

COUNTY OF SAN LUIS OBISPO
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2005

COUNTY OF SAN LUIS OBISPO

Single Audit Report
For the Year Ended June 30, 2005

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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***

Board of Supervisors
County of San Luis Obispo
San Luis Obispo, 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 San Luis Obispo, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 28, 2005. 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 of San Luis Obispo'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 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 of San Luis Obispo's financial statements are free of material misstatement, we performed tests of its compliance with

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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 for the information of the Board of Supervisors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

BARTIG, BASLER & RAY, CPAs, INC.

Bartig, Basler & Ray, CPAs, Inc.

Roseville, California
October 28, 2005

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

Board of Supervisors
County of San Luis Obispo
San Luis Obispo, California

Compliance

We have audited the compliance of the County of San Luis Obispo, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The County of San Luis Obispo's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulation, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of San Luis Obispo's management. Our responsibility is to express an opinion on the County of San Luis Obispo'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 of San Luis Obispo'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 of San Luis Obispo's compliance with those requirements.

In our opinion, the County of San Luis Obispo complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with

Board of Supervisors
County of San Luis Obispo

OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 05-1, 05-2, 05-4 and 05-5.

Internal Control Over Compliance

The management of the County of San Luis Obispo is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of San Luis Obispo'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 of San Luis Obispo'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 item 05-1, 05-2, 05-3, 05-4 and 05-5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. We also noted other matters involving internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs which we have reported to management in a separate letter dated October 28, 2005.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, and business-type activities, each major fund, and the aggregate remaining fund information of the County of San Luis Obispo as of and for the year ended June 30, 2005, and have issued our report thereon dated October 28, 2005. Our audit was performed for the purpose of forming opinions on the financial

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County of San Luis Obispo

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 for the information of the Board of Supervisors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

BARTIG, BASLER & RAY, CPAs, INC.

Bartig, Basler & Ray, CPAs, Inc.

Roseville, California
October 28, 2005

COUNTY OF SAN LUIS OBISPO

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Number	Revenue Recognized	Expenditures
U. S. DEPARTMENT OF AGRICULTURE				
Passed through State Department of Social Services:				
Food Stamps	10.551	--	\$ 8,094,954	\$ 8,094,954
Food Stamp Administration	10.561	--	1,924,454	1,924,454
Food Stamp Administration - prior year accrual	10.561	--	(445,711)	--
Subtotal Pass-Through			<u>9,573,697</u>	<u>10,019,408</u>
Passed through State Department of Education:				
School Nutrition Program - Breakfast	10.553	40-34405-9012915-01	30,979	30,979
School Nutrition Program - Lunch	10.555	40-34405-9012915-01	47,649	47,649
Subtotal Pass-Through			<u>78,628</u>	<u>78,628</u>
Passed through State Department of Health Services:				
Infant Children Nutrition Program	10.557	02-25708	<u>757,762</u>	<u>757,762</u>
Passed through State Controller's Office:				
Federal Forest Reserve Fee	10.665	--	11,148	11,148
Federal Grazing Fees	10.666	--	5,081	5,081
Subtotal Pass-Through			<u>16,229</u>	<u>16,229</u>
Total U.S. Department of Agriculture			<u>\$ 10,426,316</u>	<u>\$ 10,872,027</u>
U.S. DEPARTMENT OF COMMERCE				
Direct Program:				
Coastal Zone Management Administration Awards	11.419	--	<u>35,697</u>	<u>35,697</u>
Total U.S. Department of Commerce			<u>\$ 35,697</u>	<u>\$ 35,697</u>
U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				
Direct Programs:				
Community Development Block Grants/Entitlement Grants	14.218 *	--	2,740,142	2,799,142
Emergency Shelter Grant Program	14.231	--	106,026	106,026
Supportive Housing Program	14.235	--	413,554	413,553
HOME Partnership Investment Program	14.239 *	--	814,817	1,305,360
Subtotal Direct			<u>4,074,539</u>	<u>4,624,081</u>
Total U.S. Department of Housing & Urban Development			<u>\$ 4,074,539</u>	<u>\$ 4,624,081</u>
U. S. DEPARTMENT OF THE INTERIOR				
Direct Program:				
Federal In-Lieu tax	15.226	--	<u>606,647</u>	<u>606,647</u>
Total U.S. Department of Interior			<u>\$ 606,647</u>	<u>\$ 606,647</u>

* Major Program

COUNTY OF SAN LUIS OBISPO

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Number	Revenue Recognized	Expenditures
U. S. DEPARTMENT OF JUSTICE				
Direct Programs:				
Local Law Enforcement Block Grants:				
Local Law Enforcement Block Grant 02/03	16.592	2003-LB-BX-0400	\$ 21,738	\$ 24,672
Local Law Enforcement Block Grant 03/04	16.592	2004-LB-BX-0420	17,662	17,662
Subtotal CFDA 16.592			<u>39,400</u>	<u>42,334</u>
Public Safety Partnership and Community Policing Grants:				
COPS Technology Award-SS Awards	16.710	--	48,200	48,200
Bureau of Immigration & Customs Enforcement	16.710	--	62,166	5,347
COPS Technology Award	16.710	2004-CK-WX-0335	146,194	148,422
COPS Technology Award	16.710	2003-CK-WX-0285	--	110,279
Subtotal CFDA 16.710			<u>256,560</u>	<u>312,248</u>
State Criminal Alien Assistance Program	16.606	2004-AP-BX-0562	380,968	380,968
Juvenile Drug Court	16.585	2002-DC-BX-0009	250,213	219,696
Southwest Border Prosecution Initiative	16.607	--	26,125	26,125
Office of Juvenile Justice and Delinquency Prevention Grant	16.000	2003-ND-FX-0064	96,382	96,382
Subtotal			<u>753,688</u>	<u>723,171</u>
Subtotal Direct			<u>1,049,648</u>	<u>1,077,753</u>
Passed through State Department of Emergency Services:				
Byrne Formula Grants:				
Gang Task Force	16.579	DC 04150400	255,634	255,634
Marijuana Suppression Grant	16.579	MS 04030400	227,134	227,135
Subtotal CFDA 16.579			<u>482,768</u>	<u>482,769</u>
Victim Witness Assistance	16.575	VW 04230400	83,341	83,341
Victim Witness Elder Abuse	16.582	EA 04070400	71,749	72,267
Subtotal			<u>155,090</u>	<u>155,608</u>
Subtotal Pass-Through			<u>637,858</u>	<u>638,377</u>
Passed through State Board of Corrections:				
Coordinated Enforcement Plan for Reducing Juvenile Crime	16.523	BDC 16604	30,275	35,411
Total U.S. Department of Justice			<u>\$ 1,717,781</u>	<u>\$ 1,751,541</u>

COUNTY OF SAN LUIS OBISPO

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Number	Revenue Recognized	Expenditures
U. S. DEPARTMENT OF TRANSPORTATION				
Direct Programs:				
Airport Improvement Program (Oceano)	20.106	08-02-C-31254	\$ 1,107,007	\$ 1,107,007
Airport Improvement Program (P5132 Taxiway Flatwork)	20.106	08-01-C-31095	104,093	104,093
Prior Year accrual	20.106	--	2,405	--
Airport Improvement Program	20.106	08-02-C-31258	360,753	360,753
Airport Improvement Program	20.106	08-02-C-31257	72,018	72,018
Airport Improvement Program	20.106	08-02-C-31323	168,854	168,854
Airport Improvement Program	20.106	08-03-C-31381	1,076,931	1,076,931
Airport Improvement Program	20.106	08-04-C-31462	206,626	206,626
Airport Improvement Program	20.106	08-04-C-31548	89,460	89,460
Subtotal Direct			<u>3,188,147</u>	<u>3,185,742</u>
Passed through State Department of Transportation:				
Highway Planning and Construction:				
Public Ways and Facilities	20.205	RPSTPL-5949(081)	81,310	81,310
Public Ways and Facilities	20.205	BRLO-5949(021)	240,573	240,573
Public Ways and Facilities	20.205	BRLO-5949(019)	117,533	117,533
Public Ways and Facilities	20.205	BRLO-5949(009)	86,101	86,101
Public Ways and Facilities	20.205	BRL-5949(027)	108,000	108,000
Public Ways and Facilities	20.205	BRLO-5949(033)	79,991	79,991
Public Ways and Facilities	20.205	BRLO-5949(065)	79,171	82,204
Public Ways and Facilities	20.205	BRLO-5949(064)	36,815	36,815
Public Ways and Facilities	20.205	BRLSZD-5949(060)	1,966,127	1,966,127
Public Ways and Facilities - prior year adjustment	20.205	--	(18,853)	--
Subtotal Pass-Through and CFDA 20.205			<u>2,776,768</u>	<u>2,798,654</u>
Passed through Business, Transportation and Housing Agency:				
State and Community Highway Safety:				
Office of Traffic Safety	20.600	AL 0575	132,602	132,602
Office of Traffic Safety - prior year adjustment	20.600	AL 0575	2,990	--
Subtotal Pass-Through and CFDA 20.600			<u>135,592</u>	<u>132,602</u>
Passed through State Office of Emergency Services:				
Interagency Hazardous Materials Public Sector Training and Planning Grants:				
Hazardous Materials Emergency Preparedness - EH	20.703	3033-110	9,994	12,901
Hazardous Materials Emergency Preparedness - Nursing	20.703	HMECA-4033120	--	5,700
Subtotal Pass-Through and CFDA 20.703			<u>9,994</u>	<u>18,601</u>
Total U.S. Department of Transportation			<u>\$ 6,110,501</u>	<u>\$ 6,135,599</u>

COUNTY OF SAN LUIS OBISPO

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Number	Revenue Recognized	Expenditures
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES				
Direct Program:				
Global Language Materials Grant Program	45.310	40-6206	\$ 5,240	\$ 6,000
Total National Foundation Arts and Humanities			\$ 5,240	\$ 6,000
U. S. DEPARTMENT OF EDUCATION				
Passed through State Department of Education:				
Special Education - Grants to States:				
Individuals with Disabilities Education Act	84.027	--	493,186	493,186
Individuals with Disabilities Education Act - Prior year adjustment	84.027	--	(28,819)	--
Subtotal Pass-Through and CFDA 84.027			<u>464,367</u>	<u>493,186</u>
Passed through State Department of Alcohol and Drug Programs:				
Safe and Drug-Free Schools and Communities - State Grants:				
Drug School Program - Friday Night Live Mentor Program	84.186	--	25,000	25,000
Drug School Program - Friday Night Live Expansion	84.186	SDF 03-17	139,715	139,715
Drug School Program - Dare to Be You	84.186	SDF 03-36	62,277	62,277
Subtotal Pass-Through and CFDA 84.186			<u>226,992</u>	<u>226,992</u>
Total U.S. Department of Education			\$ 691,359	\$ 720,178
U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
Passed through State Office of Emergency Services:				
Health Resources Services Administration	93.003	--	30,000	30,000
Passed through State Department of Aging:				
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services:				
Area Agency on Aging (AAA) - Title III-D	93.043	45016D	10,839	10,839
Area Agency on Aging (AAA) - Title III-D - Prior period adjustment	93.043	45106D	5,043	--
Subtotal Pass-Through and CFDA 93.043			<u>15,882</u>	<u>10,839</u>
Passed Through State Department of Alcohol and Drug Programs:				
Block Grants for Prevention and Treatment of Substance Abuse:				
Drug and Alcohol Abuse Block Grant - Discretionary Funds	93.959 *	--	1,264,963	1,264,963
Drug and Alcohol Abuse Block Grant - HIV Set-aside Funds	93.959 *	--	67,976	67,976
Drug and Alcohol Abuse Block Grant - Adolescent and Youth Treatment	93.959 *	--	177,514	177,514

* Major Program

COUNTY OF SAN LUIS OBISPO

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Number	Revenue Recognized	Expenditures
U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES (continued)				
Passed Through State Department of Alcohol and Drug Programs (continued):				
Drug and Alcohol Abuse Block Grant - Perinatal Set-aside Funds	93.959 *	--	\$ 72,019	\$ 72,019
Drug and Alcohol Abuse Block Grant - Abuse Treatment and Testing Account	93.959 *	--	58,728	58,728
Subtotal Pass-Through and CFDA 93.959			<u>1,641,200</u>	<u>1,641,200</u>
Passed through State Department of Child Support Services:				
Child Support Enforcement:				
Program Costs	93.563	--	2,912,723	2,912,723
Child Support Enforcement Performance Incentives	93.563	--	354,589	354,589
Subtotal Pass-Through and CFDA 93.563			<u>3,267,312</u>	<u>3,267,312</u>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs:				
Tuberculosis Grant	93.116	--	9,979	9,979
Tuberculosis Grant - prior year adjustment	93.116	--	9,745	--
Subtotal CFDA 93.116			<u>19,724</u>	<u>9,979</u>
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children Programs:				
Lead Poisoning	93.197	02-25072	24,632	24,632
Lead Poisoning - prior year adjustment	93.197	02-25072	(3,534)	--
Lead Poisoning - Environmental Health	93.197	03-76032-01	10,377	10,377
Subtotal CFDA 93.197			<u>31,475</u>	<u>35,009</u>
Immunization Grants:				
Immunization Action Plan	93.268	04-35251	101,669	101,669
Immunization Action Plan - prior year adjustment	93.268	04-35251	(2,400)	--
Statewide Immunization Information System	93.268	04-35322	2,995	--
Statewide Immunization Information System	93.268	04-35322	123,651	123,651
Subtotal CFDA 93.268			<u>225,915</u>	<u>225,320</u>
Centers for Disease Control And Prevention - Investigations and Technical Assistance Programs:				
Subvention - Bio Terrorism Planning	93.283	--	663,938	663,938
Subvention - Bio Terrorism Planning	93.283	--	18,892	18,892
Subtotal CFDA 93.283			<u>682,830</u>	<u>682,830</u>

* Major Program

COUNTY OF SAN LUIS OBISPO

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Number	Revenue Recognized	Expenditures
U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES (continued)				
Passed through State Department of Child Support Services (continued):				
HIV Care Formula Grants:				
AIDS Case Management	93.917	04-35378	\$ 96,215	\$ 96,215
HIV Care Consortium (HOPWA)	93.917	04-35621	122,168	122,168
HIV Care Consortium (PLHA Housing)	93.917	03-76188	78,249	78,249
HIV Care Consortium (Ryan White)	93.917	03-75928	106,339	106,339
HIV Care Consortium - prior year accrual	93.917	03-75928	(10,677)	--
Subtotal CFDA 93.917			<u>392,294</u>	<u>402,971</u>
HIV Prevention Activities - Health Department Based:				
HIV Prevention Program - ATS	93.940	04-35378	68,848	68,848
HIV Prevention Program - ATS - prior year accrual	93.940	04-35378	242	--
HIV Prevention Program - HRW	93.940			
HIV Prevention Program - POC/PSM	93.940			
Subtotal CFDA 93.940			<u>69,090</u>	<u>68,848</u>
Medical Assistance Program:				
Medi-Cal Administration	93.778 *	40-0407	1,241,162	1,241,162
Medi-Cal Administration	93.778 *	04-35107	504,207	504,207
Medi-Cal Administration - prior year adjustment	93.778 *	--	(118,734)	--
Medi-Cal Administration	93.778 *	--	4,487,051	4,487,051
Subtotal CFDA 93.778			<u>6,113,686</u>	<u>6,232,420</u>
Preventive Health and Health Services Block Grants:				
Federal Health Incentive Program (314D)	93.991	--	1,385	1,385
Federal Health Incentive Program (314D) - Prior year adjustment	93.991	--	4,155	--
Subtotal CFDA 93.991			<u>5,540</u>	<u>1,385</u>
Maternal and Child Health Services Block Grant to the States:				
Children Services	93.994	--	506,693	506,693
Children Services - prior year accrual	93.994	--	105,578	--
Maternal & Child Health Services	93.994	200440	333,025	333,028
Maternal & Child Health Services - prior year accrual	93.994	200440	(40,132)	--
Medically Vulnerable Infant Program	93.994	00-91277	125,000	125,000
Child Health & Disability Prevention	93.994	--	176,632	176,632
Child Health & Disability Prevention - prior year adjustment	93.994	--	62,336	--
Health Administration	93.994	200440	662,968	662,968
Health Administration - prior year adjustment	93.994	200440	(96,309)	--
Subtotal CFDA 93.994			<u>1,835,791</u>	<u>1,804,321</u>
Subtotal Pass-Through			<u>9,376,345</u>	<u>9,463,083</u>

* Major Program

COUNTY OF SAN LUIS OBISPO

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Number	Revenue Recognized	Expenditures
U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES (continued)				
Passed through State Department of Mental Health:				
Mental Health - McKinney Homeless	93.150	--	\$ 40,916	\$ 40,916
Mental Health - Substance Abuse (SAMHSA)	93.958	--	432,515	432,515
Subtotal Pass-Through			<u>473,431</u>	<u>473,431</u>
Passed through State Department of Social Services:				
Promoting Safe and Stable Families:				
Dependency Drug Court Grant	93.556	CDCI-04/05-40-05-A1	69,213	69,213
Administration: Family Support	93.556	--	973,657	973,657
Subtotal CFDA 93.556			<u>1,042,870</u>	<u>1,042,870</u>
Temporary Assistance for Needy Families:				
Administration: Probation - CALWORKS	93.558	--	790,080	762,945
Administration: Public Health CCG	93.558	99-85646	123,500	123,500
Administration: CALWORKS	93.558	--	15,936,375	15,936,375
Subtotal CFDA 93.558			<u>16,849,955</u>	<u>16,822,820</u>
Foster Care - Title IV-E:				
Administration: Probation - Title IV E	93.658 *	--	1,912,996	1,912,996
Administration: Foster Care - Title IV E	93.658 *	--	5,792,695	5,806,608
Subtotal CFDA 93.658			<u>7,705,691</u>	<u>7,719,604</u>
Chafee Education and Training Vouchers Program	93.599	--	2,848	2,848
Administration: Social Services Programs - Other	93.645	--	562,760	562,760
Adoption Assistance	93.659	--	2,449,332	2,454,084
Administration: Independent Living Skills	93.674	--	224,977	224,977
Child Welfare Services - Title XX	93.667	--	127,509	127,509
Targeted Case Management - 04/05	93.779	--	339,477	108,996
Subtotal			<u>3,706,903</u>	<u>3,481,174</u>
Subtotal Pass-Through			<u>29,305,419</u>	<u>29,066,468</u>
Total U.S. Department of Health & Human Services			<u>\$ 44,109,589</u>	<u>\$ 43,952,333</u>
DEPARTMENT OF HOMELAND SECURITY				
Direct Programs:				
Transportation Security Administration, Law Enforcement				
Personnel	97.000	--	281,174	281,174
Assistance to Firefighters Grant	97.044	--	142,423	142,423
Subtotal Direct			<u>423,597</u>	<u>423,597</u>

* Major Program

COUNTY OF SAN LUIS OBISPO

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Number	Revenue Recognized	Expenditures
DEPARTMENT OF HOMELAND SECURITY (continued)				
Passed through State Office of Emergency Services:				
State Domestic Preparedness Equipment Support Program:				
State Homeland Security Grant Program	97.004	2004-45	\$ 13,404	\$ 13,404
State Homeland Security Grant Program	97.004	2003-35	243,818	244,138
State Homeland Security Grant Program	97.004	2004-45	194,212	194,212
State Homeland Security Grant Program (Terrorism Prevention Program)	97.004	2004-45	--	552,183
State Homeland Security Grant Program '02	97.004	--	503	503
State Homeland Security Grant Program '03	97.004	2002-133	527	527
State Homeland Security Grant Program '03, Part 2	97.004	2003-67	522	522
State Homeland Security Grant Program '04	97.004	2003-35	--	69,568
State Homeland Security Grant Program #1	97.004	2004-45	64,394	64,394
State Domestic Preparedness Grant - prior year adjustment	97.004	2003-67	(107,910)	--
Subtotal CFDA 97.004			<u>409,470</u>	<u>1,139,451</u>
Hazard Mitigation Grants:				
Hazard Mitigation Grant (83.548)	97.039	1046-01572	3,828	24,093
Hazard Mitigation Grant (83.548) - prior year accrual	97.039	1046-01572	50,414	--
Hazard Mitigation Grant (83.548)	97.039	--	17,805	17,805
Subtotal CFDA 97.039			<u>72,047</u>	<u>41,898</u>
Emergency Management Performance Grants:				
Emergency Management Program Grant - Non Terrorism '04 (83.552)	97.042	--	3,026	3,026
Emergency Management Program Grant - Non Terrorism '05 (83.552)	97.042	--	24,807	24,807
Subtotal CFDA 97.042			<u>27,833</u>	<u>27,833</u>
Public Assistance Grant - San Simeon Earthquake	97.036	--	303,835	170,671
Citizen Corp. (Community Emergency Response Team)	97.053	--	55	55
Subtotal			<u>303,890</u>	<u>170,726</u>
Subtotal Pass-Through			<u>813,240</u>	<u>1,379,908</u>
Total U.S. Department of Homeland Security			<u>\$ 1,236,837</u>	<u>\$ 1,803,505</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 69,014,506</u>	<u>\$ 70,507,608</u>

COUNTY OF SAN LUIS OBISPO

Notes to Schedule of Expenditure of Federal Awards For the Year Ended June 30, 2005

Note 1: **Reporting Entity**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the County of San Luis Obispo. The County of San Luis Obispo's reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

Note 2: **Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is sometimes prepared on a basis other than that used to record transactions in the accounting records and as reported in the basic financial statements (such as cash basis). The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 3: **Relationship to Financial Statements**

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's financial statements. Federal award revenues are reported principally in the County's financial statements as intergovernmental revenues in the General and Special Revenue funds.

Note 4: **Subrecipients**

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the County of San Luis Obispo provided federal awards to subrecipients as follows:

<u>Federal CFDA</u>	<u>Subrecipient</u>	<u>Amount</u>
14.239	Housing Authority of San Luis Obispo	\$ 514,436
14.239	People's Self-Help Housing Corporation	
14.218	City of Arroyo Grande	123,137
14.218	City of Paso Robles	252,149
14.218	Economic Opportunity Commission	203,465
14.218	Oceano Community Center	229,930
14.218	Cuesta College Small Business Development Center	41,966
14.218	City of Atascadero	356,520
14.218	City of Grover Beach	39,998
14.218	City of San Luis Obispo	1,007,364

COUNTY OF SAN LUIS OBISPO

Notes to Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2005

Note 5: **Loans Outstanding**

The following programs had federally-funded loans outstanding at June 30, 2005:

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Amount Outstanding</u>
14.218	Community Development Block Grants/Entitlement Grants	\$ 965,257
14.239	HOME Partnership Investment Program	<u>1,157,749</u>
	Total	<u>\$ 2,123,006</u>

Note 6: **Program Clusters**

Federal programs, which must be audited together as a program cluster, include the following:

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Federal Expenditures</u>
<u>Food Stamp Cluster:</u>		
10.551	Food Stamps	\$ 8,094,954
10.561	State Administrative Matching Grants for Food Stamp Program	<u>1,924,454</u>
	Total	<u>\$ 10,019,408</u>
<u>Child Nutrition Cluster:</u>		
10.553	School Nutrition Program - Breakfast	\$ 30,979
10.555	School Nutrition Program - Lunch	<u>47,649</u>
	Total	<u>\$ 78,628</u>
<u>Schools and Roads Cluster:</u>		
10.665	Federal Forest Reserve Fee	\$ 11,148
10.666	Federal Grazing Fees	<u>5,081</u>
	Total	<u>\$ 16,229</u>

COUNTY OF SAN LUIS OBISPO

Notes to Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2005

Note 7: **Pass-Through Entities' Identifying Number**

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the County determined that no identifying number is assigned for the program or the County was unable to obtain an identifying number from the pass-through entity.

COUNTY OF SAN LUIS OBISPO

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Note 8: **California Office of Emergency Services Grants**

The following represents expenditures for Office of Emergency Services programs for the year ended June 30, 2005. The amount reported in the Schedule of Expenditures of Federal Awards is determined by calculating the federal portion of the current year expenditures.

Program	Expenditures Claimed			Share of Expenditures - Current Year		
	For the Period Through June 30, 2004	For the Year Ended June 30, 2005	Cumulative As of June 30, 2005	Federal Share	State Share	County Share
<u>VW04230400 - Victim/Witness Assistance</u>						
Personal services	\$ --	\$ 187,887	\$ 187,887	\$ 83,341	\$ 104,546	\$ --
Operating expenses	--	--	--	--	--	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ --</u>	<u>\$ 187,887</u>	<u>\$ 187,887</u>	<u>\$ 83,341</u>	<u>\$ 104,546</u>	<u>\$ --</u>
<u>DC04150400 - Gang Task Force</u>						
Personal services	\$ --	\$ 255,634	\$ 255,634	\$ 255,634	\$ --	\$ --
Operating expenses	--	--	--	--	--	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ --</u>	<u>\$ 255,634</u>	<u>\$ 255,634</u>	<u>\$ 255,634</u>	<u>\$ --</u>	<u>\$ --</u>
<u>MS04030400 - Marijuana Eradication Team</u>						
Personal services	\$ --	\$ 168,071	\$ 168,071	\$ 168,071	\$ --	\$ --
Operating expenses	--	35,064	35,064	35,064	--	--
Equipment	--	24,000	24,000	24,000	--	--
Totals	<u>\$ --</u>	<u>\$ 227,135</u>	<u>\$ 227,135</u>	<u>\$ 227,135</u>	<u>\$ --</u>	<u>\$ --</u>
<u>EA04070400 - Victim/Witness Elder Abuse</u>						
Personal services	\$ --	\$ 69,146	\$ 69,146	\$ 69,146	\$ --	\$ --
Operating expenses	--	3,121	3,121	3,121	--	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ --</u>	<u>\$ 72,267</u>	<u>\$ 72,267</u>	<u>\$ 72,267</u>	<u>\$ --</u>	<u>\$ --</u>
<u>VB04020400 - Statutory Rape Vertical Prosecution</u>						
Personal services	\$ --	\$ 62,368	\$ 62,368	\$ --	\$ 62,368	\$ --
Operating expenses	--	--	--	--	--	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ --</u>	<u>\$ 62,368</u>	<u>\$ 62,368</u>	<u>\$ --</u>	<u>\$ 62,368</u>	<u>\$ --</u>

COUNTY OF SAN LUIS OBISPO

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Note 9: **California Board of Corrections Grants**

The following represents expenditures for the Board of Corrections program for the year ended June 30, 2005. The amount reported in the Schedule of Expenditures of Federal Awards is determined by calculating the federal portion of the current year expenditures.

Program	Expenditures Claimed			Share of Expenditures - Current Year		
	For the Period Through June 30, 2004	For the Year Ended June 30, 2005	Cumulative As of June 30, 2005	Federal Share	State Share	County Share
<u>BDC 166-04 - Coordinated Enforcement Plan for Reducing Juvenile Crime</u>						
Personal services	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Operating expenses	--	39,346	39,346	35,411	--	3,935
Equipment	--	--	--	--	--	--
Totals	<u>\$ --</u>	<u>\$ 39,346</u>	<u>\$ 39,346</u>	<u>\$ 35,411</u>	<u>\$ --</u>	<u>\$ 3,935</u>

Note 10: **Department of Insurance Grant**

The following represents expenditures for the Workers' Compensation Insurance Fraud Program for the year ended June 30, 2005.

Program	Expenditures Claimed			Share of Expenditures - Current Year		
	For the Period Through June 30, 2004	For the Year Ended June 30, 2005	Cumulative As of June 30, 2005	Federal Share	State Share	County Share
<u>Workers' Compensation Insurance Fraud</u>						
Personal services	\$ --	\$ 60,026	\$ 60,026	\$ --	\$ 60,026	\$ --
Operating expenses	--	--	--	--	--	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ --</u>	<u>\$ 60,026</u>	<u>\$ 60,026</u>	<u>\$ --</u>	<u>\$ 60,026</u>	<u>\$ --</u>

COUNTY OF SAN LUIS OBISPO

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Note 11: **Department of Justice Grants**

The following represents expenditures for Department of Justice programs for the year ended June 30, 2005.

Program	Expenditures Claimed			Share of Expenditures - Current Year		
	For the Period Through June 30, 2004	For the Year Ended June 30, 2005	Cumulative As of June 30, 2005	Federal Share	State Share	County Share
<u>Spousal Abuser Program (04SA11D027)</u>						
Personal services	\$ --	\$ 39,913	\$ 39,913	\$ --	\$ 33,261	\$ 6,652
Operating expenses	--	--	--	--	--	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ --</u>	<u>\$ 39,913</u>	<u>\$ 39,913</u>	<u>\$ --</u>	<u>\$ 33,261</u>	<u>\$ 6,652</u>
<u>Victim Compensation and Government Claims Board (BOC-4057)</u>						
Personal services	--	183,949	183,949	--	183,949	--
Operating expenses	--	31,209	31,209	--	31,209	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ --</u>	<u>\$ 215,158</u>	<u>\$ 215,158</u>	<u>\$ --</u>	<u>\$ 215,158</u>	<u>\$ --</u>
<u>Joint Powers Agreement (BOC-4074)</u>						
Personal services	--	32,591	32,591	--	32,591	--
Operating expenses	--	6,490	6,490	--	6,490	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ --</u>	<u>\$ 39,081</u>	<u>\$ 39,081</u>	<u>\$ --</u>	<u>\$ 39,081</u>	<u>\$ --</u>

COUNTY OF SAN LUIS OBISPO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Section 1

Financial Statements

Summary of Auditor's Results

- | | |
|---|---------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Reportable conditions identified not considered to be material weaknesses? | None Reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|-------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Reportable conditions identified not considered to be material weaknesses? | Yes |
| 2. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | Yes |
| 4. Identification of major programs: | |

CFDA Number

Name of Federal Program

- | | |
|--------|--|
| 14.218 | Community Development Block Grants/Entitlement Grants |
| 14.239 | HOME Partnership Investment Program |
| 93.658 | Foster Care - Title IV-E |
| 93.778 | Medical Assistance Program |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse |

COUNTY OF SAN LUIS OBISPO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Section 1 (continued)

Federal Awards (continued)

- | | |
|---|--------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$ 2,115,228 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | Yes |

Section 2

Financial Statement Findings

None Reported

Section 3

Federal Award Findings and Questioned Costs

- | | |
|------------------------|--------------|
| CFDA 93.778 | Finding 05-1 |
| CFDA 93.778 | Finding 05-2 |
| CFDA 93.778 | Finding 05-3 |
| CFDA 14.239 and 14.218 | Finding 05-4 |
| CFDA 14.239 | Finding 05-5 |

COUNTY OF SAN LUIS OBISPO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

<u>Finding/Program</u>	<u>Findings/Noncompliance</u>
<p>Finding 05-1</p> <p>Medical Assistance Program CFDA 93.778</p> <p>Award No. n/a Year: 04/05</p>	<p><i>Eligibility (Yearly Redeterminations) – Reportable Condition; Material Noncompliance In Relation to a Compliance Supplement Audit Objective</i></p> <p><u>Criteria</u></p> <p>Every 12 months the County must redetermine the eligibility of Medi-Cal recipients with respect to circumstances that may change (e.g., income eligibility). The County must have procedures designed to ensure that recipients make timely and accurate reports of any changes in circumstances that may affect their eligibility. The County must promptly reassess eligibility when it receives information about changes in a recipient’s circumstances that may affect his or her eligibility (42 CFR 435.916).</p> <p><u>Condition</u></p> <p>Of twenty-nine cases tested, the required yearly redetermination had not been performed in four cases.</p> <p><u>Effect of the Condition</u></p> <p>Individuals who are no longer eligible for Medi-Cal Assistance might continue receiving this assistance if redeterminations are not conducted in a timely manner.</p> <p><u>Recommendation</u></p> <p>We recommend that a review process be implemented to ensure that the required annual redeterminations for the Medi-Cal Assistance Program are conducted. If necessary, we recommend that the County assign more personnel resources to performing redeterminations.</p> <p><u>Corrective Action Plan</u></p> <p>A review process exists to ensure required actions such as annual redeterminations are completed timely. The County will remind supervisors and case managers of the importance of redeterminations. Four of the twenty-nine cases reviewed did not have completed redeterminations primarily due to staff shortage. In response to this shortage, we have hired seventeen case managers. These new hires are</p>

COUNTY OF SAN LUIS OBISPO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

<u>Finding/Program</u>	<u>Findings/Noncompliance</u>
Finding 05-1 (continued)	<p><u>Corrective Action Plan</u> (continued)</p> <p>currently undergoing a 12-week classroom training in Medi-Cal that ends in April. As part of their training, trainees, under the guidance and review of their instructors, will help staff complete redeterminations. This will be from March 8th through March 17.</p> <p>The contact person for this project is Christina Chow, Program Coordinator. Her telephone number is (805) 781-1897.</p>
Finding 05-2 Medical Assistance Program CFDA 93.778 Award No. n/a Year: 04/05	<p><i>Eligibility (IEVS) - Reportable Condition; Material Noncompliance In Relation to a Compliance Supplement Audit Objective</i></p> <p><u>Criteria</u></p> <p>As required by § 1137 of the Social Security Act, income and benefit information from the Income Eligibility and Verification System (IEVS) database must be requested and used when making eligibility determinations. The County must review and compare the information obtained from IEVS against information contained in the case record to determine whether it affects the individual's eligibility or level of assistance, benefits or services.</p> <p><u>Condition</u></p> <p>We tested twenty-nine cases from the Medical Assistance Program and noted that seven cases did not contain an IEVS for one or more assisted members of the family.</p> <p><u>Effect of Condition</u></p> <p>The IEVS system is an elaborate, federally-mandated system which compiles government information for the purpose of tracking federal program eligibility data. Not requesting and using IEVS in eligibility determination can result in individuals receiving benefits to which they are not entitled.</p>

COUNTY OF SAN LUIS OBISPO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Finding/Program	Findings/Noncompliance
Finding 05-2 (continued)	<p data-bbox="516 394 743 426"><u>Recommendation</u></p> <p data-bbox="516 468 1409 680">We recommend that the Department review this omission to request, review, and compare the IEVS to information in this case record. We recommend that the Department attempt to determine why the current system of controls failed to prevent these exceptions and that the Department implements procedures to prevent recurrence of these exceptions.</p> <p data-bbox="516 722 812 753"><u>Corrective Action Plan</u></p> <p data-bbox="516 795 1437 1178">At the supervisors meeting on 1/31/06, supervisors will be instructed to remind their units to follow the desk guide on processing of redeterminations. This desk guide instructs case managers to request an IEVS for every individual in the case, one or two months prior to due date of redetermination. Supervisors will be instructed to review at their next unit meeting the desk guide on how to process IEVS reports and to ensure that one is received for every individual. Identified omissions to request and review IEVS in seven of twenty-nine cases likely occurred because of high caseloads and staff shortage. Greater attention to these important details will be possible when seventeen new hires complete their training and are able to handle caseloads.</p> <p data-bbox="516 1220 1317 1283">The contact person for this project is Christina Chow, Program Coordinator. Her telephone number is (805) 781-1897.</p>
Finding 05-3 Medical Assistance Program CFDA 93.778 Award No. n/a Year: 04/05	<p data-bbox="516 1325 1279 1356"><i>Eligibility (Income Documentation) – Reportable Condition</i></p> <p data-bbox="516 1398 613 1430"><u>Criteria</u></p> <p data-bbox="516 1472 1437 1650">In determining eligibility for the Medical Assistance Program, the County is required to have facts in the case record to support its eligibility determination and a written application, signed under penalty of perjury. The County must use these documents in determining eligibility and the Medi-Cal share of cost.</p> <p data-bbox="516 1692 646 1724"><u>Condition</u></p> <p data-bbox="516 1766 1414 1837">We tested twenty-nine cases and located two instances where the information in the file did not support the figures as input into ISAWs.</p>

COUNTY OF SAN LUIS OBISPO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

<u>Finding/Program</u>	<u>Findings/Noncompliance</u>
Finding 05-3 (continued)	<p data-bbox="516 394 797 428"><u>Condition</u> (continued)</p> <p data-bbox="516 468 1437 680">In the first instance, a Form 1040 in the file showed income on the Schedule C line item, but no Schedule C was attached to the return. Under these circumstances, the eligibility worker should have requested the Schedule C from the client. Without the Schedule C, the eligibility worker could not determine if any items should be added back to income such as depreciation.</p> <p data-bbox="516 722 1437 829">In the second instance, the eligibility worker multiplied a weekly pay rate by 4 and used this number for the monthly income instead of using the correct multiplier of 4.33.</p> <p data-bbox="516 871 740 905"><u>Questioned Costs</u></p> <p data-bbox="516 945 1437 1052">Because the state pays the actual medical benefits without any involvement from the County, we were unable to determine whether or not costs should be questioned.</p> <p data-bbox="516 1094 662 1127"><u>Perspective</u></p> <p data-bbox="516 1167 1437 1274">Failure to obtain the Schedule C did not change eligibility or share of cost. The use of a multiplier of 4 rather than 4.33 on the other case did result in a very small share of cost adjustment.</p> <p data-bbox="516 1316 764 1350"><u>Effect of Condition</u></p> <p data-bbox="516 1390 1437 1530">When income is not properly input into the CDS eligibility software, errors can occur both in determining eligibility and computing the share of cost. Such errors can result in payment of medical benefits to individuals who are not entitled to the benefits under the law.</p> <p data-bbox="516 1572 740 1606"><u>Recommendation</u></p> <p data-bbox="516 1646 1437 1812">We recommend that training be implemented on (1) Schedule C income add-back requirements; and (2) reading wage stubs to determine frequency of payroll. The Schedule C exception is an error which seems common with less experienced staff, who may not be familiar with self-employment income adjustments.</p>

COUNTY OF SAN LUIS OBISPO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Finding/Program	Findings/Noncompliance
Finding 05-3 (continued)	<u>Corrective Action Plan</u> We will update the desk guide on “Self-Employment” to include information about schedule C so that less experienced staff in particular, are reminded. The error regarding wage multiplier was an isolated error. The case manager and supervisor will be informed of error; as a whole, staff is well informed of how to use multipliers, but a reminder will be broadcast to staff on 1/31/06. The contact person for this project is Christina Chow, Program Coordinator. Her telephone number is (805) 781-1897.
Finding 05-4	<i>Program Income – Reportable Condition; Material Noncompliance In Relation to Type of Compliance Requirement</i>
HOME Investment Partnership Program CFDA 14.239	<u>Criteria</u> <u>HOME Investment Partnership Program:</u> Program income must be deposited in the participating jurisdiction's HOME Investment Trust Fund local account (unless the participating jurisdiction permits the State recipient or subrecipient to retain the program income for additional HOME projects pursuant to the written agreement required by Sec. 92.504). 24 CFR 92.503(a)(1). HOME funds in the local account of the HOME Investment Trust Fund must be disbursed before requests are made for HOME funds in the United States Treasury account. 24 CFR 92.502(c)(3).
And Community Development Block Grants/ Entitlement Grants CFDA 14.218	Therefore, a participating jurisdiction cannot draw down HOME funds while allowing program income to accumulate in its HOME Investment Trust Fund local account.
Award No. n/a Year: 04/05	<u>Community Development Block Grants/Entitlement Grants:</u> Program income when in the form of repayments to, or interest earned on, a revolving fund, shall be substantially disbursed from the fund before additional cash withdrawals are made from the U.S. Treasury for the same activity. Substantially all other program income shall be disbursed for eligible activities before additional cash withdrawals are made from the U.S. Treasury. 24 CFR 570.504(b)(2)

COUNTY OF SAN LUIS OBISPO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

<u>Finding/Program</u>	<u>Findings/Noncompliance</u>
Finding 05-4 (continued)	<p data-bbox="511 388 649 420"><u>Condition</u></p> <p data-bbox="511 462 1429 609">We reviewed the County’s records on program income for the HOME Investment Partnership Program (HOME) and noted that a balance existed of \$841,359, with \$752,642 of that balance obligated, leaving a remaining unallocated balance of \$88,717.</p> <p data-bbox="511 640 1429 829">We reviewed the County’s records on program income for the Community Development Block Grants/Entitlement Grants (CDBG) and noted that a balance existed of \$303,100, with \$155,288 of that balance obligated, leaving a remaining unallocated balance of \$147,812.</p> <p data-bbox="511 861 738 892"><u>Questioned Costs</u></p> <p data-bbox="511 934 844 966">We do not question costs.</p> <p data-bbox="511 1008 1429 1197">Instead, we recommend that the HOME and CDBG programs be required to expend program income balances prior to drawing further funds from the U.S. Treasury. We noted an unobligated balance on the HOME program of \$88,717 and an unobligated balance on the CDBG Program of \$147,812 at June 30, 2005.</p> <p data-bbox="511 1228 665 1260"><u>Perspective</u></p> <p data-bbox="511 1302 1421 1333">No additional information assists in providing an accurate perspective.</p> <p data-bbox="511 1375 763 1407"><u>Effect of Condition</u></p> <p data-bbox="511 1449 1429 1554">Because program income was not used before cash was drawn from the Treasury, the County had excess federal cash on hand during the year and at yearend.</p> <p data-bbox="511 1596 738 1627"><u>Recommendation</u></p> <p data-bbox="511 1669 1429 1778">We recommend that the County establish more comprehensive procedures to ensure that all available program income is disbursed prior to drawing further funds from the U.S. Treasury.</p>

COUNTY OF SAN LUIS OBISPO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Finding/Program	Findings/Noncompliance
Finding 05-4 (continued)	<p data-bbox="511 388 812 420"><u>Corrective Action Plan</u></p> <p data-bbox="511 462 1429 808">We agree and have stopped this practice effective immediately. The reason why we had previously held off spending program income before drawing new entitlement funds was simply that each action plan included assumptions about the amount of program income that would be received and used for projects. Unfortunately, sometimes the program income we were counting on for a particular program year set of projects came in before those projects were ready, so it would have been spent on prior program year projects instead under HUD rules. This raised the risk that we would not receive and spend the amount of program income predicted within a particular program year.</p> <p data-bbox="511 850 1347 924">The contact person for this project is Dana Lilley. His telephone number is (805) 781-5715.</p>
<p data-bbox="186 955 365 987">Finding 05-5</p> <p data-bbox="186 1029 365 1207">HOME Investment Partnership Program CFDA 14.239</p> <p data-bbox="186 1291 365 1354">Award No. n/a Year: 04/05</p>	<p data-bbox="511 955 1347 1029"><i>Subrecipient Monitoring – Reportable Condition; Material Noncompliance in Relation to Type of Compliance Requirement</i></p> <p data-bbox="511 1071 617 1102"><u>Criteria</u></p> <p data-bbox="511 1144 1429 1323">OMB A133 § 400(d)(3) requires that a pass through entity monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.</p> <p data-bbox="511 1365 649 1396"><u>Condition</u></p> <p data-bbox="511 1438 1429 1722">We inquired about subrecipients under the HOME Investment Partnership Program. We were informed that that People’s Self-Help Corporation, a subrecipient, had not been monitored recently. We made inquiries about any further subrecipients and analyzed the relationship between the Housing Authority of San Luis Obispo and the County. We determined that the Housing Authority is a subrecipient and that the County must follow OMB A133 § 400(d)(3) in this relationship.</p> <p data-bbox="511 1764 747 1795"><u>Questioned Costs</u></p> <p data-bbox="511 1837 828 1871">No costs are questioned.</p>

COUNTY OF SAN LUIS OBISPO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

<u>Finding/Program</u>	<u>Findings/Noncompliance</u>
Finding 05-5 (continued)	<p><u>Perspective</u></p> <p>No additional information assists in providing an accurate perspective.</p> <p><u>Effect of Condition</u></p> <p>When subrecipients' responsibilities are not performed, subrecipients can violate program requirements without detection.</p> <p><u>Recommendation</u></p> <p>We recommend that the County perform the monitoring of the Housing Authority of San Luis Obispo and People's Self-Help Corporation as soon as possible. We further recommend that the County review and ensure it's compliance with a pass through entity's responsibilities regarding subrecipients as numerated shown at OMB A133 § 400(d).</p> <p><u>Corrective Action Plan</u></p> <p>We went ahead and monitored the Housing Authority as scheduled. In addition to CDBG monitoring, we monitored the nonprofit People's Self-Help Housing Corporation in 2005, since that organization regularly uses large amounts of HOME funds in its housing projects.</p> <p>The contact person for this project is Dana Lilley. His telephone number is (805) 781-5715.</p>

COUNTY OF SAN LUIS OBISPO

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2005

Audit Reference
Number

Status of Prior Year Audit Findings

N/A

None reported