COUNTY OF SAN LUIS OBISPO

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2011

COUNTY OF SAN LUIS OBISPO

Single Audit Report
For the Year Ended June 30, 2011

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GALLINA LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Luis Obispo (County), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 29, 2011. We conducted our audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the San Luis Obispo County Pension Trust Fund and the First 5 San Luis Obispo County, a discretely presented component unit, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

925 Highland Pointe Drive, Suite 450, Roseville, CA 95678-5418
tel: 916.784.7800 ■ fax: 916.784.7850 ■ www.gallina.com

Board of Supervisors
County of San Luis Obispo

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 of management, the Board of Supervisors, and 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.

Gallina LLP

Roseville, California
December 29, 2011

GALLINA LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON 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 (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, 2011. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 item 11-SA-1 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding Subrecipient Monitoring that are applicable to its CDBG – Entitlement Grants Cluster. 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 preceding paragraph, the County complied, in all material respects, with the compliance requirements referred to above that have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

925 Highland Pointe Drive, Suite 450, Roseville, CA 95678-5418
tel: 916.784.7800 ■ fax: 916.784.7850 ■ www.gallina.com

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we considered to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance in the accompanying schedule of findings and questioned costs as item 11-SA-1 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 11-SA-2, 11-SA-3, 11-SA-4 and 11-SA-5 to be significant deficiencies.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County of San Luis Obispo's responses and, accordingly, we express no opinion on the responses.

Board of Supervisors
County of San Luis Obispo

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 29, 2011. We did not audit the financial statements of the San Luis Obispo County Pension Trust Fund and the First 5 San Luis Obispo County, a discretely presented component unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included in the Pension Trust Fund and the discretely presented component unit is based on the reports of the other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Supplementary Schedules of Grant Expenditures have not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and 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.

Gallina LLP

Roseville, California
March 5, 2012, except for the Schedule
of Expenditures of Federal Awards as to
which the date is December 29, 2011

COUNTY OF SAN LUIS OBISPO

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor's Number	Federal CFDA Number	2010/2011 Revenue Recognized	Federal Awards/ Expenditures
U. S. DEPARTMENT OF AGRICULTURE				
Direct Programs:				
Federal Forest Reserve Fee		10.665	$ 8,383	$ 8,383
Water and Waste Disposal Program-COP		10.760	690,865	690,865
Water and Waste Disposal Program-Grant		10.760	383,742	383,742
ARRA - Water and Waste Disposal Program		10.781	757,516	757,516
ARRA - Water and Waste Disposal Program - Prior Year Adjustment		10.781	7,379,078	7,379,078
Subtotal Direct			9,219,584	9,219,584
Passed through State Department of Social Services:				
Food Stamp Administration		10.561	2,701,375	2,701,375
Food Stamp Administration-Prior year adjustment		10.561	416,441	416,441
ARRA - Food Stamp Administration (SNAP)		10.561	62,373	62,737
Subtotal Pass-Through			3,180,189	3,180,553
Passed through State Department of Health Services:				
Women Infant Children Nutrition Program	08-85431	10.557	1,352,774	1,352,774
Women Infant Children Nutrition Program -Prior year adjustment	08-85431	10.557	21,950	21,950
Subtotal Pass-Through			1,374,724	1,374,724
Passed through State Department of Forestry and Fire Protection:				
Volunteer Fire Assistance Program	7FG-10091	10.664	6,844	6,731
Volunteer Fire Assistance Program	7FG-10092	10.664	6,844	6,630
Subtotal Pass-Through			13,688	13,361
Passed through State Dept of Food and Agriculture				
Pest Detection	10-8520-1399CA 10-8520-0934GI	10.025	255,392	255,392
Sudden Oak Death	10-8523-0572-CA	10.025	19,128	19,128
Glassy-Winged Sharpshooter	11-8500-0484-CA	10.025	590,215	620,945
Glassy-Winged Sharpshooter - Prior year adjustment	11-8500-0484-CA	10.025	30,730	30,370
Asian Citrus Psyllid Detection	10-8520-12-11-CA 11-8520-12-11-CA	10.025	170,153	179,493
Asian Citrus Psyllid Detection - Prior Year Adjustment	10-8520-12-11-CA 11-8520-12-11-CA	10.025	9,340	9,340
European Grape Vine Moth	10-8520-1317-CA	10.025	161,465	161,465
Light Brown Apple Moth Regulatory	11-8520-11-64CA	10.025	53,714	53,714
Light Brown Apple Moth Regulatory - Prior Year Adjustment	11-8520-11-64CA	10.025	2,157	2,157
Light Brown Apple Moth Detection	11-8520-11-64-CA	10.025	17,095	19,199
Light Brown Apple Moth Detection - Prior Year Adjustment	11-8520-11-64-CA	10.025	2,105	2,015
Forest Health Protection - Arundo Eradication	09-DG-11052021-117	10.680	6,750	6,750
Subtotal Pass-Through			1,318,244	1,359,968
Total Dept. of Agriculture			**15,106,429**	**15,148,190**
U.S. DEPARTMENT OF COMMERCE				
Passed through the City of Santa Ana Police Dept:				
Public Safety Interoperable Communications Grant	2007-GS-H7-0008	11.555	87,565	87,565
Subtotal Pass-through			87,565	87,565
Total Department of Commerce			**87,565**	**87,565**
U. S. DEPT OF HOUSING & URBAN DEVELOPMENT				
Direct programs:				
Low Income Housing Assistance Community Devel. Block Grants		14.218	1,724,369	1,724,369
Community Development Block Grants/Entitlement Grants		14.218		2,520,056
Emergency Shelter Grant Program		14.231	91,837	91,837
Supportive Housing Program	CA737,8,9B9D140800	14.235	201,961	201,961
Supportive Housing Program	CA737-41B9D14801-2	14.235	631,980	631,980
Home Partnership Investment Program		14.239	1,713,717	1,713,717
Home Partnership Investment Program-3rd Party Loans		14.239	2,283,694	2,283,694
HOME Investment Partnerships Program		14.239		12,006,198
ARRA - Community Development Block Grants	B-09-UY-06-0508	14.253	106,821	106,821
ARRA - Community Development Block Grants	B-09-UY-06-0508	14.253	110,236	110,236
ARRA - HPRP	S-09-UY-06-0508	14.257	433,610	433,610
Subtotal Direct			7,298,225	21,824,479

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF SAN LUIS OBISPO

Schedule of Expenditures of Federal Awards (continued)

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor's Number	Federal CFDA Number	2010/2011 Revenue Recognized	Federal Awards/ Expenditures
U. S. DEPT OF HOUSING & URBAN DEVELOPMENT (continued)				
Passed through State Department of Public Health				
Housing Opportunities for Persons With Aids-Development-Prior year adjustmen	10-10143	14.241	$ 169,361	$ 169,361
Subtotal Pass-Through			169,361	169,361
Total Dept. of Housing & Urban Development			**7,467,586**	**21,993,840**
U. S. DEPT OF THE INTERIOR				
Direct program:				
Payments In-Lieu of Taxes		15.226	1,048,323	1,048,323
National Wildlife Refuge Fund		15.659	6,560	6,560
Subtotal Direct			1,054,883	1,054,883
Passed through Department of Fish & Game				
Cooperative Endangered Species Conservation Fund	P0982017	15.615	135,142	207,877
Subtotal Pass-Through			135,142	207,877
Passed through California Bureau of Land Management				
Taylor Grazing Act		15.227	4,829	3,466
Subtotal Pass-Through			4,829	3,466
Passed through Fish and Wildlife Service				
Coastal Impact Assistance Program - Administration	F12AF70233	15.668	41,277	41,277
Coastal Impact Assistance Program - Elfin Forest	F12AF70278	15.668	9,122	9,122
Coastal Impact Assistance Program - Nipomo-Guadalupe Dunes	F12AF70129	15.668	5,751	5,751
Subtotal Pass-Through			56,150	56,150
Passed through California State Department of Parks & Recs				
Outdoor Recreation Acquisition - Los Osos Playground	06-01704	15.916	116,831	116,831
Subtotal Pass-Through			116,831	116,831
Total Dept. of Interior			**1,367,835**	**1,439,207**
U. S. DEPT OF JUSTICE				
Direct programs:				
Bureau of Immigration & Customs Enforcement		16.710	8,023	8,023
Bureau of Immigration & Customs Enforcement-Prior year adjustment		16.710	11,441	11,441
SS Awards		16.710	48,640	48,640
Drug Court Enhancement Program	1H79SP015477-01	16.585	17,408	17,408
State Criminal Alien Assistance Program		16.606	339,849	339,849
Southwest Border Prosecution Initiative		16.607	19,000	19,164
ARRA - DOJ -JAG Recovery Grant	2010-DJ-BX-1240	16.738	22,411	22,411
Southwest Border Prosecution Initiative - Prior Year Adjustment		16.607	(29,071)	(29,071)
Federal Asset Forfeiture		16.000	10,546	10,546
Federal Asset Forfeiture		16.000	29,133	29,133
Federal Asset Forfeiture		16.000	152,379	152,379
ARRA - Offender Treatment Program (JAG)	Z009 01 0400	16.803	111,635	111,635
ARRA - BJA Recovery Act	2009-SB-B9-2615	16.804	21,369	21,369
Subtotal Direct			762,763	762,927
Passed through California Emergency Management Agency:				
Gang Task Force	DC10 21 0400	16.579	179,697	179,697
Victim Witness Assistance	VW10290400	16.575	87,120	87,120
Victim Witness Elder Abuse	UV10010400	16.582	166,729	125,000
Project Safe Neighborhoods	US10010400	16.609	10,000	10,000
ARRA - Evidence Based Practices Supervision	ZP09010400	16.803	166,438	166,438
Subtotal Pass-through			609,984	568,255
Passed through State Board of Corrections:				
Juvenile Accountability Block Grant	CSA 166-10	16.523	15,982	15,982
Juvenile Accountability Block Grant - Anger Management & Youth Violence Preve	CSA 166-09 AMYVPT	16.523	24,458	24,458
Subtotal Pass-through			40,440	40,440
Total Dept. of Justice			**1,413,187**	**1,371,622**

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF SAN LUIS OBISPO

Schedule of Expenditures of Federal Awards (continued)

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor's Number	Federal CFDA Number	2010/2011 Revenue Recognized	Federal Awards/ Expenditures
U. S. DEPARTMENT OF LABOR				
Passed through California Employment Development Department:				
ARRA - Workforce Investment Act-Disability Prg Navigator-ARRA	K078487	17.207	$ 154,379	$ 154,379
Workforce Investment Act-Adult	K074174, K178693	17.258	340,921	340,921
ARRA - Workforce Investment Act-Adult-ARRA	K074174, R970570	17.258	432,839	432,839
Workforce Investment Act-Youth	K074174, K178693	17.259	443,449	443,449
Workforce Investment Act-Youth - Prior Year Adjustment	K074174, K178693	17.259	27,995	27,995
ARRA - Workforce Investment Act-Youth-ARRA	R970570	17.259	595,548	595,548
ARRA - Workforce Investment Act-Youth-ARRA - Prior Year Adjustment	R970570	17.259	2,532	2,532
Workforce Investment Act-Dislocated Worker and Rapid Response	K074174, K178693	17.260	624,143	624,143
Workforce Investment Act-Dislocated Worker and Rapid Response - Prior Period A	K074174, K178693	17.260	10,099	10,099
ARRA - Workforce Investment Act-Dislocated Worker and Rapid Response-ARRA	R970570, K074174	17.260	763,732	763,732
ARRA - Workforce Investment Act-Dislocated Worker and Rapid Response-ARRA	R970570, K074174	17.260	(10,100)	(10,100)
Total Dept. of Labor			**3,385,537**	**3,385,537**
U. S. DEPARTMENT OF TRANSPORTATION				
Direct program:				
Airport Improvement Program	3-06-0228-37	20.106	1,814,369	1,160,764
Airport Improvement Program-Prior year adjustment	3-06-0228-37	20.106	259,453	259,453
Airport Improvement Program	3-06-0228-38	20.106	3,983	3,390
Subtotal Direct			2,077,805	1,423,607
Passed through State Department of Transportation:				
Public Ways and Facilities	BHLS-5949(062)	20.205	18,189	18,189
Public Ways and Facilities -Prior year adjustment	BHLS-5949(062)	20.205	120,462	120,462
Public Ways and Facilities	BHLS-5949(063)	20.205	33,087	33,087
Public Ways and Facilities	HSIPL-5949(108)	20.205	10,650	10,650
Public Ways and Facilities - Prior Year Adjustment	HSIPL-5949(108)	20.205	47,059	47,059
Public Ways and Facilities	HSIPL-5949(112)	20.205	447,763	447,763
ARRA - Public Ways and Facilities	ESPL-5949(117)	20.205	1,709,000	1,709,000
Public Ways and Facilities	BRLO-5949(019)	20.205	175,388	175,388
Public Ways and Facilities	BRLO-5949(009)	20.205	279,748	279,748
Public Ways and Facilities	BRLO-5949(027)	20.205	3,341	3,341
Public Ways and Facilities	BRLO-5949(065)	20.205	5,812	5,812
Public Ways and Facilities	BRLO-5949(116)	20.205	43,358	43,358
Public Ways and Facilities	BRLO-5949(119)	20.205	69,629	69,629
Public Ways and Facilities	BRLO-5949(120)	20.205	41,301	36,564
Public Ways and Facilities	BRLO-5949(127)	20.205	22,725	22,725
Public Ways and Facilities	Q101(189)	20.205	1,634,263	1,634,263
Public Ways and Facilities	BPMPL 5949 (102)	20.205	510	510
Public Ways and Facilities	SRTSL 5949 (109)	20.205	605,000	605,000
Public Ways and Facilities	BPMPL 5949 (113)	20.205	2,914	2,914
Public Ways and Facilities - Prior Year Adjustment	BPMPL 5949 (113)	20.205	5,070	5,070
Public Ways and Facilities	BPMPL 5949 (124)	20.205	10,603	10,603
National Scenic Byways	CASB-5949(105)	20.205	2,519	2,519
National Scenic Byways-Prior year adjustment	CASB-5949(105)	20.205	(585)	(585)
Subtotal Pass-through			5,287,806	5,283,069
Total Dept. of Transportation			**7,365,611**	**6,706,676**
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Direct program:				
California State Library- Library Services & Technology Act	40-7792	45.310	34,827	33,050
Total Institute of Museum and Library Services			**34,827**	**33,050**
ENVIRONMENTAL PROTECTION AGENCY-OFFICE OF GROUND WATER AND DRIKING WATER				
Passed through from California Department of Pesticide Regulations:				
Pest Management Alliance Grant	00915511-0	66.700	14,500	14,500
Subtotal Pass-Through			14,500	14,500
Total Enviromental Protection Agency			**14,500**	**14,500**

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF SAN LUIS OBISPO

Schedule of Expenditures of Federal Awards (continued)

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor's Number	Federal CFDA Number	2010/2011 Revenue Recognized	Federal Awards/ Expenditures
U.S. DEPT OF ENERGY				
Direct programs:				
ARRA - Energy Efficiency and Conservation Block Grant Program	DE-EE0000903	81.128	$ 351,247	$ 351,247
ARRA - Energy Efficiency and Conservation Block Grant Program	DE-EE0000903	81.128	143,631	143,631
ARRA - Energy Efficiency and Conservation Block Grant Program	DE-EE0000903	81.128	167,230	167,230
ARRA - Energy Efficiency and Conservation Block Grant Program	DE-EE0000903	81.128	15,139	15,139
Subtotal Direct			677,247	677,247
Passed through California Employment Development Department:				
ARRA - Clean Energy Grant	KO77128	81.041	328,902	328,902
Subtotal Pass-Through			328,902	328,902
Total U.S. Dept of Energy			**1,006,149**	**1,006,149**
U. S. DEPT OF EDUCATION				
Passed through State Department of Education				
Special Education - Grants to States:				
Individuals with Disabilities Education Act	09-14468-1040-01	84.027	530,706	543,212
Individuals with Disabilities Education Act - Prior Year Adjustment	09-14468-1040-01	84.027	12,506	12,506
Subtotal Pass-Through			543,212	555,718
Passed through California Friday Night Live Partnership:				
Friday Night Live Mentor		84.186	25,552	25,552
Subtotal Pass-Through			25,552	25,552
Passed through State Department of Alcohol and Drug Programs:				
Safe and Drug-Free Schools and Communites - State Grants:				
Drug Free School Program-Strengthening Families	SDF 07-03	84.186	189,175	189,175
Subtotal Pass-Through			189,175	189,175
Total Dept. of Education			**757,939**	**770,445**
U. S. DEPT OF HEALTH & HUMAN SERVICES				
Direct Programs:				
Safe and Drug Free Communities-Sober Truth on Preventing Underage Drinking	2008-DC-BX-0028	93.276	50,790	50,790
Frug Free Communities Support Program - Drug Free Campus Cal Poly	H9SP15668A	93.276	118,112	118,112
Adult Treatment Drug Court	1H79TI021865-01	93.243	284,935	284,935
Treatment for Children Affected by Methamphetamine	1H79TI023367-01	93.243	131,193	131,193
Health Resources Services Administration	09-163	93.887	44,330	44,330
Subtotal Direct			629,360	629,360
Passed through State Dept of Health Care Services:				
Health Resources Services Administration	10-940	93.889	159,200	159,200
Hospital Preparation Program-Prior year adjustment	EPO HPP 08-040	93.889	(274)	(274)
Hospital Preparation Program	EPO 10-40	93.889	48,969	48,969
Hospital Preparation Program	EPO HPP 09-040	93.889	35,075	35,075
Hospital Preparation Program - Prior Year Adjustment	EPO HPP 09-040	93.889	5	5
Subtotal Pass-through			242,975	242,975
Passed through Sate Department of Alcohol and Drug Programs:				
Substance Abuse Prevention & Treatment Block Grant-Discretionary Funds		93.959	1,022,431	1,023,574
Substance Abuse Prevention & Treatment Block Grant-Discretionary Funds - Prior Year Adjustment		93.959	1,143	1,143
Substance Abuse Prevention & Treatment Block Grant-Prevention Set-aside Funds		93.959	310,846	310,846
Substance Abuse Prevention & Treatment Block Grant-Friday Night Live and Club Live Funds		93.959	30,000	30,000
Substance Abuse Prevention & Treatment Block Grant-HIV Set-aside Funds		93.959	43,155	43,155
Substance Abuse Prevention & Treatment Block Grant-Adolescent and Youth Treatment		93.959	176,765	176,765
Substance Abuse Prevention & Treatment Block Grant-Perinatal Set-aside Funds		93.959	72,201	72,201
Subtotal Pass-through			1,656,541	1,657,684

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF SAN LUIS OBISPO

Schedule of Expenditures of Federal Awards (continued)

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor's Number	Federal CFDA Number	2010/2011 Revenue Recognized	Federal Awards/ Expenditures
U. S. DEPT OF HEALTH & HUMAN SERVICES (continued)				
Passed through State Department of Child Support Services:				
Child Support Enforcement:				
Child Support Administration		93.563	$ 2,659,386	$ 2,659,386
ARRA - Child Support Administration		93.563	115,028	115,028
Incentive Program		93.563	276,974	276,974
Federal Financial Participation		93.563	140,513	140,513
Subtotal			3,191,901	3,191,901
Passed through State Department of Health Services:				
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children Program:				
Lead Poisoning	08-85087 A02	93.197	52,540	53,000
Lead Poisoning-Prior year adjustment	08-85087 A02	93.197	4,633	4,633
Subtotal			57,173	57,633
Immunization Grants:				
Pediatric Immunization Action Plan	10-95400	93.268	97,856	97,856
Immunization Information System		93.268	32,799	32,799
Child Hlth & Disability Prevention	SLO 40	93.268	440,240	277,351
Child Hlth & Disability Prevention-Prior year adjustment	SLO 40	93.268	112,516	112,516
Subtotal			683,411	520,522
Centers for Disease Control and Prevention:				
CDC Pher H1N1	EPO-CDC-09 P3-40	93.521	122,350	122,350
CDC Pher H1N1 - Prior Year Adjustment	EPO-CDC-09 P3-40	93.521	(11,005)	(11,005)
CDC Base Public Health '08-Prior year adjustment	EPO-CDC-08-40	93.069	9,464	9,464
CDC Base Public Health '09 - Prior Year Adjustment	EPO-CDC-09-40	93.069	37,651	37,651
CDC Base Public Health '10	EPO-CDC-10-40	93.069	535,550	535,550
Subtotal			694,010	694,010
HIV Care Formula Grants:				
HIV Care-Single Allocation Model / Ryan White Care	10-95288	93.917	116,908	116,907
Subtotal			116,908	116,907
Medical Assistance Program:				
Medi-Cal Administration	09-86011	93.778	1,001,712	1,001,712
Medi-Cal Administration -Prior year adjustment	09-86011	93.778	116,068	116,068
Medi-Cal Administration -Targeted Case Management	40-0409	93.778	467,541	467,541
Medi-Cal Administration -Targeted Case Management - Prior year adjustment	40-0409	93.778	119,240	119,240
ARRA - Medi-Cal Administration -Targeted Case Management	40-0409	93.778	151,474	151,474
ARRA - Medi-Cal Administration -Targeted Case Management -Prior year adj	40-0409	93.778	2,521	2,521
Administration: Medi-Cal	09-86011	93.778	-	38,000
Administration: Medi-Cal-Prior year adjustment	09-86011	93.778	49,909	49,909
Administration: Medi-Cal-Prior year adjustment		93.778	138,720	138,720
Administration: Medi-Cal		93.778	677,095	5,618,141
ARRA - Administration: Medi-Cal-Public Authority for IHSS		93.778	173,582	173,582
ARRA - Administration: Medi-Cal-Public Authority for IHSS - Prior Year Adjustment		93.778	113,149	113,149
Subtotal CFDA			3,011,011	7,990,057
Maternal and Child Health Services Block Grant to the States:				
Children Services	SLOCO/MTP	93.994	1,075,378	591,458
Children Services-Prior year adjustment	SLOCO/MTP	93.994	170,472	170,472
Maternal & Child Health Services	201040	93.994	257,447	142,872
Maternal & Child Health Services-Prior year adjustment	201040	93.994	15,262	15,262
Subtotal CFDA			1,518,559	920,064
Subtotal Pass-through State Department of Health Services:			6,081,072	10,299,193
Passed through the State Department of Mental Health:				
Mental Health-McKinney Homeless		93.150	50,862	50,862
Mental Health-Substance Abuse (SAMHSA)		93.958	89,258	89,258
Mental Health-Substance Abuse (SAMHSA)		93.958	252,785	347,226
Mental Health-Substance Abuse (SAMHSA)-Prior Year Adjustment		93.958	94,441	94,441
Subtotal Pass-through			487,346	581,787

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF SAN LUIS OBISPO

Schedule of Expenditures of Federal Awards (continued)

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor's Number	Federal CFDA Number	2010/2011 Revenue Recognized	Federal Awards/ Expenditures
U. S. DEPT OF HEALTH & HUMAN SERVICES (continued)				
Passed through the State Department of Social Services:				
Promoting Safe and Stable Families:				
Administration: Family Support		93.556	$ 144,655	$ 144,655
Administration: Family Support-Prior year adjustment		93.556	22,721	22,721
Subtotal			167,376	167,376
Temporary Assistance for Needy Families:				
Administration: CALWORKS		93.558	10,576,680	10,576,680
Administration: CALWORKS-Prior year adjustment		93.558	(1,115,529)	(1,115,529)
Assistance: CALWORKS		93.558	5,839,231	5,839,231
ARRA - Assistance: CALWORKS		93.558	7	7
Subtotal			15,300,389	15,300,389
Foster Care - Title IV-E				
Administration: Probation - Title IV E		93.658	1,186,993	1,186,993
Administration: Probation - Title IV E- Prior year adjustment		93.658	43,015	43,015
Administration: Foster Care - Title IV E		93.658	3,995,853	3,995,853
Administration: Foster Care - Title IV E - Prior Year Adjustment		93.658	16,757	16,757
Assistance: Foster Care		93.658	2,474,395	2,474,395
Assistance: Foster Care-Prior year adjustment		93.658	4,356	4,356
ARRA - Assistance: Foster Care-ARRA		93.658	203,494	203,494
ARRA - Assistance: Foster Care-ARRA-Prior Year adjustment		93.658	(2,550)	(2,550)
Subtotal			7,922,313	7,922,313
Adoption Incentives		93.603	12,516	12,516
Administration: Social Services Programs - Other		93.645	198,145	198,146
Refugee Cash Assistance		93.566	6,528	6,528
Administration: Adoption		93.659	681,222	681,222
Administration: Adoption - Prior Year Adjustment		93.659	11,303	11,303
Assistance: Adoption		93.659	2,771,255	2,771,255
ARRA - Assistance: Adoption		93.659	228,490	228,490
ARRA - Assistance: Adoption-Prior year adjustment		93.659	(7,448)	(7,448)
Administration: Independent Living Skills		93.674	128,866	128,866
Child Welfare Services-Title XX		93.667	259,619	259,619
Targeted Case Management		93.779	213,170	213,170
Targeted Case Management-Prior year adjustment		93.779	2,177	2,177
Subtotal			4,505,843	4,505,844
ARRA - Temporary Assistance for Needy Families-Emergency Contingency Funds		93.714	492,087	492,087
ARRA - Temporary Assistance for Needy Families-Emergency Contingency Funds - Prior Yr Adjustment		93.714	18,696	18,696
Subtotal			510,783	510,783
Subtotal State Department of Social Services			28,406,704	28,406,705
Subtotal Pass-through programs			40,066,539	44,380,245
Total Dept. of Health & Human Services			**40,695,899**	**45,009,605**
DEPARTMENT OF HOMELAND SECURITY				
Direct Programs:				
Transportation Security Administration, Law Enforcement Personnel	HSTS0208HSLR257	97.090	155,928	155,928
Disaster Grants - Storm Reimbursement 2010		97.036	13,270	13,270
Subtotal Direct			169,198	169,198
Passed through California Emergency Management Agency:				
Hazard Mitigation Grants:				
Hazard Mitigation Grant (83.548)	HMPG #1046-0157-1003	97.039	63,481	63,418
Subtotal			63,481	63,418
Emergency Management Performance Grants:				
Emergency Management Program Grant-Non Terrorism '10	2010-0044	97.042	61,898	61,898
Subtotal			61,898	61,898

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF SAN LUIS OBISPO

Schedule of Expenditures of Federal Awards (continued)

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor's Number	Federal CFDA Number	2010/2011 Revenue Recognized	Federal Awards/ Expenditures
DEPARTMENT OF HOMELAND SECURITY (continued)				
Passed through California Emergency Management Agency (continued):				
Homeland Security Grant Program	2008-0006	97.073	$ 41,407	$ 40,641
Homeland Security Grant Program -Prior year adjustment	2008-0006	97.073	15,483	15,483
Homeland Security Grant Program - Prior year adjustment	2007-008	97.073	4,864	4,864
Homeland Security Grant Program - Prior year adjustment	2007-008	97.073	11,813	11,813
Homeland Security Grant Program - Prior year adjustment	2007-008	97.073	15,321	15,321
Homeland Security Grant Program - Prior year adjustment	2007-008	97.073	(20,702)	(20,702)
Homeland Security Grant Program - Prior year adjustment	2007-008	97.073	(11,710)	(11,710)
Homeland Security Grant Program - Prior year adjustment	2007-008	97.073	(2,684)	(2,684)
Homeland Security Grant Program	2009-0019	97.073	44,001	33,197
Homeland Security Grant Program-Prior year adjustment	2009-0019	97.073	(10,804)	(10,804)
Homeland Security Grant Program - Prior year adjustment	SLOCO 08	97.073	(169)	(169)
Homeland Security Grant Program Prior year adjustment	SLOCO	97.073	(1)	(1)
Homeland Security Grant Program - Prior year adjustment	2008-006	97.073	19,490	19,490
Homeland Security Grant Program	2008-006	97.073	51,615	51,615
Homeland Security Grant Program - Prior year adjustment	2008-006	97.073	1,279	1,279
Subtotal			159,203	147,633
Homeland Security	2009-0019	97.067	30,282	30,282
Homeland Security	2009-0019	97.067	21,480	21,480
Homeland Security - Prior Year Adjustment	2009-0019	97.067	(4,935)	(4,935)
Homeland Security	2009-0019	97.067	34,996	34,996
Homeland Security	2009-0019	97.067	-	533
Homeland Security	2009-0019	97.067	60,000	61,500
Homeland Security	2010-0085	97.067	9,000	9,000
Homeland Security	2010-0085	97.067	23,712	23,712
Homeland Security	2010-0085	97.067	12,314	12,314
Homeland Security	2008-006	97.067	115,000	115,000
Homeland Security - Prior Year Adjustment	2008-006	97.067	4,564	4,564
Homeland Security	2008-006	97.067	20,540	20,540
Homeland Security - Prior Year Adjustment	2008-006	97.067	(2,460)	(2,460)
Homeland Security	2008-006	97.067	28,876	28,876
Homeland Security	2008-006	97.067	69,750	69,750
Subtotal			423,119	425,152
Subtotal Passed-through California Emergency Management Agency			707,701	698,101
Passed through the County of Santa Barbara				
Jesusita Fire	FEMS-2817-FM-CA	97.046	45,776	45,776
Jesusita Fire - Prior Year Adjustment	FEMS-2817-FM-CA	97.046	8,154	8,154
Subtotal Pass-through			53,930	53,930
Subtotal Pass-throughs			761,631	752,031
Total Department of Homeland Security			**930,829**	**921,229**
TOTAL FEDERAL FINANCIAL ASSISTANCE			**$ 79,633,893**	**$ 97,887,615**

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF SAN LUIS OBISPO

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Note 1: **Reporting Entity**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal awards programs of the County of San Luis Obispo (County). The County'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. Expenditures funded by the American Recovery and Reinvestment Act of 2009 are denoted by the prefix "ARRA" in the federal program title.

Note 2: **Basis of Accounting**

The accompanying SEFA is presented using the modified accrual basis of accounting for program expenditures accounted for in governmental funds and the accrual basis of accounting for expenditures accounted for in proprietary funds, as described in Note 1 of the County's basic financial statements.

Note 3: **Relationship to Financial Statements**

The amounts reported in the accompanying SEFA 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 SEFA, the County provided federal awards to subrecipients as follows:

Federal CFDA	Program Title	Amount
14.218	Low Income Housing Assistance Community Development Block Grants	$1,479,238
14.231	Emergency Shelter Grant Program	91,837
14.253	Community Development Block Grant - ARRA	47,053
14.253	Community Development Block Grant - ARRA	154,166
14.257	Homelessness Prevention and Rapid Re-housing	403,775
17.207	Workforce Investment Act-ARRA Disability Program	142,674
17.258	Workforce Investment Act-Adult & ARRA Adult	631,312
17.259	Workforce Investment Act-Youth & ARRA Youth	857,874
17.260	Workforce Investment Act-DLW, RR & ARRA DLW, RR	977,959
81.041	Workforce Investment Act-SEP ARRA Clean Energy	288,084
81.128	Energy Efficiency & Conservation Block Grant – ARRA	1,084,122
93.778	Medi-CAL Administration-Lucia Mar Unified School District	175,131
93.778	Medi-CAL Administration-San Luis Coastal Unified School District	337,847
	Total	$6,671,072

Note 5: **Loans with Continuing Compliance Requirement**

Outstanding federally-funded program loans with a continuing compliance requirement had the following balances during the year:

Federal CFDA	Program Title	Amount Outstanding July 1, 2010	Amount Outstanding June 30, 2011
14.218	Community Development Block Grants/Entitlement Grants	$2,520,056	$2,493,886
14.239	HOME Investment Partnerships Program	12,006,198	14,289,892

Note 6: **Pass-Through Entities' Identifying Number**

When federal awards are received from a pass-through entity, the SEFA 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.

Note 7: **Total Federal awards expended by CFDA Number**

When there is more than one program under a single CFDA number, the SEFA totals all programs under the one CFDA number. Occasionally, however, this total could not be conveniently displayed because all programs under one CFDA number were not contiguous. When this occurred, this total is not shown in the Schedule, but instead is provided below:

CFDA No.	Total Federal Expenditures	CFDA No.	Total Federal Expenditures
10.760	$ 1,074,607	16.803	$ 347,255
10.781	8,136,594	17.258	773,760
14.218	4,244,425	17.259	1,069,524
14.235	833,941	17.260	1,387,874
14.239	16,003,609	84.186	214,727
14.253	217,057	93.069	582,665
16.000	192,058	93.243	416,128
16.575	87,120	93.276	168,902
16.579	179,697	93.521	111,345
16.582	125,000	93.659	3,684,822
16.607	(9,907)	93.779	215,347
16.710	68,104	93.958	530,925

COUNTY OF SAN LUIS OBISPO

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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. Significant deficiencies 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?	Yes
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
2. Type of auditor's report issued on compliance for major programs:	
CDBG – Entitlement Grants Cluster	Qualified
All Other 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
10.781	Water and Waste Disposal Program
14.218, 14.253	CDBG – Entitlement Grants Cluster
14.257	ARRA HPRP
17.258, 17.259, 17.260	Workforce Investment Act Cluster
20.205	Public Ways and Facilities
81.128	ARRA – Energy Efficiency and Conservation Block Grant
93.558, 93.714	Temporary Assistance for Needy Families Cluster

Section 1 (continued)

Federal Awards (continued)

4. Identification of major programs: (continued)

CFDA Number	Name of Federal Program
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance
93.778	Medical Assistance Program

5. Dollar Threshold used to distinguish between Type A and Type B programs? $ 2,936,628

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

Section 2

Financial Statement Findings

None Reported

Section 3

Federal Award Findings and Questioned Costs

CFDA 14.218, 14.253	Finding 11-SA-1
CFDA 93.558, 93.714	Finding 11-SA-2
CFDA 93.558, 93.714	Finding 11-SA-3
CFDA 93.659	Finding 11-SA-2
CFDA 93.659	Finding 11-SA-3
CFDA 93.659	Finding 11-SA-4
CFDA 93.778	Finding 11-SA-2
CFDA 93.778	Finding 11-SA-3
CFDA 93.778	Finding 11-SA-5

Subject/Finding	Findings/Noncompliance
Finding 11-SA-1 Community Development Block Grants/ Entitlement Grants CFDA 14.218 Award No. N/A Year: 2010/2011 and Community Development Block Grant ARRA Entitlement Grants (CDBG-R) – (Recovery Act Funded) CFDA 14.253 Award No. N/A Year: 2010/2011	*Federal Grantor:* *U.S. Department of Housing and Urban Development* *Pass-Through Entity:* *None* *Compliance Requirement:* *Subrecipient Monitoring* Criteria The OMB Compliance Supplement states that grantees are responsible for an ongoing monitoring of subrecipients. This should not to be a one-time event. Each subrecipient should be monitored at least once every two years. Some of the activities to monitor include compliance with regulations and requirements, ensuring that subrecipients achieve their performance objectives within schedule and budget, and taking appropriate action when performance problems arise. Condition During our testing of the subrecipient monitoring compliance requirement including inquiries with the program's fiscal management, we noted that monitoring of subrecipients consisted only of closeout monitoring by the State of California. Questioned Costs No costs are questioned. Effect of Condition The County is ultimately responsible for compliance with rules and regulations by its subrecipients. Without regular monitoring, the County might not be aware of problems with compliance or performance by its subrecipients. Recommendation We recommend that the County develop a monitoring plan which is in accordance with the requirements of the HUD's CDBG Grantee Handbook and that each subrecipient is monitored at least once every two years. Some of the steps in the monitoring process include:

Subject/Finding	Findings/Noncompliance
Finding 11-SA-1 (continued) Community Development Block Grants/ Entitlement Grants CFDA 14.218 and Community Development Block Grant ARRA Entitlement Grants (CDBG-R) – (Recovery Act Funded) CFDA 14.253	Recommendation (continued) • Develop a monitoring plan at the beginning of each program year in order to match available resources with the needs and capacity of funded subrecipients. • Standardize monitoring procedures designed to ensure consistency and thoroughness in monitoring reviews. Grantees should use standardized monitoring checklists or guidebooks. Monitoring procedures should also specify the steps to be followed for monitoring visits. You may want to refer to the State CDBG Program's monitoring checklists located in Chapter 12 of the Grant Management Manual. Corrective Action Plan Consistent with the provisions of 24 CFR 570.500(c), the County has determined that each of the five local participating cities is a CDBG "subrecipient" because the County provides an amount of CDBG funds to be used by each city through an agreed upon formula, rather than through a competitive procurement procedure following 24 CFR 85.36. The County allocates CDBG funds for use by other local nonprofit entities for specific projects or programs through an annual request for proposals procedure that is consistent with 24 CFR 85.36, and therefore, the County considers these other entities to be "contractors" and not "subrecipients." The County has received guidance from HUD in the past regarding monitoring of CDBG subrecipients, but HUD has not indicated how often on-site monitoring visits should be conducted. Rather, HUD advised that the County must have a monitoring plan that includes a risk assessment to determine when monitoring should occur and that the County should determine its own general schedule for monitoring subrecipients and contractors. The State of California suggests that CDBG subrecipients should be monitored at least once every 30 months.

Subject/Finding	Findings/Noncompliance
Finding 11-SA-1 (continued) Community Development Block Grants/ Entitlement Grants CFDA 14.218 and Community Development Block Grant ARRA Entitlement Grants (CDBG-R) – (Recovery Act Funded) CFDA 14.253	Corrective Action Plan (continued) We have revised the County's monitoring procedures to ensure that each of the five subrecipients are monitored at least once every two years. As recommended by HUD staff, we will prepare a monitoring plan each year to specify which subrecipients and which contractors we will monitor. This yearly monitoring plan will reflect not only our commitment to regular monitoring of all subrecipients, but will also reflect a risk assessment for each agency based on a number of factors. The monitoring plan for the current year also has been prepared as recommended.

Subject/Finding	Findings/Noncompliance
Finding 11-SA-2 Temporary Assistance for Needy Families CFDA 93.558 & ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs CFDA 93.714 Adoption Assistance Program CFDA 93.659 & ARRA – Adoption Assistance Program CFDA 93.659 Medical Assistance Program CFDA 93.778 & ARRA - Medical Assistance Program CFDA 93.778 Award No. N/A Year: 2010/2011	*Federal Grantor:* *U.S. Department of Health and Human Services* *Pass-Through Entity:* *State Departments of Social Services and Health Care Services* *Compliance Requirement: Eligibility and Special Tests and Provisions* Criteria The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Condition We noted instances that the internal control checklist used during the preparation of case files was not present in the file. Questioned Costs No costs are questioned. Effect of the Condition Without appropriate usage of the internal control checklist, the eligibility staff making decisions without a paper case file likely could act on incomplete or inaccurate information, which could lead to erroneous eligibility decisions. Without the appropriate documentation on file, even correct eligibility decisions become difficult for the County to substantiate. Corrective Action Plan San Luis Obispo County enacted supervisor review of all Intake cases as well as Redetermination of active cases effective 9/1/2011. Eligibility program supervisors in San Luis Obispo County are called ESS, Employment Services Supervisors. The Approval Checklist is part of the intake and yearly RRR, Redetermination/Recertification/Renewal supervisor review. (See highlighted line below.)

Subject/Finding	Findings/Noncompliance
Finding 11-SA-2 (continued) Temporary Assistance for Needy Families CFDA 93.558 & ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs CFDA 93.714 Adoption Assistance Program CFDA 93.659 & ARRA – Adoption Assistance Program CFDA 93.659 Medical Assistance Program CFDA 93.778 & ARRA - Medical Assistance Program CFDA 93.778	Corrective Action Plan (continued) Here is a copy of the e-mail to the ESS from their Regional Managers: Effective 9/1/11, all ESSs will perform a quick perusal of all intake application approvals and RRRs. ESSs will track perusals by referencing reports listing all applications and RRRs assigned to each worker. Perusal of case involves checking that: • Case is filed • IEVS in CalWIN reviewed/handled • **Approval checklist completed** • Case comments adequately entered • Verifications appear to be on file • Signed Statement of Facts on file • If case confidential, DSS 100 on file • Re: RRRs, prior year is purged to Closed Files This will be in addition to the three full case reviews completed monthly for each worker. These are randomly chosen, one from intake, one from RRR, and one containing a recently processed periodic report (QR 7 or MSR).

Subject/Finding	Findings/Noncompliance
Finding 11-SA-3 Temporary Assistance for Needy Families CFDA 93.558 & ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs CFDA 93.714 Adoption Assistance Program CFDA 93.659 & ARRA – Adoption Assistance Program CFDA 93.659 Medical Assistance Program CFDA 93.778 & ARRA - Medical Assistance Program CFDA 93.778 Award No. N/A Year: 2010/2011	*Federal Grantor:* *U.S. Department of Health and Human Services* *Pass-Through Entity:* *State Departments of Social Services and Health Care Services* *Compliance Requirement: Eligibility and Special Tests and Provisions* Criteria The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Condition During our review of case files, we noted instances where the same caseworker opens, processes and closes case files. Due to a limited number of personnel, there are few opportunities for review and supervision to compensate for a lack of segregation of duties over case file administration. Questioned Costs No costs are questioned. Effect of Condition As a result of inadequate segregation of duties and the limited number of personnel involved in case file administration there is a higher risk errors or fraud could occur and not be detected within a timely period of time.

Subject/Finding	Findings/Noncompliance
Finding 11-SA-3 (continued) Temporary Assistance for Needy Families CFDA 93.558 & ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs CFDA 93.714 Adoption Assistance Program CFDA 93.659 & ARRA – Adoption Assistance Program CFDA 93.659 Medical Assistance Program CFDA 93.778 & ARRA - Medical Assistance Program CFDA 93.778	Recommendation Internal controls are designed to safeguard assets and help or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. Although the size of the County's accounting staff prohibits complete adherence to this concept, we believe that the following practices could be implemented to improve existing internal control without impairing efficiency: • The management should clearly communicate the lines of authority for determining eligibility. • Management should take timely appropriate action for known departures from approved policies and procedures and compliance requirements. • Management should periodically review authorized signatures on eligibility documents. • Periodic internal audits of detailed transactions should be conducted. Corrective Action Plan San Luis Obispo County enacted supervisor review of all Intake cases as well as Redetermination of active cases effective 9/1/2011. Eligibility program supervisors in San Luis Obispo County are called ESS, Employment Services Supervisors. The case review is part of the intake and yearly RRR, Redetermination/Recertification/Renewal supervisor review. Here is a copy of the e-mail to the ESS from their Regional Managers: Effective 9/1/11, all ESSs will perform a quick perusal of all intake application approvals and RRRs. ESSs will track perusals by referencing reports listing all applications and RRRs assigned to each worker.

Subject/Finding	Findings/Noncompliance
Finding 11-SA-3 (continued) Temporary Assistance for Needy Families CFDA 93.558 & ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs CFDA 93.714 Adoption Assistance Program CFDA 93.659 & ARRA – Adoption Assistance Program CFDA 93.659 Medical Assistance Program CFDA 93.778 & ARRA - Medical Assistance Program CFDA 93.778	Corrective Action Plan (continued) Perusal of case involves checking that: • Case is filed • IEVS in CalWIN reviewed/handled • Approval checklist completed • Case comments adequately entered • Verifications appear to be on file • Signed Statement of Facts on file • If case confidential, DSS 100 on file • Re: RRRs, prior year is purged to Closed Files This will be in addition to the three full case reviews completed monthly for each worker. These are randomly chosen, one from intake, one from RRR, and one containing a recently processed periodic report (QR 7 or MSR).

Subject/Finding	Findings/Noncompliance
Finding 11-SA-4 Adoption Assistance Program CFDA 93.659 Award No. N/A Year: 2010/2011 and ARRA – Adoption Assistance Program CFDA 93.659 Award No. N/A Year: 2010/2011	*Federal Granor:* *U.S. Department of Health and Human Services* *Pass-Through Entity:* *State Department of Social Services* *Compliance Requirement: Eligibility* <u>Criteria</u> OMB's compliance supplement states, "Adoption assistance subsidy payments may be paid on behalf of a child only if all of the following requirements are met". The supplement then gives four requirements that must be met for a child to be eligible for federal assistance. The last requirement states "The agreement for the subsidy was signed and was in effect before the final decree of adoption and contains information concerning the nature of services; the amount and duration of the subsidy; the child's eligibility for Title XX services and Title XIX Medicaid; and covers the child should he/she move out of State with the adoptive family." <u>Condition</u> We tested eligibility in 40 Adoption Assistance cases. In two cases, an Adoption Assistance Agreement (form 215) and Adoption Decree were missing. <u>Questioned Costs</u> No costs are questioned. <u>Effect of the Condition</u> Federal Adoption Assistance benefits might be paid on behalf of a child when a child is not eligible for federally funded Adoption Assistance. <u>Recommendation</u> We recommend that County staff ensure a properly-executed Adoption Assistance Agreement is contained in the case file before approving eligibility for Federal Adoption Assistance.

Subject/Finding	Findings/Noncompliance
Finding 11-SA-4 (continued) Adoption Assistance Program CFDA 93.659 and ARRA – Adoption Assistance Program CFDA 93.659	Corrective Action Plan The two cases that were missing the Adoption Assistance Agreement (form 215) and Adoption Decrees were cleared prior to the auditors leaving San Luis Obispo County. The missing documents were found and placed in the Adoption Files. In one case the Adoption Assistance Agreement and Adoption Decree was obtained from the local Court records. In the second case, the Adoption Assistance Agreement and Adoption Decree were obtained from the Adoption Attorney. Both cases that were corrected are housed in the locked DSS room where all Department of Social Services Adoption Files are stored. The county Adoption Assistance Agreement (Form 215) has been replaced with the new state form available November 2011. ADOPTION ASSISTANCE PROGRAM (AAP) AGREEMENT AD 4320 (11/11) All county Adoption Assistance Desk Guides have been updated to include the state mandated form AD4320 to be signed by the adoptive parents and included in the permanent case file locked in the DSS adoptions records file room. The Adoption Decree is the adoption court order that is included in the permanent case file locked in the DSS adoptions records file room. The Adoption Assistance Desk Guides have been updated to include the Adoption Decree as a permanent document in the case file.

Subject/Finding	Findings/Noncompliance
Finding 11-SA-5 Medical Assistance Program CFDA 93.778 & ARRA - Medical Assistance Program CFDA 93.778 Award No. N/A Year: 2010/2011	*Federal Grantor:* *U.S. Department of Health and Human Services* *Pass-Through Entity:* *State Department of Health Care Services* *Compliance Requirement:* *Eligibility(IEVS)* Criteria 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. Condition We tested eligibility and special tests and provisions for 40 Medi-cal cases and noted that 2 cases did not have current IEVS documents for all active individuals on the cases. Questioned Costs No costs are questioned. Effect of Condition The IEVS system is an elaborate, federally-mandated system which compiles government information for the purpose of tracking federal program eligibility data. Not reporting and using IEVS in eligibility determination can result in individuals receiving benefits to which they are not entitled. Recommendation We recommend that the Department strictly adhere to the established policies and procedures with regards to ongoing eligibility verification.

Subject/Finding	Findings/Noncompliance
Finding 11-SA-5 (continued) Medical Assistance Program CFDA 93.778 & ARRA - Medical Assistance Program CFDA 93.778	Corrective Action Plan San Luis Obispo County enacted supervisor review of all Intake cases as well as Redetermination of active cases effective 9/1/2011. Eligibility program supervisors in San Luis Obispo County are called ESS, Employment Services Supervisors. The IEVS is part of the intake and yearly RRR, Redetermination/Recertification/Renewal supervisor review. (See highlighted line below.) Here is a copy of the e-mail to the ESS from their Regional Managers: Effective 9/1/11, all ESSs will perform a quick perusal of all intake application approvals and RRRs. ESSs will track perusals by referencing reports listing all applications and RRRs assigned to each worker. Perusal of case involves checking that: • Case is filed • **IEVS in CalWIN reviewed/handled** • Approval checklist completed • Case comments adequately entered • Verifications appear to be on file • Signed Statement of Facts on file • If case confidential, DSS 100 on file • Re: RRRs, prior year is purged to Closed Files This will be in addition to the three full case reviews completed monthly for each worker. These are randomly chosen, one from intake, one from RRR, and one containing a recently processed periodic report (QR 7 or MSR).

COUNTY OF SAN LUIS OBISPO

Summary Schedule of Prior Audit Findings
Federal Awards
For the Year Ended June 30, 2011

Subject/Funding	Findings and Noncompliance
Finding 10-SA-1 Temporary Assistance for Needy Families CFDA 93.558 Award No. n/a Year: 2009/2010	Recommendation We recommend that the Department review this omission to request, review, and compare the IEVS to information in the 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 establish and communicate a policy designed to ensure that IEVS information is requested, received, and reviewed and that this review is documented in each case. Status Implemented
Finding 10-SA-2 Foster Care Title IV-E CFDA 93.658 Award No. n/a Year: 2009/2010	Recommendation We recommend that the County obtain the judicial determinations for each required file to ensure the judicial requirement had been met. Status Implemented.

SUPPLEMENTARY SCHEDULE
OF GRANT EXPENDITURES

COUNTY OF SAN LUIS OBISPO

Schedule of the California Emergency Management Agency
and the Department of Corrections and Rehabilitation Grants Expenditures
For the Year Ended June 30, 2011

California Emergency Management Agency Grants

The following represents expenditures for California Emergency Management Agency (Cal EMA) grants for the year ended June 30, 2011. The amount reported in the Schedule of Expenditures of Federal Awards is determined by calculating the federal portion of the current year expenditures.

	Expenditures Claimed			Share of Expenditures Current Year		
Program	For the Period Through June 30, 2010	For the Year Ended June 30, 2011	Cumulative As of June 30, 2011	Federal Share	State Share	County Share
DC09200400 - Gang Task Force						
Personal services	$ --	$ 85,266	$ 85,266	$ 85,266	$ --	$ --
Operating expenses	--	94,431	94,431	94,431	--	--
Totals	$ --	$ 179,697	$ 179,697	$ 179,697	$ --	$ --
SF08030400 - Sexual Assualt Felony Enforcement						
Personal services	$ --	$ 151,581	$ 151,581	$ --	$ 151,581	$ --
Operating expenses	--	96,084	96,084	--	96,084	--
Totals	$ --	$ 247,665	$ 247,665	$ --	$ 247,665	$ --
RX08030400 - Central Coast Rural Crime Prevention						
Personal services	$ --	$ 24,330	$ 24,330	$ --	$ 24,330	$ --
Totals	$ --	$ 24,330	$ 24,330	$ --	$ 24,330	$ --
MH08030400 - California Multi-Jurisdictional Methamphetamine Enforcement Team						
Personal services	$ --	$ 99,538	$ 99,538	$ --	$ 99,538	$ --
Totals	$ --	$ 99,538	$ 99,538	$ --	$ 99,538	$ --
FEMS-2817-FM-CA - Cal_EMA #083-00000 Jesusita Fire - May 2009 FEMA 97.046						
Personal services	$ --	$ 57,220	$ 57,220	$ 45,776	$ 11,444	$ --
Totals	$ --	$ 57,220	$ 57,220	$ 45,776	$ 11,444	$ --
ZP09010400 - ARRA -- Justice Assistance Grant; Evidence Based Practices Supervision						
Personal services	$ --	$ 150,238	$ 150,238	$ 150,238	$ --	$ --
Operating expenses	--	16,200	16,200	16,200	--	--
Totals	$ --	$ 166,438	$ 166,438	$ 166,438	$ --	$ --

COUNTY OF SAN LUIS OBISPO

Schedule of the California Emergency Management Agency
and the Department of Corrections and Rehabilitation Grants Expenditures
For the Year Ended June 30, 2011

California Emergency Management Agency Grants

The following represents expenditures for California Emergency Management Agency (Cal EMA) grants for the year ended June 30, 2011. The amount reported in the Schedule of Expenditures of Federal Awards is determined by calculating the federal portion of the current year expenditures.

	Expenditures Claimed			Share of Expenditures Current Year		
Program	For the Period Through June 30, 2010	For the Year Ended June 30, 2011	Cumulative As of June 30, 2011	Federal Share	State Share	County Share
US10010400 - Project Safe Neighborhoods						
Operating expenses	$ --	$ 10,000	$ 10,000	$ 10,000	$ --	$ --
Totals	$ --	$ 10,000	$ 10,000	$ 10,000	$ --	$ --
VW09280400 - VW10290400 - Victim Witness Assistance						
Personal services	$ 191,666	$ 191,666	$ 383,332	$ 87,120	$ 104,546	$ --
Totals	$ 191,666	$ 191,666	$ 383,332	$ 87,120	$ 104,546	$ --
EA09120400 - UV1OO10400 - Victim (Elder) Advocacy/Outreach						
Personal services	$ 105,000	$ 125,000	$ 230,000	$ 125,000	$ --	$ 31,250
Totals	$ 105,000	$ 125,000	$ 230,000	$ 125,000	$ --	$ 31,250
VS09010400 - ARRA - Victim Witness Recovery Act Program						
Personal services	$ 18,159	$ --	$ 18,159	$ --	$ --	$ --
Totals	$ 18,159	$ --	$ 18,159	$ --	$ --	$ --
RV09010400 - Victim Witness Assistance Recovery Act Program						
Personal services	$ 12,231	$ --	$ 12,231	$ --	$ --	$ --
Totals	$ 12,231	$ --	$ 12,231	$ --	$ --	$ --
VB08060400 - Vertical Prosecution Program						
Personal services	$ 127,473	$ 39,746	$ 167,219	$ --	$ 39,746	$ --
Totals	$ 127,473	$ 39,746	$ 167,219	$ --	$ 39,746	$ --