error.

Capitalized Assets

During fiscal year 2013, the Medical Center placed in service Soarian Clinical software for \$3,858,688. However, it was not transferred from construction in progress to software. The financial statements were adjusted for this error.

Cause and Effect:

The Medical Center has limited resources and was not able to effectively capture, analyze and report its financial transactions in accordance with generally accepted accounting principles for fiscal year 2013, thus resulting in material errors identified during our audit of the financial statements.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section II – Financial Statement Findings

2013-001 Medical Center Financial Accounting and Reporting Process (Continued)

Recommendations:

We recommend that the Medical Center review its existing policies and procedures established for accounting for accruals and capital assets and determine the need for revision. In addition, we recommend that the Medical Center review its year-end closing procedures to ensure that these balances are annually captured, reconciled and/or analyzed to determine that balances exist and are complete as of June 30.

Views of Responsible Officials and Planned Corrective Actions:

As stated, the Medical Center has had substantial turnover in the finance area over the last couple of years and currently has five key vacancies. The team will continue to correct this finding, develop appropriate policies and procedures to implement the recommendation. However, this will require additional contract assistance and take well into FY 14-15.

2013-002 Changes to Charge Data Master (CDM)

Significant Deficiency

Criteria:

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

Condition:

During our audit we noted that changes to the Medical Center's CDM are managed by the Patient Care Division (Division). Authorized department personnel will e-mail change requests to the Division, which is responsible to review and approve requests and make changes. We selected 45 change requests for testing and noted that thirty-four (34) of the items sampled do not have the written requests of change available for review. In addition we noted that one employee is responsible for reviewing, approving and making changes to CDM. This condition was also identified and reported to the Board of Directors and management in previous years.

Cause and Effect:

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

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section II – Financial Statement Findings

2013-002 Changes to Charge Data Master (CDM) (Continued)

Recommendation:

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

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

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

Views of Responsible Officials and Planned Corrective Actions:

Effective August 2013, the Medical Center implemented a policy that all CDM changes need to be approved by the department manager over the service line as well as the Chief Financial Officer. The Medical Center has implemented an electronic ticketing system for email requests and developed a dedicated email for CDM changes during the fall of 2013. A contract has also been executed with Med Assets to review the entire charge capture process which will include appropriate segregation of duties. This review will be completed by December 2013.

2013-003 Access to Programs and Data

Significant Deficiency

Criteria:

General computer controls over the access to programs and data require that network and application security controls be implemented to assure appropriate access roles and administrative and power user activities are proper and authorized and safeguard information technology resources and data.

Condition:

During our audit we noted the following:

- 1) The Medical Center has not established procedures to monitor power user activity in the new Soarian clinical system. Power users typically have access to a broad range of tasks within the application.
- 2) The Medical Center has not established procedures to periodically review employee user access accounts within the new Soarian Clinical system to assure that user authorization roles are current and appropriate for the user’s functions, and to ensure proper segregation of duties.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section II – Financial Statement Findings

2013-003 Access to Programs and Data (Continued)

Cause and Effect:

The Medical Center does not have established procedures to monitor power user activity and periodically review employee user access accounts. Due to the lack of established procedures, there is a risk of improper or unauthorized activities.

We recommend that the Medical Center take the following actions:

- 1) Develop policies and procedures requiring periodic (e.g., monthly) reviews of Soarian power user activities. The review should be performed by a position outside of the chain of command of these users with high level access and should be pursuant to guidelines and criteria that would aid in identifying the nature of this activity.
- 2) Develop policies and procedures requiring periodic (at least annually) reviews of user accounts and related access privileges to ensure that the access privileges are current and appropriate for their job functions and to ensure proper segregation of duties.
- 3) Develop policies and procedures to assure that employees who terminate or have significant job changes have their access roles terminated or changed in SMMC's IT systems.

Views of Responsible Officials and Planned Corrective Actions:

Each application at San Mateo Medical Center, including Soarian, our inpatient electronic medical record, has strong security functionality that allows the system administrator of that application to track and record user access. No application access is given to any user without a SMMC application request form approved by the appropriate personnel. This form has to be submitted via the ISD ticketing system (known as R12), and all parties involved must consent to access to the application after review of the employee's job duties. Usernames and passwords are provided via secure email to the requester, and no other permissions are granted without additional management and system administrator approval.

For every employee who has been terminated from their role or the county, the manager send a request to IT to have all accounts be de-activated from all systems/applications. We also have advocated that the County standardize the process of off boarding employees. We understand that the County Manager's Office has prioritized this for FY 13-14.

The issue of reviewing the work of super users is a new issue to us; we will investigate this issue and develop and implement appropriate procedures in FY 13-14.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section II – Financial Statement Findings

2013-004 Cash Reconciliation

Significant Deficiency

Criteria:

Properly monitored unapplied payments of patient accounts receivable are essential in enabling the Medical Center to create accurate and reliable financial statements. Monitoring of unapplied payments will help manage associated financial risks and compliance issues.

Condition:

The Medical Center offsets the net patient accounts receivable with the unapplied payment account balance. The unapplied payment account functions as a clearing account of cash received on outstanding patient receivable balances. At June 30, 2013, the account balance for unapplied payments was \$5,759,063, which represents 88% of the net patient accounts receivable balance. We noted that this percentage is considerably larger than in the previous 2 years where the balance was only 16% and 12% of the receivable balance.

Cause and Effect:

The Medical Center has not reconciled the unapplied payments account since August 2012 due to the limited staff resources. The risk of not reconciling this account is the Medical Center may assess erroneous penalties on paid accounts or miss timely collection opportunities on unpaid balances.

Recommendation:

We recommend that the Medical Center evaluate all aspects of the current process from the identification and analysis of unapplied payment balances and develop an effective monitoring process. Further, the Medical Center should determine the threshold of unapplied payments level that the Medical Center can reasonably tolerate.

Views of Responsible Officials and Planned Corrective Actions:

An interim Chief Revenue Officer has been hired; reconciliation of the unapplied payments account is a priority task for this position. We will provide an update on this recommendation in 60 days which will include project target completion dates.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section III – Federal Award Findings and Questioned Costs

Finding 2013-005

Subrecipient Monitoring

U.S. Department of Housing and Urban Development

Direct Program

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

Federal award number and year: B-12-UC-06-0006; 2012

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

Criteria:

A pass-through entity is responsible for ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year meet the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient’s audit period. Upon receipt of the required audits, the pass-through entity shall issue a management decision on any audit findings within 6 months and ensure that the subrecipient takes timely and appropriate corrective action.

The requirements for subrecipient monitoring are contained in 31 USC 7502(f)(2)(B) (Single Audit Act Amendments of 1996 (Pub. L. No. 104-156)); OMB Circular A-133 (§____.225, §____.310(d)(5), and §____.400(d)); A-102 Common Rule (§____.37 and §____.40(a)); OMB Circular A-110 (2 CFR section 215.51(a)); program legislation; Section 1512(h) of ARRA; 2 CFR section 176.50(c); 2 CFR parts 25 and 170; 48 CFR parts 4, 42, and 52; Federal awarding agency regulations, and the terms and conditions of the award.

Condition:

During our testing of the County’s compliance with subrecipient monitoring requirements, we selected a sample of 12 subrecipients from a population of 41 subrecipients for review. Our audit results identified one subrecipient for which the Department of Housing (Department) had no documentation to indicate that it requested and reviewed a copy of the subrecipient’s single audit report for the year ended June 30, 2013. We subsequently obtained a copy of the subrecipient’s single audit report for the year ended June 30, 2013, and noted that the subrecipient failed to report federal funds passed through from the Department under the CDBG – Entitlement Grants Cluster in its schedule of expenditures of federal awards (SEFA).

Cause of Condition:

Due to recent staff turnover within the Department, the maintenance and handling of the file for the selected subrecipient was not effectively transitioned.

Effect:

The Department did not identify the subrecipient’s failure to report federal funds passed through from the County under the CDBG – Entitlement Grants Cluster in its SEFA for the year ended June 30, 2013.

Questioned Costs:

The Department’s other monitoring procedures did not identify any questioned costs for the subrecipient in question.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section III – Federal Award Findings and Questioned Costs

Finding 2013-005 (continued)

Recommendation:

We recommend the Department develop and document a centralized filing process for managing the subrecipient monitoring process to ensure that documentation is maintained during the required retention period. The Department should also issue a management decision of the subrecipient's failure to include federal funds passed through from the County under the CDBG – Entitlement Grants Cluster in its SEFA within the required timeframe.

Management Response and Corrective Action Plan:

The Department recognizes the need to develop a more organized and centralized filing system for managing the subrecipient monitoring process to ensure documentation is maintained to comply with OMB Circular A-133 compliance requirements. The Department will issue a management decision of the subrecipient's failure to include federal funds passed through from the County under the CDBG – Entitlement Grants Cluster in its SEFA within the required timeframe.

Quality assurance procedures are being implemented by management. The successful quality assurance program utilized by the Housing Authority is being expanded to the Housing and Community Development. All files will be reviewed by management prior to the execution of any agreement between the County and a subrecipient. Management will review the file as part of annual compliance monitoring and again prior to closing the file. The compliance officer will conduct routine audits of randomly selected files to ensure compliance with all requirements.

A key component of the quality assurance program is a centralized electronic filing system. The filing system has successfully been implemented by the Housing Authority and will now be expanded to the Housing and Community Development program area.

Additionally, the Department will provide opportunities for staff to increase their capacity to understand, review and monitor subrecipients' compliance with OMB Circular A-133 requirements.

COUNTY OF SAN MATEO

Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2013

Reference Number:	2012-04
Federal Catalog Number/ Program Name:	14,218 and 14.253 – CDBG Entitlement Grants Cluster 14.239 – Home Investment Partnerships Program
Audit Finding:	<p>During our audits of the CDBG and HOME programs, we noted the Department of Housing’s subrecipient monitoring procedures did not cover compliance requirements related to the Davis-Bacon Act. The Davis-Bacon Act required all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid prevailing wage rates established by the U.S. Department of Labor. CDBG and HOME requirements further specify that CDBG-assisted housing rehabilitation projects with eight or more units; CDBG-funded non-residential projects with at least \$2,000 was invested in construction activities; and housing rehabilitation projects with 12 or more HOME-assisted units, are subject to the Davis-Bacon Act.</p> <p>We recommended the Department of Housing reevaluate and strengthen its subrecipient monitoring procedures to provide adequate oversight of subrecipients’ activities that are subject to the Davis-Bacon Act.</p>
Status of Corrective Action:	Corrective action was implemented.

Reference Number:	2012-05
Federal Catalog Number/ Program Name:	14,218 and 14.253 – CDBG Entitlement Grants Cluster 14.239 – Home Investment Partnerships Program
Audit Finding:	<p>The County is a prime recipient of federal grants under the CDBG – Entitlement Grants Cluster and the Home Investments Partnership Program. During fiscal year 2012, the Department of Housing passed through total non-ARRA federal funds of \$1,790,101 and \$2,302,333 to subgrantees under these respective programs. The Department did not submit the subaward information in the FSRS, and was not able to provide evidence to demonstrate a “good faith” effort to comply with the requirements.</p> <p>We recommended the Department of Housing report all subawards made to date in the FSRS. If technical or other difficulties prevent compliance with the reporting requirements by the specified due dates, the Department should retain proper documentation to demonstrate good faith efforts and contact HUD for further guidance.</p>
Status of Corrective Action:	Corrective action was implemented.

COUNTY OF SAN MATEO

Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2013

Reference Number: 2012-06

Federal Catalog Number/ Program Name: 14,218 and 14.253 – CDBG Entitlement Grants Cluster
14.239 – Home Investment Partnerships Program

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

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

Status of Corrective Action: Corrective action was implemented.

Reference Number: 2012-07

Federal Catalog Number/ Program Name: 93.959 – Block Grants for Prevention and Treatment of Substance Abuse

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

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

Status of Corrective Action: Corrective action was implemented.

SUPPLEMENTARY INFORMATION

COUNTY OF SAN MATEO

State of California Department of Community Services and Development
Community Services Block Grant (CSBG) – CFDA No. 93.569

Contract No. 11F-4242

Schedule of Revenues and Expenditures

For the Period January 15, 2012 to December 31, 2012

REVENUES	Fiscal Year 2011/2012	Fiscal Year 2012/2013	Total Audited Costs	Total Reported Expenditures	Total Budget
Grant Revenue	\$ 382,439	\$ -	\$ 382,439	\$ -	\$ 382,439
Total Revenue*	\$ 382,439	\$ -	\$ 382,439	\$ -	\$ 382,439
EXPENDITURES					
Administrative Costs					
Other Costs	\$ 7,621	\$ 9,107	\$ 16,728	\$ 16,728	\$ 17,995
Subtotal Administrative Costs	7,621	9,107	16,728	16,728	17,995
Program Costs					
Sub-Contractors	283,865	80,573	364,438	364,438	364,444
Subtotal Program Costs	283,865	80,573	364,438	364,438	364,444
Total Expenditures**	\$ 291,486	\$ 89,680	\$ 381,166	\$ 381,166	\$ 382,439

* Revenue received exceeded expenditures under the grant. Excess amount of \$1,273 was returned to the State.

** Expenditures are reported in the schedule of expenditures of federal awards under the designated CFDA and pass-through entity numbers.

COUNTY OF SAN MATEO

State of California Department of Community Services and Development
Community Services Block Grant (CSBG) – CFDA No. 93.569

Contract No. 12F-4440

Schedule of Revenues and Expenditures
For the Period January 1, 2012 to December 31, 2012

REVENUES	Fiscal Year 2012/2013	Total Audited Costs	Total Reported Expenditures	Total Budget
Grant Revenue	\$ 371,846	\$ 371,846	\$ -	\$ 371,846
Total Revenue*	<u>\$ 371,846</u>	<u>\$ 371,846</u>	<u>\$ -</u>	<u>\$ 371,846</u>
EXPENDITURES				
Program Costs				
Sub-Contractors	\$ 371,846	\$ 371,846	\$ 371,846	\$ 371,846
Subtotal Program Costs	<u>371,846</u>	<u>371,846</u>	<u>371,846</u>	<u>371,846</u>
Total Expenditures**	<u>\$ 371,846</u>	<u>\$ 371,846</u>	<u>\$ 371,846</u>	<u>\$ 371,846</u>

* Expenditures are reported in the schedule of expenditures of federal awards under the designated CFDA and pass-through entity numbers.

COUNTY OF SAN MATEO

State of California Department of Community Services and Development
Community Services Block Grant (CSBG) – CFDA No. 93.569

Contract No. 13F-3040
Schedule of Revenues and Expenditures
For the Period January 1, 2013 to June 30, 2013

REVENUES	Fiscal Year 2012/2013	Total Audited Costs	Total Reported Expenditures	Total Budget
Grant Revenue	\$ 151,445	\$ 151,445	\$ -	\$ 416,145
Total Revenue*	<u>\$ 151,445</u>	<u>\$ 151,445</u>	<u>\$ -</u>	<u>\$ 416,145</u>
 EXPENDITURES				
Administrative Costs				
Other Costs	\$ -	\$ -	\$ -	\$ 10,279
Subtotal Administrative Costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,279</u>
 Program Costs				
Sub-Contractors	118,805	118,805	118,805	405,866
Subtotal Program Costs	<u>118,805</u>	<u>118,805</u>	<u>118,805</u>	<u>405,866</u>
 Total Expenditures**	 <u>\$ 118,805</u>	 <u>\$ 118,805</u>	 <u>\$ 118,805</u>	 <u>\$ 416,145</u>

* Revenue represents advances and reimbursements of federal funds as of June 30, 2013.

** Expenditures are reported in the schedule of expenditures of federal awards under the designated CFDA and pass-through entity numbers.