



COUNTY OF SANTA BARBARA, CALIFORNIA

Single Audit Reports

Year ended June 30, 2004

(With Independent Auditors' Report Thereon)

COUNTY OF SANTA BARBARA, CALIFORNIA

Single Audit Reports

Year ended June 30, 2004

Table of Contents

	Page
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	3
Report on Supplementary Information – Schedule of Expenditures of Federal Awards	6
Schedule of Expenditures of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards	11
Schedule of Findings and Questioned Costs	14



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

The Honorable Board of Supervisors of
the County of Santa Barbara, California:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Santa Barbara, California (the 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 August 6, 2004. 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 over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

KPMG LLP

August 6, 2004



KPMG LLP
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600 Anton Boulevard
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**Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133**

The Honorable Board of Supervisors of
the County of Santa Barbara, California:

Compliance

We have audited the compliance of the County of Santa Barbara, California (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

As described in items 04-01, 04-02, and 04-04 through 04-11 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs and activities, eligibility, and reporting that are applicable to its Medicaid Cluster (CFDA No. 93.778). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

As described in items 04-01 and 04-02 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs and activities that are applicable to its Food Stamps Cluster (CFDA Nos. 10.551 and 10.561). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

As described in items 04-01, 04-02, and 04-20 through 04-23 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs and activities that are applicable to its Temporary Assistance for Needy Families Program (CFDA No. 93.558). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

As described in item 04-02 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs and activities that are applicable to its Child Support Enforcement Program (CFDA No. 93.563). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

As described in items 04-01 and 04-02 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs and activities that are applicable to its Foster Care Program – Title IV-E (CFDA No. 93.658). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

As described in item 04-02 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs and activities that are applicable to its Highway Planning and Construction Grants (CFDA No. 20.205). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the six preceding paragraphs, 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. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 04-03, 04-12, 04-13, 04-14, 04-15, 04-16, 04-17, 04-18 and 04-19.

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. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 04-01, 04-02, 04-04, 04-05, 04-06, 04-20, 04-21, 04-22, and 04-23.

A material weakness is a 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 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 Board of Supervisors and management of the County as well as the County's federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

May 26, 2006



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**Report on Supplementary Information –
Schedule of Expenditures of Federal Awards**

The Honorable Board of Supervisors of
the County of Santa Barbara, California:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Santa Barbara, California (the 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 August 6, 2004.

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

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

KPMG LLP

August 6, 2004

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<u>Federal grantor/pass-through grantor/program title</u>	<u>Catalog of federal domestic assistance number</u>	<u>Contract number</u>	<u>Expenditures</u>
Medicaid Cluster – U.S. Department of Health and Human Services:			
Passed through California Department of Mental Health:			
Medical Assistance Program (Administration)	93.778	42-4450	\$ 1,418,249
Passed through California Department on Aging:			
Medical Assistance Program – Multipurpose Senior Services Program	93.778	MS-0304-15	426,348
Passed through California Department of Health Services:			
Medical Assistance Program – Administrative Activities	93.778	99-86962	700,000
Medical Assistance Program (Administration)	93.778	MCAC-2003-04	7,793,192
Medical Assistance Program – In-Home Supportive Services	93.778	—	1,335,042
Medical Assistance Program – In-Home Supportive Services (Public Authority)	93.778	—	204,262
Medical Assistance Program – In-Home Supportive Services (Administration)	93.778	03/04-45, 02/03-73	805,685
Medical Assistance Program – Adult Protective Services	93.778	03/04-03	501,458
Medical Assistance Program – CalWIN	93.778	4130-95	328,569
Total Medicaid Cluster (1)			<u>13,512,805</u>
Environmental Protection Agency:			
Passed through California Water Resources Control Board:			
State and Tribal Underground Storage Tanks Program	66.804	03-023-250-0	193,800
Passed through California Department of Health Services:			
Beach Monitoring and Notification Program Implementation Grants	66.472	00-90623	25,000
Passed through National Association of Counties:			
Surveys, Studies, Investigations, and Special Purpose Grants	66.606	00-090	1,719
Direct program:			
Regional Wetland Program Development Grant	66.461	CD-979493601-0	2,471
Total Environmental Protection Agency			<u>222,990</u>
Food Stamps Cluster – U.S. Department of Agriculture:			
Passed through California Department of Health Services:			
State Administrative Matching Grants for Food Stamps Program	10.561	03-75377	13,050
Passed through California Department of Social Services:			
Food Stamps Program	10.551	—	15,665,215
State Administrative Matching Grants for Food Stamps Program	10.561	03/04-25, 03/04-44, 02/03-77	2,804,016
Total Food Stamps Cluster (1)			<u>18,482,281</u>
U.S. Department of Agriculture:			
Passed through California Department of Health Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	02-25711	1,897,139
Total U.S. Department of Agriculture			<u>1,897,139</u>
U.S. Department of Commerce:			
Direct program:			
Coastal Zone Management Administration Grant	11.419	NA170Z2073	120,217
Passed through California Employment Development Department:			
Fisheries Disaster Relief Program	11.477	R380537	15,000
Total U.S. Department of Commerce			<u>135,217</u>
U.S. Department of Education:			
Passed through Santa Barbara School District – Grades K-12:			
Safe and Drug-Free Schools and Communities – National Program	84.184	PV042932	642,152
Total U.S. Department of Education			<u>642,152</u>
U.S. Department of Health and Human Services:			
Direct programs:			
Community Health Centers	93.224	3 H80CS00046A-04-01	243,671
Grants to Provide Outpatient Early Intervention Services for HIV	93.918	5H76HA00193-08-00	348,749
Passed through Central Coast Commission for Senior Citizens:			
Special Programs for the Aging, Title III, Part B – Grants for Supportive Services and Senior Centers	93.044	45807C	4,840
Passed through California Department of Alcohol and Drug Programs:			
Block Grant for Prevention and Treatment of Substance Abuse	93.959	NNA42	2,578,722

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<u>Federal grantor/pass-through grantor/program title</u>	<u>Catalog of federal domestic assistance number</u>	<u>Contract number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services (continued):			
Preventive Health and Health Services Block Grant – Passed through California Department of Health Services:			
Preventive Health and Health Services Block Grant	93.991	01-15762	\$ 215,141
Preventive Health and Health Services Block Grant	93.991	95-6002833	5,873
Preventive Health and Health Services Block Grant – Passed through California Emergency Medical Services Authority:			
Preventive Health and Health Services Block Grant	93.991	01-15365	13,394
			<u>234,408</u>
Passed through California Department of Health Services:			
Project Grants and Cooperative Agreements for Tuberculosis Control Program	93.116	—	147,050
Project Grants and Cooperative Agreements for Tuberculosis Control Program	93.116	—	65,465
			<u>212,515</u>
Acquired Immunodeficiency Syndrome Activity	93.118	01-15100 HIV 01-42	117,985
Childhood Lead Poisoning Prevention Projects	93.197	02-25074	34,441
Immunization Grants	93.268	01-15228	64,574
Immunization Grants	93.268	02-25183	86,998
			<u>151,572</u>
Maternal and Child Health Services Block Grant to the States	93.994	200242	1,539,087
Center for Disease Control and Prevention – Investigations and Technical Assistance	93.283	—	602,150
Passed through California Department of Mental Health:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	—	43,434
Passed through California Department of Social Services:			
Promoting Safe and Stable Families Program	93.556	03/04-11, 02/03-65	421,477
Temporary Assistance for Needy Families Program (1)	93.558	04/05-31, 03/04-09, 03/04-10, 03/04-14, 03/04-29, 03/04-32, 03/04-43, 03/04-45, 03/04-57, 03/04-71, 02/03-62	27,597,155
Child Support Enforcement Program (1)	93.563	1946001347	6,083,652
Refugee and Entrant Assistance – State Administered Programs	93.566	—	56,849
Community-Based Family Resource and Support Grants	93.590	03/04-50	16,765
Adoption Incentive Payments	93.603	03/04-15, 02/03-71	28,964
Child Welfare Services – State Grants	93.645	03/04-12, 03/04-26, 03/04-41, 03/04-47, 03/04-62, 02/03-74	176,836
Foster Care Program – Title IV-E (1)	93.658	03/04-16, 03/04-48, 03/04-68	8,213,390
Adoption Assistance	93.659	03/04-15, 02/03-71	1,324,170
Social Services Block Grant	93.667	03/04-26	108,514
Chafee Foster Care Independent Living	93.674	03/04-01, 03/04-04, 03/04-50	170,301
Passed through Central Coast Commission for Senior Citizens:			
National Family Caregiver Support Program	93.052	45807A	28,440
			<u>50,338,087</u>
Total U.S. Department of Health and Human Services			
U.S. Department of Homeland Security:			
Direct program:			
Assistance to Firefighters Grant	83.554	EMW-2002-FG-16951	35,497
Assistance to Firefighters Grant	97.044	EMW-2003-FG-14161	51,214
			<u>86,711</u>
Passed through California Office of Emergency Services:			
State Domestic Preparedness Equipment Support Program	16.007	2002-133, OES 083-00000	154,274
State Domestic Preparedness Equipment Support Program	16.007	2003-167, OES 083-00000	251,795
State Domestic Preparedness Equipment Support Program	16.007	2003-35, OES 083-00000	401,149
			<u>807,218</u>
Pre-Disaster Mitigation Grant	83.557	2002-219, OES 083-00000	25,000
State and Local All Hazards Emergency Operations Planning	83.562	2003-GR-0313, OES 083-00000,	72,517
	83.562	EMF-2003-GR-0302, OES 083-00000	19,207
			<u>91,724</u>

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<u>Federal grantor/pass-through grantor/program title</u>	<u>Catalog of federal domestic assistance number</u>	<u>Contract number</u>	<u>Expenditures</u>
U.S. Department of Homeland Security (continued):			
Passed through California Office on Service and Volunteerism:			
Citizen Corp. Grant	83.564	CCOA 42	\$ 8,368
Total U.S. Department of Homeland Security			<u>1,019,021</u>
U.S. Department of Housing and Urban Development:			
Direct programs:			
Community Development Block Grants – Brownfields Economic Development Initiative	14.246	BO1SPCA0717	119,660
Supportive Housing Program	14.235	CA16B303-002	115,897
Supportive Housing Program	14.235	CA16B103-001	18,360
Supportive Housing Program	14.235	CA16B103-003	145,879
Supportive Housing Program	14.235	CA16B103-004	31,667
			<u>311,803</u>
HOME Investment Partnerships Program	14.239	M00-DC060554	79,958
HOME Investment Partnerships Program	14.239	M01-DC060554	327,886
HOME Investment Partnerships Program	14.239	M02-DC060554	161,170
HOME Investment Partnerships Program	14.239	M03-DC060554	400,000
HOME Investment Partnerships Program	14.239	M99-DC060554	1,000
			<u>970,014</u>
Passed through California Department of Health and Human Services:			
Housing Opportunities for Persons with AIDS	14.241	01-15574	102,517
Passed through California Department of Housing and Community Development:			
Community Development Block Grant – State’s Program	14.228	99-DRI-009	200,696
Community Development Block Grant – State’s Program	14.228	01-STBG-1611	300,000
Community Development Block Grant – State’s Program	14.228	01-STBG-1627	35,000
Community Development Block Grant – State’s Program	14.228	02-EDBG-889	63,250
			<u>598,946</u>
Passed through City of Santa Maria:			
Community Development Block Grant – Entitlement Grant	14.218	—	12,000
Total U.S. Department of Housing and Urban Development			<u>2,114,940</u>
U.S. Department of Justice:			
Passed through California Board of Corrections:			
Violent Offender Incarceration and Truth in Sentencing Incentive Grant (1)	16.586	013-99	7,140,740
Victim Witness Assistance Program – Passed through California Office of Criminal Justice Planning:			
Victim Witness Assistance Program	16.575	VW03220420	18,507
Victim Witness Assistance Program – Elder Abuse Advocacy and Outreach Program	16.575	EA00010420	16,076
Victim Witness Assistance Program – Passed through California Office of Emergency Services:			
Victim Witness Assistance Program	16.575	VW033Q040420	94,229
Victim Witness Assistance Program – Elder Abuse Advocacy and Outreach Program	16.575	EA03040420	56,158
			<u>184,970</u>
Juvenile Accountability Incentive Block Grant – Juvenile Accountability Program – Passed through California Board of Corrections	16.523	IP02010420	103,793
Juvenile Accountability Incentive Block Grant – Juvenile Accountability Program – Passed through California Office of Criminal Justice Planning	16.523	IP02010420	22,425
			<u>126,218</u>
Passed through California Office of Criminal Justice Planning:			
Byrne Formula Grant Program	16.579	SF2A0400027	28,887
Byrne Formula Grant Program	16.579	DC02130420	11,074
Byrne Formula Grant Program – Narcotics Suppression Program	16.579	DC03140420	24,120
Passed through California Office of Emergency Services:			
Byrne Formula Grant Program – Narcotics Suppression Program	16.579	DC033Q0420	228,258
			<u>292,339</u>

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<u>Federal grantor/pass-through grantor/program title</u>	<u>Catalog of federal domestic assistance number</u>	<u>Contract number</u>	<u>Expenditures</u>
U.S. Department of Justice (continued):			
Direct programs:			
Drug Court Discretionary Grant Program	16.585	2000-DC-VX-0073	\$ 137,626
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	2003WEBX0046	169,416
Total U.S. Department of Justice			<u>8,051,309</u>
Workforce Investment Act Cluster – U.S. Department of Labor:			
Passed through California Department of Employment Development:			
Workforce Investment Act – Adult	17.258	R380537, R485309	1,357,779
Workforce Investment Act – Youth	17.259	R380537, R485309	710,219
Workforce Investment Act – Dislocated Worker	17.260	R380537, R485309	744,605
Total Workforce Investment Act Cluster			<u>2,812,603</u>
U.S. Department of Labor:			
Passed through California Department of Employment Development:			
Welfare to Work	17.253	W800949	302,941
Total U.S. Department of Labor			<u>302,941</u>
U.S. Department of the Interior:			
Direct programs:			
Water Reclamation and Reuse Program	15.504	—	15,000
Water Reclamation and Reuse Program	15.504	2211200029	27,500
Water Reclamation and Reuse Program	15.504	02FG210027	25,000
Water Reclamation and Reuse Program	15.504	99FG210014	75,000
			<u>142,500</u>
Fish and Wildlife Management Assistance	15.608	11440-03-J00601J048	7,000
Fish and Wildlife Management Assistance	15.608	2002-0004-042	5,217
Fish and Wildlife Management Assistance	15.608	2003-0086-028	21,188
			<u>33,405</u>
Total U.S. Department of the Interior			<u>175,905</u>
U.S. Department of Transportation:			
Direct program:			
Air Transportation Centers of Excellence	20.109	DTFA 08-01-C-21293	351,805
Air Transportation Centers of Excellence	20.109	DTFA 08-01-C-21535	134,424
			<u>486,229</u>
Passed through California Department of Transportation:			
Highway Planning and Construction Grants (1)	20.205	000525/493, 05-5951 082 Rev 1, 05-5951/037, 05-5951/092, 05-5951/M012, 05-5951/M015, 05-5951/M023 Rev 1, 05-5951/M030, 05-5951/M031, 05-5951/M034, 05-SB-W151-CR	3,035,384
Passed through State of California Office of Traffic Safety:			
State and Community Highway Safety	20.600	68-0297066	98,174
Passed through California Office of Emergency Services:			
Interagency Hazardous Materials Training and Planning Grant	20.703	HMECA2033100	6,909
Total U.S. Department of Transportation			<u>3,626,696</u>
Total expenditures of federal awards			\$ <u>103,334,086</u>

(1) Denotes a major federal financial assistance program.

See accompanying notes to schedule of expenditures of federal awards and report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.

COUNTY OF SANTA BARBARA, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

(1) General

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the County of Santa Barbara, California (the County). The County of Santa Barbara, California's reporting entity is defined in note 1 of the notes to the County's basic financial statements. All financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies to the County is included in the accompanying schedule.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified-accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds, which is described in note 1 of the notes to the County's basic financial statements.

(3) Relationship to Comprehensive Annual Financial Report

Amounts reported in the accompanying schedule of expenditures of federal awards agree, in all material respect, to amounts reported within the County's Comprehensive Annual Financial Report.

(4) Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule of expenditures of federal awards agree, in all material respects, with the amounts reported in related federal financial reports.

(5) Disclosures for State Grants

Grant revenues and expenditures by category for the fiscal year ended June 30, 2004 are as follows:

(a) Office of Criminal Justice Planning and Office of Emergency Services Grants – Victim Witness Assistance Program (CFDA No. 16.575; Grant Nos. VW03220420 and VW033Q040420)

	Grant numbers		Total
	VW03220420	VW033Q040420	
Revenues:			
Federal match	\$ 18,507	94,229	112,736
State match	42,549	63,906	106,455
County match	—	28,184	28,184
Total revenues	\$ 61,056	186,319	247,375
Expenditures:			
Personal services	\$ 60,876	182,629	243,505
Operating expenditures	180	3,690	3,870
Equipment	—	—	—
Total expenditures	\$ 61,056	186,319	247,375

COUNTY OF SANTA BARBARA, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

(b) Office of Criminal Justice Planning and Office of Emergency Services Grants – Victim Witness Assistance Program – Elder Abuse Advocacy and Outreach Program (CFDA No. 16.575; Grant Nos. EA00010420 and EA03040420)

	Grant numbers		Total
	EA00010420	EA03040420	
Revenues:			
Federal match	\$ 16,076	56,158	72,234
County match	4,019	3,773	7,792
Total revenues	\$ 20,095	59,931	80,026
Expenditures:			
Personal services	\$ 18,144	59,931	78,075
Operating expenditures	1,951	—	1,951
Equipment	—	—	—
Total expenditures	\$ 20,095	59,931	80,026

(c) Office of Criminal Justice Planning and Office of Emergency Services Grants – Narcotics Suppression Program (CFDA No. 16.579; Grant Nos. DC03140420 and DC033Q0420)

	Grant numbers		Total
	DC03140420	DC033Q0420	
Revenues	\$ 24,120	228,258	252,378
Expenditures:			
Personal services	\$ 16,346	144,835	161,181
Operating expenditures	7,774	83,423	91,197
Equipment	—	—	—
Total expenditures	\$ 24,120	228,258	252,378

(d) Office of Criminal Justice Planning Grant – Juvenile Accountability Incentive Block Grant – Juvenile Accountability Program (CFDA No. 16.523; Grant No. IP02010420)

Revenues:		
Federal match	\$	126,218
County match		14,024
Total revenues	\$	140,242
Expenditures:		
Personal services	\$	108,093
Operating expenditures		32,149
Equipment		—
Total expenditures	\$	140,242

COUNTY OF SANTA BARBARA, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

(e) Office of Criminal Justice Planning Grant – Statutory Rape Vertical Prosecution Program (Grant No. VB03010420)

Revenues	\$	<u>77,603</u>
Expenditures:		
Personal services	\$	76,827
Operating expenditures		776
Equipment		<u>—</u>
Total expenditures	\$	<u>77,603</u>

(f) Department of Justice Grant – Spousal Abuser Prosecution Program (Grant No. 03SA10C029)

Revenues:		
State match	\$	13,304
County match		<u>53,216</u>
Total revenues	\$	<u>66,520</u>
Expenditures:		
Personal services	\$	66,520
Operating expenditures		<u>—</u>
Equipment		<u>—</u>
Total expenditures	\$	<u>66,520</u>

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

(1) Summary of Auditors' Results

Financial Statements

- (a) The type of report issued on the financial statements: **Unqualified Opinion.**
- (b) Reportable conditions in internal control that were disclosed by the audit of the financial statements: **None reported.**
- Material weaknesses: **None.**
- (c) Noncompliance which is material to the financial statements: **None.**

Federal Awards

- (d) Reportable conditions in internal control over major programs: **Yes. See items 04-01, 04-02, 04-04, 04-05, 04-06, 04-20, 04-21, 04-22, and 04-23.**
- Material weaknesses: **None.**
- (e) The type of report issued on compliance for major programs: **Qualified Opinion.**
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **Yes. See items 04-01 through 04-23.**
- (g) Major programs:
- U.S. Department of Agriculture
 - Food Stamps Cluster (CFDA Nos. 10.551 and 10.561)
 - U.S. Department of Health and Human Services
 - Medicaid Cluster (CFDA No. 93.778)
 - Temporary Assistance for Needy Families (CFDA No. 93.558)
 - Child Support Enforcement Program (CFDA No. 93.563)
 - Foster Care Program – Title IV-E (CFDA No. 93.658)
 - U.S. Department of Justice
 - Violent Offender Incarceration and Truth in Sentencing Incentive Grant (CFDA No. 16.586)
 - U.S. Department of Transportation
 - Highway Planning and Construction Grants (CFDA No. 20.205)
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000.**
- (i) Low-risk auditee determination under Section 530 of OMB Circular A-133: **No. The County is considered a high-risk auditee.**

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

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

None.

(3) **Findings and Recommendations Relating to Federal Awards**

04-01

Program: Food Stamps Cluster, Medicaid Cluster, Foster Care Program – Title IV-E

CFDA No.: 10.551, 10.561, 93.778, and 93.658

Federal Agencies: U.S. Department of Agriculture and U.S. Department of Health and Human Services

Passed-through: California Department of Social Services and California Department of Health Services

Award Numbers:

Food Stamps Cluster: 03/04-25, 03/04-44, 02/03-77

Medicaid Cluster: MCAC-2003-04 (Administration), 02/03-73 and 03/04-45 (In-Home Support Services – Administration), 03/04-03 (Adult Protective Services)

Foster Care Program – Title IV-E: 03/04-16, 03/04-48, 03/04-68

Award Year: Fiscal year 2003/04

Compliance Requirement: Allowable Costs and Activities

Questioned Costs: Unknown

Criteria

The State of California requires that the County submit the County Expense Claim (CEC) for program administrative costs to the State of California on a quarterly basis for reimbursement.

Condition Found

The County submits the County Expense Claim (CEC) for program administrative costs to the State of California on a quarterly basis for reimbursement. Caseworkers participate in a time study program whereby their time is tracked through a random moment sampling process. The results are then compiled into a time study summary report that is used to allocate the payroll expenditures to the various federal programs in the CEC. The CEC is reviewed by management personnel (i.e. Cost Analyst and Chief Fiscal Officer). However, management's review is not formally documented.

Effect

Lack of evidenced review of the CEC could lead to potential inaccurate data in the CEC.

Recommendation

We recommend that management's review of the quarterly CEC be formally documented as evidenced by the reviewers' signatures. This will help ensure that the amounts claimed for reimbursement for each of the federal programs included in the CEC are accurate.

Views of Responsible Officials

We concur with the finding. Even though it is not a formal requirement, we have instituted a procedure of documentation which includes a documented review of the CEC.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-02

Program: Food Stamps Cluster, Medicaid Cluster, Temporary Assistance for Needy Families Program, Child Support Enforcement Program, Foster Care Program – Title IV-E, Highway Planning and Construction Grants

CFDA No.: 10.551, 10.561, 93.778, 93.558, 993.563, 93.658, and 20.205

Federal Agencies: U.S. Department of Agriculture, U.S. Department of Health and Human Services, and U.S. Department of Transportation

Passed-through: California Department of Social Services, California Department of Health Services, California Department of Aging, California Department of Mental Health, and California Department of Transportation

Award Numbers:

Food Stamps Cluster: 03/04-44, 03/04-25, 02/03-77

Medicaid Cluster: 42-4450 (Administration), MCAC-2003-04 (Administration), MS-0304-15 (Multipurpose Senior Services Program), 99-86962 (Administrative Activities), 02/03-73, 03/04-45 (In-Home Support Services – Administration), 03/04-03 (Adult Protective Services)

Temporary Assistance for Needy Families: 04/05-31, 03/04-09, 03/04-10, 03/04-14, 03/04-29, 03/04-32, 03/04-43, 03/04-45, 03/04-57, 03/04-71, 02/03-62

Child Support Enforcement Program: 1946001347

Foster Care Program – Title IV-E: 03/04-16, 03/04-48, 03/04-68

Highway Planning and Construction Grants: 000525/493, 05-5951 082 Rev 1, 05-5951/037, 05-5951/092, 05-5951/M012, 05-5951/M015, 05-5951/M023 Rev 1, 05-5951/M030, 05-5951/M031, 05-5951/M034, 05-SB-W151-CR

Award Year: Fiscal year 2003/04

Compliance Requirement: Allowable Costs and Activities

Questioned Costs: Unknown

Criteria

The State of California requires that grant funds are to be used for Allowable Costs and Activities in accordance with the *March 2004 OMB Circular A-133 Compliance Supplement*, which requires that the pass-through entity establish control systems to ensure costs are for an allowable activity and are properly coded.

Condition Found

In performing allowable costs and activities testwork for administrative costs, we noted the following:

- Employee timesheets must be authorized by the employee prior to being submitted for supervisor approval. Of the 31 timesheets selected for testwork, we noted the following:
 - 4 timesheets that were not properly authorized by the employee.
 - 1 timesheet that was not properly approved by a supervisor.
 - The department payroll clerk and supervisor have the ability to modify an employee's timesheet without the employee's authorization.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

- A department payroll exception report must be generated and reviewed by the department payroll clerk prior to electronically submitting the departmental payroll data to the Payroll Division of the Auditor-Controller's Office for processing. Of the 10 department payroll exception reports selected for testwork, 1 payroll exception report could not be located by the departments. As the report was not retained, evidence of review could not be verified.
- A payroll exception report must be generated by the Payroll Division prior to processing payroll. All exceptions are required to be investigated. Of the 10 payroll exception reports selected for testwork, we noted the following:
 - 4 payroll exception reports contained "reclassified errors" that were unresolved;
 - 2 payroll exception reports contained "non-reclassified errors" that were resolved; however, the resolution was not formally documented.
- A reconciliation from the payroll system to the general ledger must be performed each payroll period in order to ensure that the period's payroll is accurately posted to the general ledger. Such reconciliation is required to be reviewed and approved by the Payroll Division Chief or Payroll Division Supervisor. Of the 10 payroll period reconciliations selected for testwork, we noted 8 reconciliations that did not contain evidence of management's review.

Effect

Payroll expenditures charged to administrative grant program costs may be inaccurate.

Recommendation

We recommend that the County establish formal policies and procedures with regard to payroll processes and ensure that such policies and procedures are formally documented and strictly adhered to by County personnel. This will help ensure the accuracy of payroll expenditures and related supporting documentation.

Views of Responsible Officials

- Ideally, and in most instances, employees complete their own timesheets prior to routing for supervisor and Payroll Clerk approval and processing. However, the timesheet system allows Department Payroll Clerks and supervisors to modify employee timesheets without employee approval. This ability has been developed to address situations when an employee is unavailable to complete their own timesheet due to some type of employee absence (vacation, sick, other) in order to ensure that the employee is paid without delay. However, the Auditor's Office has put together a team to assess how best to increase the number of employees signing off on their own timesheets and validating any changes made. The long-term solution is to replace the timecard application so that the employee is required to sign off on and validate any changes to their timesheets.
- The payroll exception report should be reviewed at the department prior to submitting timesheets to central payroll. However, we do not determine the format that a department is to follow to prove their review. Additionally, all edits and exceptions that are on the department's exception report are also part of the central payroll's edits and, therefore, will be identified and adjusted accordingly prior to processing payroll.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

- The payroll system creates edits in two categories: “warnings” and “errors.” Warnings are messages about items that should be reviewed, but are not critical to be resolved prior to processing payroll. Errors, which are defined by Payroll, should be resolved prior to completing the payroll process unless it is determined that there are mitigating factors that would allow for the error to process. Once a warning or error is corrected, the edit report must be rerun to reflect that. If the edit report is not rerun, it may appear that the edits were never corrected or cleared, even though they were. At the time of the audit, the edit report was not always rerun prior to finalizing payroll. We have now added an item to the processing checklist to make sure this task is completed each pay period.
- During the time of the audit, we did have a manager or supervisor reviewing the reconciliations, but the manager or supervisor was not initialing each page of the reconciliation workpapers so it appeared as though a review was not being done. We have put in place a process whereby a Financial Accounting and Customer Support Staff person prepares the reconciliations and a Financial Accounting Supervisor or Manager signs off on each page of the reconciliation.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-03

Program: Child Support Enforcement Program

CFDA No.: 93.563

Federal Agencies: U.S. Department of Health and Human Services

Passed-through: California Department of Social Services

Award Number: 1946001347

Award Year: Fiscal year 2003/04

Compliance Requirement: Allowable Costs and Activities

Questioned Costs: \$27,793

Criteria

The State of California requires that grant funds are to be used for Allowable Costs and Activities in accordance with the *March 2004 OMB Circular A-133 Compliance Supplement*, which requires that the pass-through entity establish control systems to ensure costs are for an allowable activity and are properly coded.

Condition Found

Of the 30 nonpayroll costs selected for allowable costs testwork, we noted 1 claim was charged to fiscal year 2004 while the services were provided to the County in fiscal year 2005. The total claim of \$27,793 was incorrectly recorded as an expenditure rather than a prepaid asset.

Effect

Nonpayroll expenditures charged to administrative grant program costs may be inaccurate.

Recommendation

We recommend that the County adhere to established formal policies and procedures with regard to nonpayroll processes and ensure that such policies and procedures are formally documented and strictly adhered to by County personnel. This will help ensure the accuracy of nonpayroll expenditures and related supporting documentation.

Views of Responsible Officials

We concur with this finding. The department acknowledges that this is a prepaid asset rather than an expenditure for fiscal year 2004. Any payments for future periods will be recorded as a prepaid asset rather than an expenditure.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-04

Program: Medicaid Cluster

CFDA No.: 93.778

Federal Agency: U.S. Department of Health and Human Services

Passed-through: California Department of Health Services

Award Number: MCAC-2003-04 (Administration)

Award Year: Fiscal year 2003/04

Compliance Requirement: Eligibility

Questioned Costs: \$0

Criteria

The *March 2004 OMB Circular A-133 Compliance Supplement* requirements for Eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements.

Condition Found

Specific requirements must be followed to ensure that the individual meets the financial and categorical requirements, which include the following:

- Obtaining a written application, MC 210 “Statement of Facts,” signed under penalty of perjury by the applicant.
- Verification of an applicant’s information reported on the MC 210 “Statement of Facts,” including identity, social security number, residency, monthly expenses, as well as pregnancy, if necessary.
- Verification of an applicant’s income eligibility using the Income and Eligibility Verification System (IEVS). If the applicant is employed, a pay stub is required to verify income.
- Verification of an applicant’s supplemental security income eligibility by obtaining a Medi-Cal Eligibility Data System (MEDS) report, if the applicant is applying for the Qualified Medicare Beneficiary (QMB) program.

Of the 30 case files selected for eligibility testwork, we noted the following:

- 12 case files that did not contain a signed MC 210 “Statement of Facts.”
- 1 case file that did not contain the required supporting documentation for the participant’s income amount (i.e. pay stub).
- 5 case files that did not contain an IEVS report.
- 3 case files that did not contain a MEDS report.
- 6 case files that did not contain the required documentation supporting identity, expenses, pregnancy, and other information reported on the MC 210 “Statement of Facts.”
- For all 30 case files, the case review form, which must be completed by the program supervisor, was not maintained by the department.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

- The County has a formal policy in place whereby program supervisors are required to review at least two case determinations per month per eligibility worker (EW). However, we noted that this is not currently being performed due to personnel constraints.

Effect

Participant data may not be accurate in the participant file or the system, which could lead to initial and continuation eligibility errors, inaccurate benefit calculations, and benefit overpayments.

Recommendation

We recommend that the County establish formal policies and procedures with regard to initial and ongoing eligibility determination, required documentation, and maintenance of participant files and ensure that such policies and procedures are formally documented and strictly adhered to by County personnel. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

Views of Responsible Officials

Since 1998, the County's Medi-Cal caseloads have nearly doubled. However, the Medi-Cal allocation has not kept pace with the caseload growth; therefore, staffing levels during this review period created individual caseloads ranging from 600 to 800 families per worker. During fiscal years 2005 and 2006, an increased allocation has been received which has allowed us to hire additional Medi-Cal workers and bring caseloads down. We expect errors to be reduced in future review periods, i.e., for fiscal year 2006. As a result of the above findings, workers have again been instructed to follow all State, Federal, and County procedures in regard to eligibility determinations.

The County's Department of Social Services (DSS) already has policies and procedures in place that require Medi-Cal staff to follow State policies regarding initial and ongoing eligibility determinations including MCP 01-01a for intake applications and MCP 02-05A for ongoing eligibility determinations. DSS also provides each Medi-Cal staff member with a Ready Reference Guide which includes a filing guide. The filing guide delineates which documents must remain in the working file and which documents the worker can send to the history volume. DSS administration has now reemphasized the importance of complete case files and chronological entries to the Medi-Cal staff. In addition, DSS has been conducting workshops with supervisors, lead workers, program staff, managers, and systems staff to document business processes in preparation for implementation of the CalWIN online welfare system. Draft business processes have been completed and posted for staff review for the following key activities: Interactive Intake Applications (1.1), Medi-Cal Redeterminations (6.2), Data Collection (2.1), and Wrap Up and Authorization (3.1).

DSS has a policy on supervisor case reviews issued in 2000 (MCP 00-46) that remains in effect. The policy states that the supervisor must complete two reviews per month for each experienced worker. Supervisors have been informed that they must follow this procedure. Supervisors will now send the completed reviews to the Program Analyst who will keep them for three years. Supervisors are expected to be more vigilant in giving feedback to workers about errors and workers are expected to correct the errors. Supervisors review the findings for each worker to measure performance, progress, and to provide necessary support and training.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

In December 2005, we obtained approval from the County Board of Supervisors to establish a Quality Assurance Unit. A Quality Assurance Unit will help improve internal controls to provide reasonable assurance of compliance with applicable state and federal guidelines in the Medi-Cal program. Program policies and procedures will be strengthened in collaboration with our staff development unit, program oversight units, and with unit supervisors to ensure beneficiaries meet the financial and categorical requirements of the program. The unit will conduct more internal desk reviews, evaluate error trends, and develop strategies to address trends. Error findings information will be shared with staff development and training materials will be modified to improve performance. Error findings and corrective action progress information will also be shared at the monthly Medi-Cal Team meetings.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-05

Program: Medicaid Cluster

CFDA No.: 93.778

Federal Agency: U.S. Department of Health and Human Services

Passed-through: California Department of Health Services

Award Number: MCAC-2003-04 (Administration)

Award Year: Fiscal year 2003/04

Compliance Requirement: Eligibility

Questioned Costs: \$0

Criteria

The *March 2004 OMB Circular A-133 Compliance Supplement* requirements for Eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements. Such requirements include eligibility redetermination which must be performed at least every 12 months with respect to changes in circumstances.

Condition Found

In performing eligibility testwork, we noted that there is no formal system in place to ensure that eligibility redeterminations are performed within the required 12-month timeframe. The automated system that the County uses to track redetermination due dates is set to notify the EW every 13 months from the date of the participant's initial application, rather than every 12 months from the date of the participant's last redetermination date (or initial application date). As a result, redetermination due dates are currently tracked manually in the participant's case file based upon information in the case file. As a result, of the 30 case files selected for redetermination eligibility testwork, we noted the following:

- 9 case files where the redetermination was not performed within the required 12-month timeframe.
- 1 case file where redetermination procedures had not been performed.

Effect

Participant data may not be current in the case file or the system, which could lead to initial and continuation eligibility errors and ineligible individuals receiving benefits.

Recommendation

We recommend that the County establish formal policies and procedures with regard to ongoing eligibility redetermination requirements in order to ensure that eligibility redeterminations are being performed within the specified timeframe. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Views of Responsible Officials

DSS starts the renewal process timely. However, we are bound by SB87 rules which extend the time the client has to provide necessary information. This causes some redeterminations to be completed late because the client does not provide the information timely. Staff has been reminded that complete chronological entries are important, especially when documenting client delays and other pertinent information necessary to the case.

DSS plans to cease using the current computer system on 2/28/06 and will begin using the CalWIN system on 3/1/06. The CalWIN system will not allow a case to go beyond the 12-month mandated period. Draft Business Processes have been reviewed, documented, and posted on the DSS intranet for staff review and prior to implementation of the new system. Business process training is also planned at the unit level. DSS Management and SEIU, Local 535 formally recognized Medi-Cal reinvestigations as a workload high priority task during the pre-CalWIN Go Live period thru August 31, 2006 and shared this agreement with all staff on December 13, 2005.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-06

Program: Medicaid Cluster

CFDA No.: 93.778

Federal Agency: U.S. Department of Health and Human Services

Passed-through: California Department of Health Services

Award Numbers: 02/03-73 and 03/04-45 (In-Home Support Services – Administration)

Award Year: Fiscal year 2003/04

Compliance Requirement: Eligibility

Questioned Costs: \$0

Criteria

The *March 2004 OMB Circular A-133 Compliance Supplement* requirements for Eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements.

Condition Found

As part of determining eligibility, the social worker (SW) is required to:

- Verify supplemental security income (SSI) eligibility by obtaining a MEDS report and maintaining it in the applicant's file.
- Obtain an SOC 295 "Application for Social Services," which must be signed by the participant and reviewed and initialed by the SW.
- Communicate to the participant his/her responsibilities regarding change in circumstance requirements and must obtain form W-186, "Notice of Reporting Responsibilities," signed by the participant.

Of the 30 case files selected for eligibility testwork, we noted the following:

- 1) 1 case file did not contain an SOC 295 with the social worker's initials indicating the social worker reviewed eligibility of the applicant.
- 2) 3 case files that did not contain a MEDS report.
- 3) 2 case files that did not contain a form W-186, "Notice of Reporting Responsibilities," signed by the participant.

Effect

Lack of supporting documentation for eligibility determinations could lead to ineligible individuals receiving benefits.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Recommendation

We recommend that the County establish formal policies and procedures with regard to initial and ongoing eligibility determination, required documentation, and maintenance of participant files and ensure that such policies and procedures are formally documented and strictly adhered to by County personnel. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

Views of Responsible Officials

- 1) We agree that the SOC 295 should have been present in the case. However, based on the low number of exceptions (one), the missing SOC 295 appears to be an anomaly and not a standard practice. In order to avoid this exception in the future, the SOC 295 will be included in all the initial and redetermination packets.
- 2) Although we agree with the finding that social workers are responsible for verifying a person's eligibility to SSI or Medicaid, there is no state or federal requirement that a MEDS screen be printed for each case. It has been our County policy to determine a client's eligibility by reviewing the MEDS screens at intake and reassessments, by signing the SOC 295, and by documenting the case record or printing a computer screen. In order to eliminate further discrepancies, the County has implemented a formal policy (effective February 2005) requiring that MEDS screens be printed on all IHSS cases.
- 3) We agree that the W-186s should have been present in each case. However, based on the low number of exceptions (two), the missing W-186 appears to be an anomaly and not a standard practice. In order to avoid this exception in the future, the W-186 will be included in all the initial and redetermination packets.

In addition, IHSS has instituted a mandatory filing guide (effective 2006) which should eliminate the misfiling of mandatory forms.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-07

Program: Medicaid Cluster

CFDA No.: 93.778

Federal Agency: U.S. Department of Health and Human Services

Passed-through: California Department of Health Services

Award Numbers: 02/03-73 and 03/04-45 (In-Home Support Services – Administration)

Award Year: Fiscal year 2003/04

Compliance Requirement: Eligibility

Questioned Costs: \$0

Criteria

The State of California requires that the County conduct face-to-face interviews with participants as part of the initial and ongoing eligibility process in accordance with the California Department of Social Service's *Manual of Policies and Procedures*. Such interviews must be documented using form SOC 293A, SOC 293, or the chronological sheet.

Condition Found

In performing eligibility testwork, of the 30 case files selected for testwork, we noted 2 case files wherein the interview was not performed in-person, but rather via telephone.

Effect

Not adhering to program regulations regarding face-to-face interviews may lead to ineligible individuals receiving benefits.

Recommendation

We recommend that the County establish formal policies and procedures with regard to initial and ongoing eligibility determination, required documentation, and maintenance of participant files and ensure that such policies and procedures are formally documented and strictly adhered to by County personnel. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

Views of Responsible Officials

We agree with the findings that annual face-to-face interviews were not completed on two of the case files but, due to the low number of findings, these cases are anomalies and not the normal operating procedure. Due to staffing shortages in 2004, an administrative decision was made allowing telephone reassessments to be completed if a recipient met certain criteria. The criteria included recipients who received services from a relative or reliable caregiver, their needs had been stable for two years, and they were also involved with other community agencies, such as the Multi-Purpose Senior Services Program (MSSP). Phone reassessments had to be approved by the Supervisor, with the understanding that if anything changed, a face-to-face interview would be necessary. This was a temporary situation (May 2003-May 2004) until additional staff could be hired and trained and one that the County does not plan on implementing again. Supervisors will also be monitoring Case Management Information and Payroll System reports to ensure that face-to-face reassessments are completed in a timely manner.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-08

Program: Medicaid Cluster

CFDA No.: 93.778

Federal Agency: U.S. Department of Health and Human Services

Passed-through: California Department of Health Services

Award Numbers: 02/03-73 and 03/04-45 (In-Home Support Services – Administration)

Award Year: Fiscal year 2003/04

Compliance Requirement: Eligibility

Questioned Costs: \$0

Criteria

The *March 2004 OMB Circular A-133 Compliance Supplement* requirements for Eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements. Such requirements include performing eligibility redetermination at least every 12 months with respect to changes in circumstances.

Condition Found

Of the 30 case files selected for eligibility testwork, we noted 11 case files wherein the redetermination was not performed within the specified 12-month timeframe.

Effect

Participant data may not be current in the case file or the system, which could lead to initial and continuation eligibility errors and ineligible individuals receiving benefits.

Recommendation

We recommend that the County establish formal policies and procedures with regard to initial and ongoing eligibility determination, required documentation, and maintenance of participant files and ensure that such policies and procedures are formally documented and strictly adhered to by County personnel. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

Views of Responsible Officials

We agree that 5 of the 11 exceptions were late redeterminations. During fiscal year 2004, the County's IHSS program was experiencing staffing shortages, which have since been rectified.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

We disagree with 6 of the 11 exceptions that the redetermination was completed late since it was completed in the month in which it was due. The California Department of Social Services has never clarified whether IHSS follows Medicaid timeframes that state a reassessment must be completed within 365 days of the date of the last face-to-face interview. Case Management Information and Payrolling System (CMIPS) produces a State report (Report #RM 003F) that the Department relies on for notifying social workers when reassessments are due. This report shows the due date as the last day of the month in which they are entitled to receive services. Based on this report, it appears that the California Department of Social Services considers a redetermination as being processed timely as long as it is completed by the last day of the month in which it is due. Based on the discrepancy, clarification will need to be given by the State on what constitutes a late redetermination. We continue to ask the California Department of Social Services to clarify this matter.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-09

Program: Medicaid Cluster

CFDA No.: 93.778

Federal Agency: U.S. Department of Health and Human Services

Passed-through: California Department of Health Services

Award Numbers: 02/03-73 and 03/04-45 (In-Home Support Services – Administration)

Award Year: Fiscal year 2003/04

Compliance Requirement: Allowable Costs and Activities

Questioned Costs: Unknown

Criteria

The County has established policies and procedures requiring a signed timecard from an individual provider indicating the time of service provided to the participant. The signed timecard is to be maintained in the case file.

Condition Found

Of the 30 case files selected for eligibility testwork, we noted 7 case files whereby the signed timecard was not maintained by the department.

Effect

Amounts paid to providers may not be supported by timecards signed by both provider and participant.

Recommendation

We recommend that the County establish formal policies and procedures with regard to obtaining and maintaining timecards that are signed by both the participant and provider.

Views of Responsible Officials

We agree with one exception that a timecard was not properly signed by the provider and recipient. This was an oversight and this timesheet would normally have been rejected. Office staff will be reminded to carefully check for signatures on the timesheets.

For the remaining six exceptions, due to one office's practice of batching timesheets and keeping them separate from the active provider case file, we believe that timesheets were actually present for 6 of the 6 cases found to not have any timesheets at all. However, we are unable to produce the timesheets at this time. We agree that this filing practice is not acceptable and this practice of separating timesheets from the provider files has been discontinued. Timesheets are now filed in the provider case file effective January 2005.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-10

Program: Medicaid Cluster

CFDA No.: 93.778

Federal Agency: U.S. Department of Health and Human Services

Passed-through: California Department of Health Services

Award Numbers: 02/03-73 and 03/04-45 (In-Home Support Services – Administration)

Award Year: Fiscal year 2003/04

Compliance Requirement: Eligibility

Questioned Costs: Unknown

Criteria

The *March 2004 OMB Circular A-133 Compliance Supplement* requirements for Eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements.

Condition Found

The County's policies and procedures for eligibility determination require that a supervisor review a case file under the following conditions:

- Approval or denial
- Renewal of income-eligible cases
- Reassessment cases resulting in an increase or decrease of more than 10 hours a month
- Casework activity performed by inexperienced case workers

Of the 30 cases selected for eligibility testwork, we noted 3 cases without documentation of supervisory review.

Effect

Participants may be erroneously determined to be eligible or denied benefits, or the amount of benefits awarded may be incorrect.

Recommendation

We recommend that the County fully comply with the County's policies and procedures with regard to supervisors performing reviews of case files when required. This will help ensure that only eligible participants are receiving benefits.

Views of Responsible Officials

We agree with the finding. The income-eligible cases should have been reviewed by the supervisor. However, given that the number of income-eligible cases continues to rise, this may be an unreasonable expectation of our supervisors.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-11

Program: Medicaid Cluster

CFDA No.: 93.778

Federal Agency: U.S. Department of Health and Human Services

Passed-through: California Department of Social Services

Award Number: Not applicable (In-Home Support Services – Public Authority)

Award Year: Fiscal year 2003/04

Compliance Requirement: Reporting

Questioned Costs: \$0

Criteria

The State of California requires that the County submit the SOC 448 to the State of California on a quarterly basis.

Condition Found

Of the 4 quarterly SOC 448 reports selected for reporting testwork, we noted that all 4 reports were not submitted within the required 30-day timeframe.

- The first quarter report was submitted 11 days late.
- The second quarter report was submitted 27 days late.
- The third quarter report was submitted 28 days late.
- The fourth quarter report was submitted 25 days late.

Effect

Lack of formal procedures regarding report submission may lead to continued noncompliance.

Recommendation

We recommend that the County implement formal procedures to ensure that required reports 1) are properly reviewed for accuracy and completeness (as evidenced by a supervisor's signature) prior to submission to state and federal agencies and 2) are submitted by the required due date in order to ensure compliance with requirements related to reporting.

Views of Responsible Officials

We concur with this finding that the SOC 448 claims should be reviewed for accuracy and completeness and submitted by the required due date. We will institute a formal procedure which will include a review of the claim to supporting documents as well as compliance to the submission date. The reviewed supporting documents will be documented with the Fiscal Manager's signature.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-12

Program: Food Stamps Cluster

CFDA No.: 10.551 and 10.561

Federal Agency: U.S. Department of Agriculture

Passed-through: California Department of Social Services

Award Numbers: 03/04-25, 03/04-44, 02/03-77

Award Year: Fiscal year 2003/04

Compliance Requirement: Special Tests and Provisions – ADP System for Food Stamps

Questioned Costs: \$16,116.00

Criteria

The *March 2004 OMB Circular A-133 Compliance Supplement* requirements for Special Tests and Provisions require that the County (1) accurately and completely process and store all case file information for eligibility determination and benefit calculation; (2) automatically cut off households at the end of their certification period unless recertified; and (3) provide data necessary to meet federal issuance and reconciliation reporting requirements.

Condition Found

Of 30 case files selected for testwork, we noted:

- 4 case files that did not contain evidence that the participant had been recertified.
- 1 case file that was missing 2 monthly CW7 forms verifying the participant's income.
- 2 case files where the redetermination forms had not been reviewed by the eligibility worker.
- 2 case files that did not contain evidence that the participant attended the required program orientation.

Effect

Ineligible participants may be receiving benefits.

Recommendation

We recommend that the County establish formal policies and procedures with regard to initial and ongoing eligibility determination, required documentation, and maintenance of participant files and ensure that such policies and procedures are formally documented and strictly adhered to by County personnel. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Views of Responsible Officials

DSS already has policies and procedures in place that require Food Stamp-Cal staff to follow State policies regarding initial and ongoing eligibility determinations. DSS administration has now reemphasized the importance of complete case files and chronological entries to the Food Stamp staff. In addition, DSS has been conducting workshops with supervisors, lead workers, program staff, managers, and systems staff to document and review Business Processes in preparation for implementation of the CalWIN online welfare system. Draft Business Processes have been completed and posted for staff review for the following key activities: Interactive Intake Applications (1.1), Food Stamp Recertification (6.1), Data Collection (2.1), Wrap Up and Authorization (3.1), and Periodic Reporting (9.2).

DSS has a policy on supervisor case reviews issued in April 2005 (AD FS 05-02). The policy states that the supervisor must complete two reviews per month for each experienced worker. Supervisors have been informed that they must follow this procedure. Supervisors will now send the completed reviews to the Program Analyst. Supervisors are expected to be more vigilant in giving feedback to workers about errors and workers are expected to correct the errors. Supervisors review the findings for each worker to measure performance, progress, and to provide necessary support and training.

DSS plans to cease using the current computer system on February 28, 2006 and will begin using the CalWIN system on March 1, 2006. The CalWIN system will not allow a case to go beyond the specified certification period. DSS Management and SEIU, Local 535 formally recognized Food Stamp recertification and quarterly reports as a workload high priority task during the pre-CalWIN Go Live period thru August 31, 2006 and shared this agreement with all staff on December 13, 2005. The CalWIN system will automatically discontinue a food stamp case if quarterly reports are not received. Draft business processes have been documented and posted on the DSS intranet for staff review and prior to implementation of the new system. Business process training is also planned at the unit level.

In December 2005, the Board of Supervisors approved positions to establish a Quality Assurance Unit. A Quality Assurance Unit will help improve internal controls to provide reasonable assurance of compliance with applicable state and federal guidelines in the Food Stamp Program. Program policies and procedures will be strengthened in collaboration with our staff development unit, program oversight units, and with unit supervisors to ensure beneficiaries meet the financial and categorical requirements of the program. The unit will conduct more internal desk reviews, evaluate error trends, and develop strategies to address trends. Error findings information will be shared with staff development and training materials will be modified to improve performance. Error findings and corrective action progress information will also be shared at the monthly Self Sufficiency Team meetings. The Department also plans to participate in state-sponsored Food Assistance Action Committee activities. The focus of these activities will be to assist counties in efforts to meet federal guidelines.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-13

Program: Child Support Enforcement Program

CFDA No.: 93.563

Federal Agency: U.S. Department of Health and Human Services

Passed-through: California Department of Social Services

Award Number: 1946001347

Award Year: Fiscal year 2003/04

Compliance Requirement: Special Tests and Provisions – Establishment of Paternity and Support Obligations

Questioned Costs: \$0

Criteria

The *March 2004 OMB Circular A-133 Compliance Supplement* requirements for Special Tests and Provisions require that the County attempt to establish paternity and a support obligation for children born out of wedlock within the required timeframes. Per 45 CFR 303.4, the required timeframe to establish or attempt to establish a support obligation must be within 90 days of locating the non-custodial parent. Additionally, in accordance with 45 CFR 303.100, income withholdings must be initiated within 15 days of locating the noncustodial parent's employer.

Condition Found

Of 30 case files selected for testwork, we noted 1 case file that could not be located.

Effect

The County may fail to retain evidence supporting establishment of paternity.

Recommendation

We recommend that the County strictly adhere to established policies and procedures with regard to document retention.

Views of Responsible Officials

We do not concur with this finding. Our department does adhere to established policies and procedures regarding document retention. Due to human error, in this isolated incidence we were unable to locate the physical file. As evidenced in California Code of Civil Procedure 1010.6, electronic files are acceptable substitutes for physical files. In this case, the electronic file shows that we did establish paternity within the required timeframe. Independent corroboration is available through State or court records and can be provided if required.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-14

Program: Child Support Enforcement Program

CFDA No.: 93.563

Federal Agency: U.S. Department of Health and Human Services

Passed-through: California Department of Social Services

Award Number: 1946001347

Award Year: Fiscal year 2003/04

Compliance Requirement: Special Tests and Provisions – Provision of Child Support Services for Interstate Cases

Questioned Costs: \$0

Criteria

The *March 2004 OMB Circular A-133 Compliance Supplement* requirements for Special Tests and Provisions requires the County provide the appropriate child support services needed for interstate cases (cases in which the child and custodial parent live in one state and the responsible relative lives in another state), establish an interstate central registry responsible for receiving, distributing, and responding to inquiries on all incoming interstate IV-D cases, and meet required timeframes pertaining to provision of interstate services. This includes submitting the interstate form and documentation to the appropriate state or jurisdiction within 10 working days of locating the noncustodial parent in another state or jurisdiction; informing the central interstate registry within 20 days of locating the noncustodial parent in another state or obtaining information needed to process the case; and in cases where the County is the responding state, providing the enforcement services within the same timeframes as required for in-state cases.

Per 45 CFR Section 303.4, the required timeframe to establish or attempt to establish a support obligation must be within 90 days of locating the noncustodial parent. Additionally, the County must attempt to secure medical support information and establish and enforce medical support obligations for all individuals eligible for services under 45 CFR Section 302.33.

Condition Found

Of the 30 case files selected for testwork, we noted:

- 1 case file where the County did not inform the central interstate registry within the specified timeframe (20 days) of locating the noncustodial parent in another state or of obtaining information needed to process the case.
- 1 case file where the County did not attempt to establish medical coverage from the noncustodial parent.

Effect

Noncustodial parent obligations of support and medical coverage may not be obtained due to a lack of information provided to the central interstate registry or to other states attempting to establish an obligation. In addition, the County may fail in establishing obligations in interstate cases as a result of not meeting the required timeframe requirements for establishing the obligation.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Recommendation

We recommend that the County strictly adhere to established policies and procedures with regard to interstate cases as they relate to reporting information to the central interstate registry as well as establishing noncustodial parent obligations.

Views of Responsible Officials

We do not concur with this finding. In reference to the “1 case file where the County did not inform the central interstate registry within the specified timeframe (20 days) of locating the noncustodial parent in another state or obtaining information needed to process the case”: the nonaction on our part occurred in 1994 which is not the specified time period (fiscal year 2004) for this audit. The case was found out of compliance in 1994 when we were audited by the State. At that time, we took corrective action by creating a “Uniform Interstate Family Support Act (UIFSA)” unit responsible for managing all our out-of-state cases. Since establishing the UIFSA Unit, the department manages this “specialized” caseload more efficiently and strictly adheres to established policies and procedures with regard to interstate cases.

In reference to the “1 case file where the County did not attempt to establish medical coverage from the noncustodial parent”: the noncustodial parent lives in another state. Because the original divorce order was established in the same state in which the noncustodial parent resides, that state has “Continuing Exclusive Jurisdiction (CEJ).” Only the other state can modify its order.

We uphold our belief that each case was managed in a timely and diligent manner and within the requirements of the Code of Federal Regulation. We will continue to adhere to established policies and procedures with regard to interstate cases as they relate to reporting information to the central interstate registry as well as establishing noncustodial parent obligations. For this reason, we are not in concurrence that we violated this provision.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-15

Program: Foster Care Program – Title IV-E

CFDA No.: 93.658

Federal Agency: U.S. Department of Health and Human Services

Passed-through: California Department of Social Services

Award Numbers: 03/04-16, 03/04-68, 03/04-48

Award Year: Fiscal year 2003/04

Compliance Requirement: Allowable Costs and Activities

Questioned Costs: \$100

Criteria

The *March 2004 OMB Circular A-133 Compliance Supplement* requirements for Allowable Costs and Activities require that the pass-through entity have internal controls in place to ensure the correct foster care provider rate is entered into the Case Data System (CDS). Provider rates determine the monthly payment made to the foster parent for providing foster care services.

Condition Found

The County has a policy requiring the eligibility worker's supervisor to approve the provider rate prior to entering into CDS. Of the 30 provider payments selected for allowable costs and activities testwork, we noted one payment whereby the provider's rate was incorrect in CDS, which resulted in an overpayment to the provider of \$100. Such rate had been reviewed and approved by the supervisor.

Effect

Incorrect provider rates in CDS could lead to inaccurate provider payments.

Recommendation

We recommend that the County adhere to the established policies and procedures in determining the correct foster care provider rate. This will help ensure the accuracy of the provider rate information in CDS.

Views of Responsible Officials

We concur with the finding. No additional controls appear to be required. This error appears to be an exception. Supervisor and line staff will be encouraged to redouble their efforts toward complete accuracy.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-16

Program: Foster Care Program – Title IV-E

CFDA No.: 93.658

Federal Agency: U.S. Department of Health and Human Services

Passed-through: California Department of Social Services

Award Numbers: 03/04-16, 03/04-48, 03/04-68

Award Year: Fiscal year 2003/04

Compliance Requirement: Eligibility

Questioned Costs: Unknown

Criteria

The *March 2004 OMB Circular A-133 Compliance Supplement* requirements for Eligibility state that the pass-through entity must redetermine the eligibility for each foster care child every 6 months. In addition, the pass-through entity is required to determine that the child becomes ineligible when the child reaches 18 years of age and is not in school; or if the child is in school, when the child reaches 19 years of age.

Condition Found

Of the 30 participants selected for eligibility testwork, we noted 1 case where the redetermination was not performed within the required 6-month timeframe. We noted that the child was redetermined in the seventh month and was found to be eligible.

Effect

Ineligible participants may be receiving benefits.

Recommendation

We recommend that the County establish formal policies and procedures with regard to ongoing eligibility redetermination requirements in order to ensure that eligibility redeterminations are being performed within the specified timeframe. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

Views of Responsible Officials

We concur with the finding. Sufficient controls appear to be in place. However, the one error here appears to be an exception. Since it represents a small percentage of the total reviewed, caution to staff is probably the best deterrent to future errors.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-17

Program: Foster Care Program – Title IV-E

CFDA No.: 93.658

Federal Agency: U.S. Department of Health and Human Services

Passed-through: California Department of Social Services

Award Numbers: 03/04-16, 03/04-48, 03/04-68

Award Year: Fiscal year 2003/04

Compliance Requirement: Reporting

Questioned Costs: Unknown

Criteria

The County's policies and procedures require the quarterly claim form that is prepared by the County's Probation Department to be signed by the Probation Department's Fiscal Manager prior to being submitted to the County's Department of Social Services for processing.

Condition Found

Of the 4 quarterly Probation Department claims submitted to County Department of Social Services, 2 claims did not contain evidence of the Fiscal Manager's review.

Effect

Lack of evidenced review of the Probation Department's quarterly claim could lead to potential inaccurate data in the CEC.

Recommendation

We recommend that the County adhere to its policies and procedures of requiring the Probation Fiscal Manager sign the quarterly claim prior to submitting to Department of Social Services for processing.

Views of Responsible Officials

We agree with the finding that DSS should ensure the required Probation Fiscal Manager's signature is on the quarterly claim prior to DSS processing. As part of the review of the CEC, we will include a section verifying compliance with this policy and documented with reviewer's initials.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-18

Program: Highway Planning and Construction

CFDA No.: 20.205

Federal Agency: U.S. Department of Transportation

Passed-through: California Department of Transportation

Award Numbers: 05-5951/M023 Rev 1, 05-5951/M030, and 05-5951/M031

Award Year: Fiscal year 2003/04

Compliance Requirement: Davis-Bacon Act

Questioned Costs: Unknown

Criteria

The *March 2004 OMB Circular A-133 Compliance Supplement* requirements for the Davis-Bacon Act require that the pass-through entity pay wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (40 USC 276a to 276a-7) for laborers and mechanics employed by contractors or subcontractors who work on construction contracts in excess of \$2,000 financed by federal assistance funds.

Condition Found

The Assistant Resident Engineer is required to prepare and maintain daily roster reports that list all contractors and subcontractors (contractors) that worked on the construction project site. Such daily rosters must be forwarded to the Resident Engineer for review in order to verify that a certified payroll report was obtained for all contractors working during the pay period. Additionally, in accordance with the State of California Department of Transportation Construction Manual, the resident engineer must conduct monthly interviews with contractors' and subcontractors' employees who work on the project site to inquire about their wage rate. The interview includes inquiring about pay rates of the employee. The wage rate obtained in the employee interview is compared to the certified payroll submitted by the contractor or subcontractor to ensure accuracy.

If the contractor is an owner-operator, the contractor is required to submit a list of owner-operators.

Of the 30 daily roster reports selected for Davis-Bacon Act testwork, we noted the following:

- 1 contractor on the daily roster report where a certified payroll was not obtained.
- 1 company's owner-operator was indicated on the daily roster, but was not included on the owner-operator list.

Additionally, of the 4 monthly interview reports selected for testwork, we noted 1 month wherein there was no documentation that the interviews had taken place.

Effect

The County may be paying contractors who are not paying prevailing wage rates to their employees. By not maintaining a complete owner-operator list, the County would not know if it is appropriate for an individual to be excluded from the certified payroll.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Recommendation

We recommend that the County adhere to the established formal policies and procedures to ensure that required documentation, including certified payroll reports, monthly interviews, and evidence of Resident Engineer review, is properly maintained for all contractors and subcontractors required to submit one. This will help ensure compliance with federal requirements.

Views of Responsible Officials

We concur with this finding. The department acknowledges that required paperwork is missing from the contractor and files. However, the project was not complete and the department's procedures are that final payment to the contractor will not occur until the contractor submits all required paperwork. The certified payrolls and the revision to the owner-operator list are the responsibility of the contractor to submit to the County. This finding relates to a project that was ongoing and not complete. The department acknowledges that one employee interview is missing and that the California Department of Transportation procedures recommend one employee interview per month when work is ongoing.

The department currently conducts a final (preaudit) review of the project files and contractor submittals near the end of the project and takes financial sanctions or withholds final payment against the contractors for missing paperwork prior to the close-out of the project.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-19

Program: Highway Planning and Construction

CFDA No.: 20.205

Federal Agency: U.S. Department of Transportation

Passed-through: California Department of Transportation

Award Number: 05-5951/037

Award Year: Fiscal year 2003/04

Compliance Requirement: Special Tests and Provisions – Sampling Program

Questioned Costs: \$525.00

Criteria

The *March 2004 OMB Circular A-133 Compliance Supplement* requirements for Special Tests and Provisions – Sampling Program require that the pass-through entity have a sampling and testing program for projects to ensure that materials and workmanship generally conform to approved plans and specifications.

Condition Found

Of the 30 items selected for testwork, we noted 1 item where there was no evidence of materials testing or a certificate of compliance indicating that the sampling procedures had been performed.

Effect

Substandard materials may be used in the construction of federally funded projects.

Recommendation

We recommend that the County establish formal policies and procedures with regard to a materials quality assurance program which includes maintenance of documentation for materials testing and related results.

Views of Responsible Officials

We concur with this finding. The department acknowledges that required paperwork is missing from the contractor and files. However, the project was not complete and the department's procedures are that final payment to the contractor will not occur until the contractor submits all required paperwork. One item out of 30 items was missing a certificate of compliance for materials used on the job.

The department currently conducts a final (preaudit) review of the project files and contractor submittals near the end of the project and takes financial sanctions or withholds final payment against the contractors for missing paperwork prior to the close-out of the project.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-20

Program: Temporary Assistance for Needy Families

CFDA No.: 93.558

Federal Agency: U.S. Department of Health and Human Services

Passed-through: California Department of Social Services

Award Numbers: 04/05-31, 03/04-09, 03/04-10, 03/04-14, 03/04-29, 03/04-32, 03/04-43, 03/04-45, 03/04-57, 03/04-71, 02/03-62

Award Year: Fiscal year 2003/04

Compliance Requirement: Special Tests and Provisions – Income Eligibility and Verification System

Questioned Costs: Unknown

Criteria

The *March 2004 OMB Circular A-133 Compliance Supplement* requirements for Special Tests and Provisions – Income Eligibility and Verification System (IEVS) require that each state participate in the IEVS. Under the State of California IEVS Plan, the County is required to properly consider the information obtained from the State of California data matching system in determining the eligibility and the amount of Temporary Assistance for Needy Families (TANF) benefits.

Condition Found

The County has assigned the responsibility of investigating the discrepancies identified by the State's IEVS system to three units, which are located in Santa Maria, Santa Barbara, and Lompoc. The Santa Maria unit adheres to a specified set of procedures while the Santa Barbara and Lompoc units follow a different set of procedures. During our testwork, we noted that the current procedures in place at the Santa Barbara and Lompoc units lack the necessary procedures to properly investigate the identified discrepancies. Specifically, the current procedures in place at the Santa Barbara and Lompoc units are lacking in the following areas:

- 1) If the amount of benefits being received by the participant is less than \$500, the discrepancy is not investigated;
- 2) If the participant reported any amount of earnings, the discrepancy is not investigated, with no consideration as to the amount of the discrepancy identified;
- 3) Supervisors do not review the discrepancies not investigated.

Effect

Lack of proper investigative procedures related to the identified discrepancies could result in the overpayment of TANF benefits to participants.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Recommendation

We recommend that the County implement formal procedures whereby all discrepancies are properly investigated and the results of such procedures are clearly documented. Additionally, we recommend that the County implement sampling procedures regarding those discrepancies that are investigated and cleared as being not valid discrepancies and that such results are formally reviewed by the supervisor on a regular basis. Further, the above policies and procedures should be consistently implemented across all three units.

Views of Responsible Officials

Based on the finding, which we believe to be accurate, the Earnings Clearance System review policies and procedures have been rewritten. This procedure represents, in large measure, the process already in place in the Santa Maria office. The policies and procedures also incorporate the recommendations that the supervisors formally review a sampling of those discrepancies that are investigated and cleared as being not valid discrepancies. The new policies and procedures will be implemented consistently in all three district offices: Santa Barbara, Santa Maria, and Lompoc.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-21

Program: Temporary Assistance for Needy Families

CFDA No.: 93.558

Federal Agency: U.S. Department of Health and Human Services

Passed-through: California Department of Social Services

Award Numbers: 04/05-31, 03/04-09, 03/04-10, 03/04-14, 03/04-29, 03/04-32, 03/04-43, 03/04-45, 03/04-57, 03/04-71, 02/03-62

Award Year: Fiscal year 2003/04

Compliance Requirement: Eligibility

Questioned Costs: Unknown

Criteria

The State of California Department of Social Services requires the County to obtain documentation of each participant's income status by obtaining a CW-7 form. The form must be submitted by the participant by the fifth day of each month.

Condition Found

Of the 30 participant files selected for eligibility testwork, we noted 1 file that did not contain the required CW-7 form for the month of August 2003.

Effect

Participant data may not be accurate in the participant file or the system, which could lead to the continuation of eligibility errors, inaccurate benefit calculations, and benefit overpayments.

Recommendation

We recommend that the County ensure that the established policies and procedures with regard to required documentation and maintenance of participant files are strictly adhered to by County personnel. Further, we recommend that the County implement a procedure to review participant files on a regular basis in order to ensure that all required documentation is properly maintained and reviewed.

Views of Responsible Officials

DSS has a long established Case Review/Reading Policy that includes a checklist tool that lists the documents to be included in eligibility case records. Included with that policy is a review form specific to the QR-7 (formerly CW7) form. Although this is an isolated incidence, this policy will be reviewed with TANF Program managers and supervisors at the next scheduled program meeting.

Additionally, an email will be sent to all TANF Program managers and supervisors to advise them of the above finding and to re-emphasize the importance of following policy and procedure for maintaining documentation and case files – review, signature, follow up and filing.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-22

Program: Temporary Assistance for Needy Families

CFDA No.: 93.558

Federal Agency: U.S. Department of Health and Human Services

Passed-through: California Department of Social Services

Award Numbers: 04/05-31, 03/04-09, 03/04-10, 03/04-14,03/04-29, 03/04-32, 03/04-43, 03/04-45, 03/04-57, 03/04-71, 02/03-62

Award Year: Fiscal year 2003/04

Compliance Requirement: Eligibility

Questioned Costs: Unknown

Criteria

The *March 2004 OMB Circular A-133 Compliance Supplement* requirements for Eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements. The County of Santa Barbara has established procedures requiring all CW2.1 forms be signed by the eligibility worker.

Condition Found

The County has established procedures in place which requires that all CW2.1 forms be signed by the eligibility worker. Of the 30 participant files selected for eligibility testwork, we noted 1 file whereby the CW2.1 form was not signed by the eligibility worker.

Effect

Participant data may not be accurate in the participant file or the system, which could lead to the continuation of eligibility errors, inaccurate benefit calculations, and benefit overpayments.

Recommendation

We recommend that the County ensure that the established policies and procedures with regard to required documentation and maintenance of participant files is strictly adhered to by County personnel. Further, we recommend that the County implement a procedure to review participant files on a regular basis in order to ensure that all required documentation is properly maintained and reviewed.

Views of Responsible Officials

DSS has a long established Case Review/Reading Policy that includes a checklist tool that lists the documents to be included in eligibility case records. Although this is an isolated incidence, this policy will be reviewed with TANF Program managers and supervisors at the next scheduled program meeting.

Additionally, an email will be sent to all TANF Program managers and supervisors to advise them of the above finding and to re-emphasize the importance of following policy and procedure for maintaining documentation and case files – review, signature, follow up and filing.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-23

Program: Temporary Assistance for Needy Families

CFDA No.: 93.558

Federal Agency: U.S. Department of Health and Human Services

Passed-through: California Department of Social Services

Award Numbers: 04/05-31, 03/04-09, 03/04-10, 03/04-14,03/04-29, 03/04-32, 03/04-43, 03/04-45, 03/04-57, 03/04-71, 02/03-62

Award Year: Fiscal year 2003/04

Compliance Requirement: Special Tests and Provisions – Child Support Non-Cooperation

Questioned Costs: Unknown

Criteria

The *March 2004 OMB Circular A-133 Compliance Supplement* requirements for Special Tests and Provisions – Child Support Non-Cooperation require the County of Santa Barbara, once notified by the State IV-D agency, to take necessary action to reduce or deny TANF assistance to participants not cooperating in locating the noncustodial parent.

Condition Found

Of the 30 case files selected for testwork, we noted the following:

- 3 case files did not contain the required CA371 form stating the recipient is not cooperating with child support enforcement.
- 2 case files did not contain the 278F forms indicating the amount of assistance being paid to the participant.

Effect

The County may not take the necessary action to reduce or deny Temporary Assistance for Needy Families assistance paid to participants not cooperating in locating the noncustodial parent, which may result in benefit overpayments.

Recommendation

We recommend that the County ensure that the established policies and procedures with regard to required documentation and maintenance of case files are strictly adhered to by County personnel. Further, we recommend that the County implement a procedure to review case files on a regular basis in order to ensure that all required documentation is properly maintained and reviewed.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Views of Responsible Officials

Our Program Analyst did identify supporting documentation in each of the cases noted above that indicated that the documents in question had been reviewed and appropriate action taken, but the documents were not filed in the case record. With the implementation of our new eligibility application (CalWIN), current business processes are being reviewed. We have recently established a case file workgroup that is evaluating all aspects of maintaining case records. We are also exploring document scanning. We will be revising current procedures to ensure that we are meeting the requirements of document and case file maintenance in all programs.

Additionally, an email will be sent to all TANF Program managers and supervisors to advise them of the above finding and to re-emphasize the importance of following policy and procedure for maintaining documentation and case files – review, signature, follow up and filing.