

COUNTY OF SAN MATEO

Single Audit Reports

For the Year Ended June 30, 2007

COUNTY OF SAN MATEO
Single Audit Reports
For the Year Ended June 30, 2007

Table of Contents

	Page(s)
Independent Auditor's Report on Schedule of Expenditures of Federal Awards	1 - 2
Schedule of Expenditures of Federal Awards	3 - 6
Notes to the Schedule of Expenditures of Federal Awards.....	7 - 12
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 <i>Government Auditing Standards</i>	13 - 14
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	15 - 16
Schedule of Findings and Questioned Costs.....	17 - 30
Status of Prior Years Findings and Questioned Costs	31 - 32



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Mateo, California (County), as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 5, 2007. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the County of San Mateo (Authority) and the San Mateo County Employees' Retirement Association (SamCERA), which collectively represent the following percentages of assets, net assets/fund balances and revenues/additions as of and for the fiscal year ended June 30, 2007:

Opinion Unit	Assets	Net Assets / Fund Balances	Revenues / Additions
Business-type Activities	18.4%	28.1%	28.8%
Each Major Enterprise Fund –			
Housing Authority of the County of San Mateo	100.0%	100.0%	100.0%
Aggregate Remaining Fund Information	42.1%	49.0%	10.8%

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards (Schedule) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule does not include expenditures of federal awards received by the Authority. The Authority's expenditures are separately audited in accordance with OMB Circular A-133. The Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


Certified Public Accountants

Walnut Creek, California
December 5, 2007

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amounts Provided to Subrecipients	Pass-Through Entity Number
U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY				
Direct Program:				
High Intensity Drug Trafficking Area	07	\$ 2,770,842	\$ -	n/a
Pass-Through Program, State of Florida, Monroe County Sheriff's Office:				
High Intensity Drug Trafficking Area	07	63,303	-	A-102-0208-51210
TOTAL U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY		2,834,145	-	
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Programs, State of California, Department of Food and Agriculture:				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	209,665	-	06-0417
Plant and Animal Disease, Pest Control, and Animal Care	10.025	307,528	-	06-0488
Plant and Animal Disease, Pest Control, and Animal Care	10.025	65,003	-	06-0321
Subtotal of Plant and Animal Disease, Pest Control, and Animal Care		<u>582,196</u>	<u>-</u>	
Pass-Through Programs, State of California, Department of Social Services:				
Food Stamp Cluster:				
Food Stamps	10.551	10,553,241	-	06-117-01
State Administrative Matching Grants for Food Stamp Program	10.561	4,683,951	-	n/a
State Administrative Matching Grants for Food Stamp Program	10.561	52,644	-	03-75563
State Administrative Matching Grants for Food Stamp Program	10.561	81,118	-	06-55115
Subtotal of Food Stamps Cluster		<u>15,370,954</u>	<u>-</u>	
Pass-Through Programs, State of California, Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	120,945	-	41-10413-6045223-01-1154
National School Lunch Program	10.555	187,397	-	41-10413-6045223-01-1154
Subtotal of Child Nutrition Cluster		<u>308,342</u>	<u>-</u>	
Pass-Through Program, State of California, Department of Health Services:				
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Program	10.557	2,053,759	-	05-45794
Subtotal of Pass-Through Programs		<u>18,315,251</u>	<u>-</u>	
TOTAL U.S. DEPARTMENT OF AGRICULTURE		18,315,251	-	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs:				
Community Development Block Grants/Entitlement Grants	14.218	4,047,192	1,989,409	n/a
Emergency Shelter Grants Program	14.231	91,326	87,750	n/a
HOME Investment Partnerships Program	14.239	17,781,249	2,141,586	n/a
Subtotal of Direct Programs		<u>21,919,767</u>	<u>4,218,745</u>	
Pass-Through Program, San Francisco Redevelopment Agency				
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	681,698	508,902	n/a
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		22,601,465	4,727,647	
U.S. DEPARTMENT OF INTERIOR				
Pass-Through Program, State of California, Department of Parks and Recreation:				
Outdoor Recreation_Acquisition, Development and Planning	15.916	127,500	-	C8937059
TOTAL U.S. DEPARTMENT OF INTERIOR		127,500	-	
U.S. DEPARTMENT OF JUSTICE				
Direct Programs:				
Crime Laboratory Improvement_Combined Offender DNA INDEX System				
Backlog Reduction	16.564	258,198	-	n/a
Public Safety Partnership and Community Policing Grants	16.710	118,976	-	n/a
Edward Byrne Memorial Justice Assistance Grant Program	16.738	102,777	-	n/a
Drug Enforcement Administrative Grant	16	20,095	-	n/a
Southwest Border Prosecution Initiative	16A	416,094	-	n/a
Subtotal of Direct Programs		<u>916,140</u>	<u>-</u>	
Pass-Through Programs, State of California, Corrections Standards Authority:				
Juvenile Accountability Block Grants	16.523	45,172	-	CSA 169-06
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586	1,769,378	-	BDC 029-01

See notes to the schedule of expenditures of federal awards.

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amounts Provided to Subrecipients	Pass-Through Entity Number
U.S. DEPARTMENT OF JUSTICE (Continued)				
Pass-Through Programs, State of California, Governor's Office of Emergency Services:				
National Institute of Justice Research, Evaluation, and				
Development Project Grants	16.560	19,888	-	CQ05030410
Crime Victim Assistance	16.575	174,534	-	VW06250410
Crime Victim Assistance	16.575	110,000	-	SE06160410
Edward Byrne Memorial Justice Assistance Grant Program	16.738	194,361	-	DC06170410
Pass-Through Program, City and County of San Francisco:				
Urban Areas Securities Initiative	16.011	178,000	-	2003 UASI
Subtotal of Pass-Through Programs		2,491,333	-	
TOTAL U.S. DEPARTMENT OF JUSTICE		3,407,473	-	
U.S. DEPARTMENT OF LABOR				
Pass-Through Program, State of California, Department of Aging:				
Senior Community Service Employment Program	17.235	121,785	121,785	TV-0506-08
Pass-Through Programs, State of California, Employment Development Department:				
Workforce Investment Act Cluster:				
Workforce Investment Act (WIA) Adult Program	17.258	927,112	110,364	R760352
Workforce Investment Act (WIA) Adult Program	17.258	136,055	-	R692504
Workforce Investment Act (WIA) Youth Activities	17.259	124,132	124,132	R692504
Workforce Investment Act (WIA) Youth Activities	17.259	644,609	393,455	R760352
Workforce Investment Act (WIA) Dislocated Workers	17.260	723,343	147,128	R692504
Workforce Investment Act (WIA) Dislocated Workers	17.260	1,758,585	126,636	R760352
Workforce Investment Act (WIA) Dislocated Workers	17.260	330,675	147,016	C-2004-819
Subtotal of Workforce Investment Act Cluster		4,644,511	1,048,731	
Subtotal of Pass-Through Programs		4,766,296	1,170,516	
TOTAL U.S. DEPARTMENT OF LABOR		4,766,296	1,170,516	
U.S. DEPARTMENT OF TRANSPORTATION				
Direct Program:				
Airport Improvement Program	20.106	2,788,284	-	n/a
Pass-Through Program, State of California, Department of Transportation:				
Highway Planning and Construction	20.205	456,788	-	STPL 5935 (032)
Highway Planning and Construction	20.205	40,810	-	STPL 5935 (039)
Subtotal of Highway Planning and Construction		497,598	-	
Pass-Through Program, City of Daly City:				
State and Community Highway Safety	20.600	39,772	-	AL0678
Subtotal of Pass-Through Programs		537,370	-	
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		3,325,654	-	
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Pass-Through Program, State of California, Water Control Resources Board:				
Local Oversight Program - Groundwater Protection	66	207,840	-	06-022-250-0
Pass-Through Program, State of California, Department of Health Services:				
Beach Monitoring and Notification Program Implementation Grants	66.472	25,000	-	06-55301
Subtotal of Pass-Through Programs		232,840	-	
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY		232,840	-	
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Program, San Mateo County Office of Education:				
Special Education - Grants to States	84.027	1,979,619	-	05-14468-1041-01
Pass-Through Program, State of California, Alcohol and Drug Programs:				
Safe and Drug-Free Schools and Communities_State Grants	84.186	900,013	-	03-05
Safe and Drug-Free Schools and Communities_State Grants	84.186	851,841	-	03-12
Subtotal of Safe and Drug-Free Schools and Communities		1,751,854	-	
Subtotal of Pass-Through Programs		3,731,473	-	
TOTAL U.S. DEPARTMENT OF EDUCATION		3,731,473	-	

See notes to the schedule of expenditures of federal awards.

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amounts Provided to Subrecipients	Pass-Through Entity Number
U.S. ELECTION ASSISTANCE COMMISSION				
Pass-Through Program, State of California, Secretary of State: Help America Vote Act Requirements Payments	90.401	4,569,942	-	05-GR303002
TOTAL U.S. ELECTION ASSISTANCE COMMISSION		<u>4,569,942</u>	<u>-</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs:				
Community Health Centers	93.224	1,441,256	-	n/a
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	2,117,830	1,231,119	n/a
Adolescent Family Life - Demonstration Projects	93.995	371,976	-	n/a
Subtotal of Direct Programs		<u>3,931,062</u>	<u>1,231,119</u>	
Pass-Through Programs, State of California, Department of Aging:				
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	7,523	-	AP-0607-08
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	39,249	39,249	AP-0607-08
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	40,987	40,987	AP-0607-08
Aging Cluster:				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	730,211	568,110	AP-0607-08
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	1,072,554	950,610	AP-0607-08
Nutrition Services Incentive Program	93.053	188,197	188,197	AP-0607-08
Subtotal of Special Programs for the Aging Cluster		<u>1,990,962</u>	<u>1,706,917</u>	
National Family Caregiver Support	93.052	299,572	176,657	AP-0607-08
Medical Assistance Program (Medicaid; Title XIX)	93.778	414,517	-	MS-0607-13
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	62,380	56,732	HI-0607-08
Pass-Through Programs, State of California, Department of Health Services:				
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	1,347,633	177,289	05-35379
Disabilities Prevention	93.184	867,648	-	n/a
Immunization Grants	93.268	340,474	-	06-55199
Immunization Grants	93.268	27,499	-	06-55246
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	982,665	-	n/a
Social Services Block Grant	93.667	1,896,713	-	n/a
State Children's Insurance Program	93.767	327,242	-	n/a
Medical Assistance Program (Medicaid; Title XIX)	93.778	1,406,753	-	n/a
Medical Assistance Program (Medicaid; Title XIX)	93.778	77,459	-	05-45167
National Bioterrorism Hospital Preparedness Program	93.889	368,998	-	n/a
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	39,502	-	05-45684
Maternal and Child Health Services Block Grant to the States	93.994	983,418	-	200641
Pass-Through Programs, State of California, Department of Mental Health:				
Projects for Assistance in Transition from Homelessness (PATH)	93.150	131,903	131,903	n/a
Block Grants for Community Mental Health Services	93.958	818,593	134,821	n/a
Pass-Through Programs, State of California, Department of Social Services:				
Promoting Safe and Stable Families	93.556	379,678	-	n/a
Temporary Assistance for Needy Families	93.558	34,961,325	-	n/a
Refugee and Entrant Assistance - State Administered Programs	93.566	47,897	-	n/a
Child Welfare Services - State Grants	93.645	339,506	-	n/a
Foster Care - Title IV-E	93.658	15,475,002	-	n/a
Foster Care - Title IV-E	93.658	1,136,890	-	2024.00.01
Adoption Assistance	93.659	2,862,150	-	n/a
Chafee Foster Care Independence Program	93.674	218,780	-	n/a
Medical Assistance Program (Medicaid; Title XIX)	93.778	3,718,460	-	n/a
Pass-Through Program, State of California, Department of Child Support Services:				
Child Support Enforcement	93.563	7,628,228	-	n/a

See notes to the schedule of expenditures of federal awards.

COUNTY OF SAN MATEO
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Federal Expenditures	Amounts Provided to Subrecipients	Pass-Through Entity Number
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
Pass-Through Programs, State of California, Department of Education:				
Child Care and Development Fund Cluster:				
Child Care and Development Block Grants	93.575	1,763,490	1,763,490	C2AP-5060
Child Care and Development Block Grants	93.575	207,472	-	CAPP-5067
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	253,750	-	CAPP-5067
Subtotal of Child Care and Development Fund Cluster		<u>2,224,712</u>	<u>1,763,490</u>	
Pass-Through Programs, State of California, Secretary of State:				
Voting Access for Individuals with Disabilities_Grants to States	93.617	21,196	-	05-GREA1D41
Pass-Through Programs, State of California, Alcohol and Drug Programs:				
Medical Assistance Program (Medicaid; Title XIX)	93.778	306,259	77,255	07B1CASAPT-02
Block Grants for Prevention and Treatment of Substance Abuse	93.959	4,624,974	-	07B1CASAPT-02
Pass-Through Program, City and County of San Francisco:				
HIV Emergency Relief Project Grants	93.914	1,585,845	511,949	DPHC0700051501
HIV Emergency Relief Project Grants	93.914	594,881	60,647	DPHC08000816
Subtotal of HIV Emergency Relief Program Grants		<u>2,180,726</u>	<u>572,596</u>	
Subtotal of Pass-Through Programs		<u>88,597,473</u>	<u>4,877,896</u>	
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>92,528,535</u>	<u>6,109,015</u>	
U.S. DEPARTMENT OF HOMELAND SECURITY				
Pass-Through Programs, City and County of San Francisco:				
Urban Areas Security Initiative	97.008	853,695	-	2004 UASI
Homeland Security Grant Program	97.067	1,070,425	-	2005 UASI
Pass-Through Programs, State of California, Governor's Office of Emergency Services:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	162,205	-	FEMA-1628-DR-CA
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	251,794	-	FEMA-1646-DR-CA
Subtotal of Disaster Grant-Public Assistance		<u>413,999</u>	<u>-</u>	
Emergency Management Performance Grant	97.042	132,899	-	2006-8
Emergency Management Performance Grant	97.042	131,810	-	EMF-2007-GR-0702
Subtotal of Emergency Management Performance Grant		<u>264,709</u>	<u>-</u>	
Homeland Security Grant Program	97.067	2,075,251	-	2004-45
Homeland Security Grant Program	97.067	2,167,502	-	2005-15
Homeland Security Grant Program	97.067	729,065	-	2006-71
State Homeland Security Program (SHSP)	97.073	5,473	-	2003-0167
State Homeland Security Program (SHSP)	97.073	175,770	-	2003-35
Subtotal of State Homeland Security Program (SHSP)		<u>181,243</u>	<u>-</u>	
Buffer Zone Protection Program (BZPP)	97.078	276,523	-	2005-GR-T5-0068
Subtotal of Pass-Through Programs		<u>8,032,412</u>	<u>-</u>	
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY		<u>8,032,412</u>	<u>-</u>	
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 164,472,986</u>	<u>\$ 12,007,178</u>	

See notes to the schedule of expenditures of federal awards.

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

1. GENERAL

The schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the County of San Mateo, California (County). All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies are included on this schedule except for assistance related to Medical Assistance (Medi-Cal) and Medicare Hospital Insurance (Medicare) (Note 5) and the Housing Authority of the County of San Mateo (Authority) (Note 7).

2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting for program expenditures accounted for in the governmental funds and the accrual basis of accounting for program expenditures accounted for in the proprietary funds as described in Note 2(b) of the County's basic financial statements. In addition, the outstanding balance of prior years' loans that have significant continuing compliance requirements has been included in total federal expenditures for the HOME Investment Partnerships program (Note 8).

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

5. MEDI-CAL AND MEDICARE

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

6. FOOD COUPONS

The County issued food coupons valued at \$10,553,241 during the year ended June 30, 2007. This amount is for information only as receipts and issuances of food coupons are not recorded in the County's financial records.

COUNTY OF SAN MATEO
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

7. HOUSING AUTHORITY OF COUNTY OF SAN MATEO

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

Program Title	CFDA Number	Federal Expenditures
Public and Indian Housing	14.850	\$ 274,706
Capital Fund Program	14.872	623,233
Section 8 Programs:		
Moderate Rehabilitation	14.856	1,171,651
Housing Choice Voucher	14.871	54,796,903
Shelter Plus Care	14.238	1,898,851
Moving to Work	14.871	4,780,694
Supportive Housing	14.235	726,800
Total		<u>\$ 64,272,838</u>

8. LOANS OUTSTANDING

The County participates in certain federal award programs that sponsor revolving loan programs, which are administered by the County. These programs maintain servicing and trust arrangements with the County to collect loan repayments. The funds are returned to the programs upon repayment of the principal and interest. The federal government has imposed certain significant continuing compliance requirements with respect to the loans rendered under the HOME Investment Partnerships (HOME) Program (CFDA number 14.239). In accordance with Subpart B, Section 205 of the U.S. Office of Management and Budget Circular A-133, the County has reported the outstanding balance of loans from previous years that have significant continuing compliance requirements as of June 30, 2007 along with the value of total outstanding and new loans made during the current year.

During the year ended June 30, 2007, the County incurred \$1,883,660 in expenditures related to new loans under the HOME program. As of June 30, 2007, the total amount of HOME loans outstanding subject to continuing compliance requirements was \$17,340,451, which is included in the Schedule.

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

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

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

Federal Grantor Pass-through Grantor Program Title	CFDA No.	Grant/ Contract Number	Expenditures	
			State	Federal
U.S. Department of Labor <i>Passed through CA Department of Aging</i> Senior Community Service Employment Program	17.235	TV-0607-08	\$ 45,650	\$ 121,785
U.S. Department of Health & Human Services <i>Passed through CA Department of Aging</i>				
Special Programs for Aging-Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, & Exploitation	93.041	AP-0607-08	463	7,523
Special Programs for Aging-Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042	AP-0607-08	5,545	39,249
Special Programs for Aging-Title III, Part D Disease Prevention and Health Promotion Services	93.043	AP-0607-08	7,719	40,987
Special Programs for Aging-Title III, Part B Grants for Supportive Services and Senior Centers	93.044	AP-0607-08	123,632	730,211
Special Programs for Aging-Title III, Part C Nutrition Services	93.045	AP-0607-08	231,411	1,072,554
National Family Caregiver Support	93.052	AP-0607-08	-	299,572
Nutrition Services Incentive Program	93.053	AP-0607-08	-	188,197
Medical Assistance Program (Medicaid: Title: XIX)	93.778	MS-0607-13	414,516	414,517
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	HI-0607-08	179,465	62,380
Total Expenditures of CDA and Federal Awards			<u>1,008,401</u>	<u>\$ 2,976,975</u>
State Awards - California Department of Aging:				
Area Agency on Aging - Administration		AP-0607-08	11,849	
CBSP - Linkages		AP-0607-08	249,566	
CBSP - Respite Purchase of Service		AP-0607-08	17,000	
CBSP - Brown Bag Program		AP-0607-08	18,205	
CBSP - ADCRC		AP-0607-08	75,884	
Ombudsman Volunteer Recruitment Initiative		AP-0607-08	27,468	
Senior Farmers Market		AP-0607-08	<u>5,220</u>	
Total Expenditures of CDA Awards			<u>\$ 1,413,593</u>	

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

10. PROGRAM TOTALS

The Schedule does not summarize programs that receive funding from various funding sources or grants. The following table summarizes these programs by CFDA numbers.

	CFDA number / Program Title / Federal Grantor or Pass-Through Grantor	Pass Through Entity Number	Federal Expenditures
(a)	CFDA number 10.561 - State Administrative Matching Grants for Food Stamp Program		
	State of California, Department of Social Services	n/a	\$ 4,683,951
	State of California, Department of Social Services	03-75563	52,644
	State of California, Department of Social Services	06-55115	81,118
		Program Total	<u>\$ 4,817,713</u>
(b)	CFDA number 16.575 - Crime Victim Assistance		
	State of California, Governor's Office of Emergency Services	VW06240410	\$ 174,534
	State of California, Governor's Office of Emergency Services	SE06150410	110,000
		Program Total	<u>\$ 284,534</u>
(c)	CFDA number 16.738 - Edward Byrne Memorial Justice Assistance Grant Program		
	U.S. Department of Justice	n/a	\$ 102,777
	State of California, Governor's Office of Emergency Services	DC06170410	194,361
		Program Total	<u>\$ 297,138</u>
(d)	CFDA number 17.258 - Workforce Investment Act (WIA) Adult Program		
	State of California, Employment Development Department	R760352	\$ 927,112
	State of California, Employment Development Department	R692504	136,055
		Program Total	<u>\$ 1,063,167</u>
(e)	CFDA number 17.259 - Workforce Investment Act (WIA) Youth Activities		
	State of California, Employment Development Department	R692504	\$ 124,132
	State of California, Employment Development Department	R760352	644,609
		Program Total	<u>\$ 768,741</u>
(f)	CFDA number 17.260 - Workforce Investment Act (WIA) Dislocated Workers		
	State of California, Employment Development Department	R692504	\$ 723,343
	State of California, Employment Development Department	R760352	1,758,585
	State of California, Employment Development Department	C-2004-819	330,675
		Program Total	<u>\$ 2,812,603</u>

COUNTY OF SAN MATEO
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

10. PROGRAM TOTALS (Continued)

	CFDA number / Program Title / Federal Grantor or Pass-Through Grantor	Pass Through Entity Number	Federal Expenditures
(g)	CFDA number 93.268 - Immunization Grants		
	State of California, Department of Health Services	06-55199	\$ 340,474
	State of California, Department of Health Services	06-55246	27,499
		Program Total	<u>\$ 367,973</u>
(h)	CFDA number 93.575 - Child Care and Development Block Grants		
	State of California, Department of Education	C2AP-5060	\$ 1,763,490
	State of California, Department of Education	CAPP-5067	207,472
		Program Total	<u>\$ 1,970,962</u>
(i)	CFDA number 93.658 - Foster Care Title IV-E		
	State of California, Department of Social Services	n/a	\$ 15,475,002
	State of California, Department of Social Services	2024.00.01	1,136,890
		Program Total	<u>\$ 16,611,892</u>
(j)	CFDA number 93.778 - Medical Assistance Program (Medicaid: Title XIX)		
	State of California, Department of Health Services	n/a	\$ 1,406,753
	State of California, Department of Health Services	05-45167	77,459
	State of California, Department of Social Services	n/a	3,718,460
	State of California, Alcohol and Drug Programs	07B1CASAPT-02	306,259
	State of California, Department of Aging	MS-0607-13	414,517
		Program Total	<u>\$ 5,923,448</u>
(k)	CFDA number 97.067 - Homeland Security Grant Program		
	State of California, Governor's Office of Emergency Services	2004-45	\$ 2,075,251
	State of California, Governor's Office of Emergency Services	2005-15	2,167,502
	State of California, Governor's Office of Emergency Services	2006-71	729,065
	City and County of San Francisco	2005 UASI	1,070,425
		Program Total	<u>\$ 6,042,243</u>

COUNTY OF SAN MATEO

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

11. SCHEDULES OF OFFICE OF EMERGENCY SERVICES GRANT EXPENDITURES

The following schedule represents expenditures for U.S. Department of Justice grants passed through the State of California Governor's Office of Emergency Service (OES), as well as OES funded grant expenditures for the year ended June 30, 2007. This information is included in the County's single audit report at the request of OES.

Program Title and Expenditure Category	Grant Number Grant Period	Budget	Cumulative through June 30, 2006	Actual 7/1/06-6/30/07		Cumulative through June 30, 2007	Variance
				Non-match	Match		
2005 Coverdell Training Program	CQ 05030410						
Personnel Services	3/1/07 - 12/31/07	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses		19,990	-	19,888	-	19,888	102
Equipment		-	-	-	-	-	-
Total		<u>\$ 19,990</u>	<u>\$ -</u>	<u>\$ 19,888</u> ¹	<u>\$ -</u>	<u>\$ 19,888</u>	<u>\$ 102</u>
Special Emphasis Victim Assistance	SE06160410						
Personnel Services	7/1/06-6/30/07	\$ 137,500	\$ -	\$ 110,000	\$ 27,500	\$ 137,500	\$ -
Operating Expenses		-	-	-	-	-	-
Equipment		-	-	-	-	-	-
Total		<u>\$ 137,500</u>	<u>\$ -</u>	<u>\$ 110,000</u> ²	<u>\$ 27,500</u>	<u>\$ 137,500</u>	<u>\$ -</u>
Victim/Witness Assistance Program	VW062540410						
Personnel Services	7/1/06-6/30/07	\$ 380,081	\$ -	\$ 380,081	\$ -	\$ 380,081	\$ -
Operating Expenses		-	-	-	-	-	-
Equipment		-	-	-	-	-	-
Total		<u>\$ 380,081</u>	<u>\$ -</u>	<u>\$ 380,081</u> ³	<u>\$ -</u>	<u>\$ 380,081</u>	<u>\$ -</u>
San Mateo County Narcotics							
Task Force	DC 06170410						
Personnel Services	7/1/06-6/30/07	\$ 122,109	\$ -	\$ 116,325	\$ -	\$ 116,325	\$ 5,784
Operating Expenses		50,802	-	50,524	-	50,524	278
Equipment		27,512	-	27,512	-	27,512	-
Total		<u>\$ 200,423</u>	<u>\$ -</u>	<u>\$ 194,361</u> ⁴	<u>\$ -</u>	<u>\$ 194,361</u>	<u>\$ 6,062</u>

1 Amount is reported as federal expenditures in the Schedule under CFDA number 16.560 for the National Institute of Justice Research, Evaluation, and Development Project Grants, passed through the State of California, Governor's Office of Emergency Services (page 4).

2 Amount is reported as federal expenditures in the Schedule under the CFDA number 16.575 Crime Victim Assistance Program, passed through the State of California, Governor's Office of Emergency Services (page 4).

3 Non-match expenditures for the Victim/Witness Assistance Program include \$174,534 of federal expenditures in the Schedule under CFDA number 16.575 for the Crime Victim Assistance Program, passed through the State of California, Governor's Office of Emergency Services (page 4).

4 Expenditures for the San Mateo County Narcotic's Task Force program is reported as federal expenditures in the Schedule under CFDA number 16.738 for the Edward Byrne Memorial Justice Assistance Grant Program, passed through the State of California, Governor's Office of Emergency Services (page 4).



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Mateo, California, (County), as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 5, 2007. Our report was modified to include a reference to other auditors. Our report also includes an explanatory paragraph indicating that the County adopted the provisions of Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures*. 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. Other auditors audited the financial statements of the Housing Authority of the County of San Mateo and the San Mateo County Employees' Retirement Association, as described in our report on the County's basic 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 on 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 opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the

deficiencies described as items 2007-A to 2007-D in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007-A and 2007-B to be material weaknesses.

Compliance and Other Matters

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

We also noted certain additional matters that we reported to management of the County in a separate letter dated December 5, 2007.

Management'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's response and, accordingly, we express no opinion on it.

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


Certified Public Accountants

Walnut Creek, California
December 5, 2007



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

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

Compliance

We have audited the compliance of the County of San Mateo, California (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, 2007. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Housing Authority of the County of San Mateo (Authority) that reported expenditures of federal awards of \$64,272,838, which is not included in the schedule of expenditures of federal awards for the year ended June 30, 2007. Our audit of compliance, described below, did not include the operations of the Authority because the Authority's expenditures of federal awards are audited by other auditors in accordance with OMB Circular A-133.

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

As described in item 2007-02 and 2007-03 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding the Housing Quality Standards requirement that is applicable to its HOME Investment Partnerships (HOME) program and the reporting requirements that are applicable to its HOME program and the Community Development Block Grants program. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. Also, the results of our auditing procedures disclosed

instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2007-01 and 2007-04.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the 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, 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.

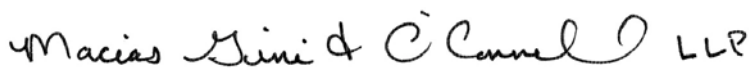
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items from 2007-01 through 2007-04 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by an entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2007-01 through 2007-03 to be material weakness.

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's responses and, accordingly, we express no opinion on them.

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


Certified Public Accountants

Walnut Creek, California
March 19, 2008

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section I – Summary of Auditor’s Results

Financial Statements:

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

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	Yes
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditor’s report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of major programs:

Program Title	CFDA Number
High Intensity Drug Trafficking Area	07
Community Development Block Grants/Entitlement Grants	14.218
HOME Investment Partnerships Program	14.239
Workforce Investment Act Cluster	17.258, 17.259, 17.260
Airport Improvement Program	20.106
Help America Vote Act Requirements Payments	90.401
Temporary Assistance to Needy Families	93.558
Medical Assistance Program	93.778
Homeland Security Grant Program	97.067

Dollar threshold used to distinguish between Type A and Type B programs:	\$3,000,000
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Auditee qualified as low-risk auditee?	No
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COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2007

Section II – Financial Statement Findings

Finding 2007-A Timeliness of Financial Reporting and Material Adjustments

Observation:

The Medical Center experienced significant turn-over in financial accounting and reporting positions during fiscal year 2007. The most significant of which were the financial services manager and reimbursement manager. The financial services manager's responsibilities include overseeing the day-to-day accounting operations; preparing the year-end financial statements; acting as a liaison with the auditors of the Medical Center annual financial audit. The reimbursement manager's responsibilities include analyzing monthly contractual and bad debt allowances related to patient charges for services, supervising the preparation of the annual cost reports, and staying abreast on reimbursement legislation and analyzing the impact on the Medical Center's major revenue streams. To mitigate the impact of the turnover in these key positions, the Medical Center contracted with various consultants to assist management in performing these functions until permanent replacements were found to fill the positions.

The effects of the turn-over in these key positions significantly impacted the timeliness and accuracy of the financial reporting process for fiscal year 2007. Specifically, agreed-upon deadlines for audit requests were not consistently met and material audit adjustments were discovered and proposed. During our audit, we also noted that many of the expense balances on the Statement of Changes in Net Assets were not appropriately consolidated from the general ledger, resulting in inconsistent reporting with prior year expenses. Upon discovery, Medical Center staff reviewed the consolidation and made the appropriate adjustments, accordingly, the audit was delayed for two weeks.

As mentioned above, we noted four material audit adjustments that were subsequently corrected by management in the financial statements. These adjustments are described below:

- Overstatement of cash and payable to the County - \$20,166,735
See item 2007-B on page 20 of this report.
- Overstatement of nonoperating revenues, State and federal grants and other, and due from other governments receivable - \$4,000,000
The expected return of the intergovernmental transfer paid to the Health Plan of San Mateo was recorded twice in the financial statements.
- Overstatement of due to other governmental agencies and contractual allowances - \$1,837,805
To reduce reserves related to the FQHC cost reports for fiscal year 2002 and 2003 as these were settled by June 30, 2007 with no pending liabilities.
- Understatement of patient accounts receivable, net of allowances and contractual allowances - \$1,790,173
During the year the Medical Center changed its methodology for calculating and recording contractual allowances. This change was not applied to the year-end analysis of the patient financial classification "Undetermined."

These issues place the Medical Center at risk of having material misstatements go undetected, in addition to creating audit delays and unnecessary additional costs charged to the Medical Center.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2007

Section II – Financial Statement Findings (Continued)

Finding 2007-A (Continued)

Recommendation:

We recommend that management review and adapt the year-end closing plan that was developed and implemented for the fiscal year 2006 audit to ensure that all critical and/or material financial statement balances are appropriately analyzed for accurate financial reporting. In addition, the closing plan should include a realistic timeline that is communicated annually to the Controller's Officer to ensure that expectations, tasks and deadlines are agreed upon since the Medical Center directly affects the ability of the Controller's Office to complete the County's overall financial audit. Furthermore, a formal training plan should be developed and implemented for the new financial services manager to ensure that expectations are established, policies and procedures are adequately communicated, and appropriate financial reporting resources are available for use and reference to mitigate material errors and significant delays in the financial reporting process.

Management's Response:

Management agrees with the recommendation. Staff turnovers during the critical year-end process and inexperience with audits largely contributed to the situation. It is hoped that with adequate staff training and better monitoring management will have a definite improvement in this area.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2007

Section II – Financial Statement Findings (Continued)

Finding 2007-B Monitoring of Transactions between Medical Center and the County

Observation:

Cash advances to the Medical Center are authorized by the Board of Supervisors. These advances represent an operating line of credit up to \$30 million as of July 1, 2006 that is used by the Medical Center during the fiscal year to pay for expenses while awaiting revenue from patients and private insurance companies and reimbursement from the state and federal government.

As part of the year-end closing process, the County Manager’s Office and the Controller’s Office identify funds with negative cash balances to transfer excess cash to cover the cash deficits. This transfer of cash creates short-term interfund receivable and payable balances between the subsidizing and the subsidized funds, respectively. During our audit, we noted the Medical Center transferred \$20.2 million of cash from the General Fund to the Medical Center and recorded a corresponding short-term interfund payable in the “due to other funds” account in August 2006. While the usage of the short-term interfund receivable and payable accounts should occur only at year-end, the journal entry was approved by management at the Medical Center and the Controller’s Office. Although the Medical Center transferred the cash back to the General Fund as of June 30, 2007 after an audit adjustment was proposed, this incident violated the County’s operating policy of not using the due to / due from other funds accounts during the year.

Recommendation:

County management utilizes fiscal reports from the County’s accounting and information system (IFAS) to analyze the County’s financial information to enable well-informed business decisions. We suggest that the County monitor the available fiscal reports on a more frequent basis to review the propriety of transactions between the Medical Center and the General Fund. Furthermore, access to the short-term interfund receivable and payable accounts should be restricted during the year to prevent unauthorized transfers of cash using these accounts.

Management’s Response:

Management agrees with the recommendation. The Controller and the Medical Center have implemented both preventive and detective controls. The use of the “due to and due from” accounts has been severely curtailed and access to various Departmental accounts has been removed. It is believed that these additional fiscal controls and checks and balances will properly prevent and alert system users about such transactions.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2007

Section II – Financial Statement Findings (Continued)

Finding 2007-C Burlingame Long-Term Care Patient Trust Activity

Observation:

During our audit, we observed the cash handling and daily cash count and reconciliation process related to the patient trust activity. We noted several significant control deficiencies, which are identified below:

- There is no segregation of duties between the cash handling, reconciliation, and recording functions. One accountant is responsible for obtaining and cashing checks issued by the County out of the Patient Trust Fund and disbursing and collecting cash to and from patients. The same individual is responsible for reconciling and recording activity in a subsidiary database, which tracks patient trust activity by patient. The disbursement and collection functions are the only duties that are rotated to another employee, which is rare.
- Detailed subsidiary records are not reconciled to the County General Ledger System.
- The daily cash reconciliation and supporting documentation are not reviewed by a supervisor.
- The subsidiary database is not verified for patient balances prior to disbursement.
- Disbursements issued to Social Workers “on-behalf” of patients are not monitored and documentation submitted to support disbursements is not adequately reviewed.
- Pre-numbered receipt booklets are not monitored and reconciled when used.

Recommendation:

We recommend that management of the Medical Center analyze current practices over patient trust activity and develop and implement adequate internal controls to ensure that patient assets are protected. These control procedures should include review of the daily cash reconciliation process; independent reconciliation of the subsidiary database to the County General Ledger System; verification of subsidiary database prior to disbursement to patients; monitoring of “on-behalf” disbursements to social workers; and monitoring of pre-numbered receipt booklets.

Management’s Response:

Management agrees with the recommendation. A process has been developed and is being implemented.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2007

Section II – Financial Statement Findings (Continued)

Finding 2007-D Recording of Mortgages Receivable

Observation:

The County's mortgage loans are administered by the Department of Housing (Department). The Department tracks disbursements and repayments for deferred loans using a separate loans database and relies on an external loan processing company to manage the Department's amortized loans. Furthermore, the Department is also responsible for calculating the allowance for uncollectible loans. During the County's year-end closing process, the Department submits to the Controller's Office detailed loan schedules to report current year loan activities and the allowance calculation. The Controller's Office uses these detailed schedules to record the mortgages receivable and allowance balances in the County's general ledger for financial reporting purposes.

The Department of Housing has experienced significant turnover in its fiscal unit in recent years. In addition, the Department does not have formal procedures documented to guide staff through the year-end reconciliation and closing process to ensure proper reporting of the mortgage receivables balance. During our audit, we noted that the Department had revised the mortgage receivable balance several times without communicating the revisions to the Controller's Office. Communication with the Controller's Office is key to the accuracy of the mortgage receivable balance and related allowances as the Controller's Office currently has the responsibility of adjusting these balances once a year during the financial reporting process based on information provided by the Department. During our audit, we noted the following errors:

- \$5.1 million of the START program loans was recorded twice in the financial statements, once in the mortgage receivable balance and again in the other receivables balance;
- \$438,000 in START loans recorded in the financial statements should have been reduced based on revisions to the loan schedule;
- \$128,000 of State deferred loans were excluded in the schedules submitted to the Controller's Office; and
- \$5.1 million of accrued interest was excluded in the schedules submitted to the Controller's Office.

The above errors were corrected in the financial statements for fiscal year 2007, resulting in a decrease of \$5.1 million in the other receivables balance and an increase of \$4.8 million to the gross mortgage receivable balance with a related adjustment of \$216,000 to the allowance for uncollectible loans. We also noted that \$1.8 million in other gross mortgage receivables was excluded from the fiscal year 2006 year-end analysis. The Department corrected this issue in fiscal year 2007 by properly including this loan program in their analysis.

Recommendation:

We recommend that the Department assume the responsibility of initiating and approving adjustments to the mortgage receivable and related allowance balances in the County's general ledger and reconcile them at least annually to its loan database. In addition, we recommend that the Department formally document its procedures related to the year-end analysis and financial reporting process to minimize the effects of "lost" knowledge due to turn-over.

Management's Response:

The Department of Housing agrees with the recommendations of the auditors. As stated above, the significant turnover in the fiscal staff contributed to confusion regarding procedures for reporting certain classes of mortgage loans to the Controller's Office for financial reporting purposes. The errors that resulted from this confusion were corrected on the financial statements for the fiscal year ended 2006-07, and procedures have been rewritten to assure that the errors will not be repeated.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2007

Section III – Federal Award Findings and Questioned Costs

Finding 2007-01 Schedule of Expenditures of Federal Awards (SEFA) Completeness

Criteria:

The U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profits Organizations*, requires that the County prepare a schedule of expenditures of federal awards (SEFA) showing total expenditures for the year for each federal program. Furthermore, auditors use the SEFA to perform a risk analysis of the federal programs (required by OMB Circular A-133) to identify specific programs to audit (major programs).

Condition:

During our audit, we received 12 different drafts of the SEFA between the period of October 25, 2007 and March 3, 2008. The changes resulted in a net increase to the SEFA of \$4.9 million and affected 24 federal programs, 7 of which were selected as major programs for fiscal year 2007. These changes also significantly affected the planning of the audit, including the required risk analysis and determination and the scope of major programs. The federal programs and their respective adjustments are summarized in the following table.

Program Title	CFDA Number	Federal Expenditures
Expenditures originally not captured in the Schedule:		
Outdoor Recreation_Acquisition, Development and Planning	15.916	\$ 127,500
Crime Victim Assistance	16.575	284,534
Safe and Drug-Free Schools and Communities – State Grants	84.186	1,751,854
		<u>2,163,888</u>
Adjustments proposed by auditor:		
High Intensity Drug Trafficking Area	07*	(79,214)
Community Development Block Grants/Entitlement Grants	14.218*	(877,147)
HOME Investment Partnerships Program	14.239*	(506,809)
Urban Areas Security Initiative	16.011	178,000
Airport Improvement Program	20.106*	64,009
Urban Areas Security Initiative	97.008	(1,270,735)
Homeland Security Grant Program	97.067*	1,070,424
		<u>(1,421,472)</u>
Adjustments proposed by County:		
Senior Community Service Employment Program	17.235	2,748
Airport Improvement Program	20.106*	349,551
Special Programs for the Aging_Title VII, Chapter 3_ Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	(2,103)
Special Programs for the Aging_Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	7,204
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	(4,016)
National Family Caregiver Support, Title III, Part E	93.052	(12,164)
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	8,351
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243	3,315
Temporary Assistance for Needy Families	93.558*	3,647,435
Child Care and Development Fund Cluster	93.575, 93.596	(68,027)
Voting Access for Individuals with Disabilities – Grants to States	93.617	(9,004)
Medical Assistance Program	93.778*	308,898
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	2,689
Urban Areas Security Initiative	97.008	(175,000)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	135,527
		<u>4,195,404</u>
	Total adjustments	<u>\$ 4,937,820</u>

* designates major programs for the year ended June 30, 2007

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2007

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

Finding 2007-01 (Continued)

Effect:

Errors in SEFA reporting may result in an inadequate risk assessment and incomplete or incorrect identification of major programs. In addition, frequent changes to the SEFA cause audit inefficiencies and delays the completion of the County's single audit.

Questioned Costs:

None.

Recommendation:

The Controller's Office compiles the SEFA based on information provided by the departments and has been working with the County Manager's Office to develop a grants manual to provide guidance to grant administrators in County departments. In addition to completing the grants manual, we recommend the County develop and implement a mandatory single audit training program that is conducted at least annually. The training program should address expectations of the single audit, provide for changes and updates in available resources (e.g. the OMB Circular A-133 Compliance Supplement) and requirements, and review the process to prepare an annual reconciliation of grant expenditures (both claimed and unclaimed) reported in the SEFA to the general ledger, and related revenues and accruals. Furthermore, the County should consider investing in a grant administration application to assist departments in accurately and timely capturing, recording, and monitoring grant activities, to assist the Controller's Office in efficiently preparing the SEFA, and to assist the County Manager's Office in monitoring grant activities and related budgets.

Management's Response:

We concur. The Controller's Office will continue working with County departments to ensure the timely reporting of all expenditures of federal awards. Further, the Controller's Office will request all departments to submit reconciliations of claimed grant reimbursement to amounts reported in the general ledger and amounts reported for the SEFA, which will be reviewed during the SEFA compilation process. The County Manager's Office is developing a county-wide grants manual to address the recommended areas that should be completed by Fall 2008. We will explore training options and the feasibility of obtaining a general ledger grant management module to improve the capture of federal grants for the preparation of the SEFA and to satisfy other grant reporting requirements.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2007

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

Finding 2007-02 U.S. Department of Housing and Urban Development
HOME Investment Partnerships Program (HOME), CFDA number 14.239
Administered by the San Mateo County Department of Housing
Special Tests & Provisions – Housing Quality Standards

Criteria:

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

During the period of affordability (i.e., the period for which the non-Federal entity must maintain subsidized housing) for HOME assisted rental housing, the County, as the participating jurisdiction, must perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than:

- Every three years for projects containing 1 to 4 units;
- Every two years for projects containing 5 to 25 units; and
- Every year for projects containing 26 or more units.

The County must also perform on-site inspections of rental housing occupied by tenants receiving HOME-assisted tenant-based rental assistance to determine compliance with housing quality standards and to assure that any needed repairs are completed timely.

Condition:

The County did not perform the required inspections on the HOME projects during the fiscal year. Our review of the completed projects noted 21 HOME projects were subject to the inspection requirement during the current fiscal year.

Effect:

Non-compliance with housing quality requirements should result in immediate corrective action by the borrower. Continued non-compliance by the borrower after notification by the County may potentially result in the calling of the HOME funded loan. In addition, should HUD determine that the County has not met its burden in verifying continued compliance in the HOME program it may possibly result in increased oversight by HUD and reduced annual allocation of HOME funding for future projects.

Questioned Costs:

\$8,963,555 represents the outstanding loan balances as of June 30, 2007, for the 21 HOME projects requiring inspections during fiscal year 2007.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2007

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

Finding 2007-02 (Continued)

Recommendation:

We recommend the Department of Housing evaluate and reinforce existing procedures over housing quality inspections to ensure timely inspections. Adequate controls should include procedures to proactively identify and track inspection due dates ensuring that on-site inspections are scheduled in advance of the due dates to allow sufficient time for the site reviews. In addition, procedures should be implemented to obtain approved deadline extensions for instances when inspections are expected to be delayed. The approved extensions should be documented within the inspection files to demonstrate compliance with program requirements.

Management's Response:

FY 06-07 was a transition year for the Department of Housing as staff was involved in a substantial department consolidation involving office moves, boxing of files, offsite storage and conjoining of staffs. During this distracting process the HOME inspection period passed without proper notice. The majority of the FY 06-07 inspections have now been completed and the remainder will be completed by March 25, 2008. All of the projects with completed inspections have been found to be in compliance.

In prior years, the HOME coordinator notified the Supervisor, who in turn assigned inspections to staff. The HOME inspection schedule has now been electronically calendared so that the Supervisor and all staff are notified in a timely manner. In addition, all inspections are pre-assigned to staff. Inspections will be in accordance with the HOME requirements.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2007

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

Finding 2007-03 **U.S. Department of Housing and Urban Development**
Community Development Block Grants, CFDA Number 14.218
HOME Investment Partnerships Program, CFDA Number 14.239
Administered by the County of San Mateo, Department of Housing
Reporting

Criteria:

In accordance with the compliance requirement of the U.S. Office of Management and Budget (OMB) Circular A-133, for each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction, the primary grant recipient must submit Form HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons*. The purpose of Form HUD 60002 is to report annual accomplishments regarding employment and other economic opportunities provided to low- and very low-income persons under Section 3 of the Housing and Urban Development Act of 1968. This report is required to be submitted annually by January 10 or with the submission of an annual performance report by direct grant recipients only.

The OMB updates and publishes annually the OMB Circular A-133 *Compliance Supplement*, which provides guidance to grantees and auditors on requirements of the Single Audit. While the current regulations became effective in 1994, the OMB and the Department of Housing and Urban Development (HUD) included the requirement in its March 2007 *Compliance Supplement* to require auditors to address specifically the completion, submission and audit of Form HUD 60002 as a significant compliance requirement under Part 4 – Department of Housing and Urban Development. This requirement is applicable to many of the HUD programs, including the Community Development Block Grants and the HOME Investment Partnerships Program.

Condition:

During our audits of the Community Development Block Grants and the HOME Investment Partnerships Program, we noted that the County did not submit the required HUD 60002 reports for the period July 1, 2006 to June 30, 2007.

Effect:

Continued non-compliance with this requirement will result in increased oversight by HUD and may lead to a reduction or discontinuance of federal assistance under these programs in future grant periods.

Questioned Costs:

None.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2007

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

Finding 2007-03 (Continued)

Recommendation:

In addition to periodic communications received from HUD related to changes in compliance requirements, we recommend that the County annually review the Compliance Supplement to identify changes in compliance requirements applicable to the grants it administers.

Management's Response:

The Department of Housing is now aware of the reporting criteria involving HUD 60002 Section 3. The Department has initiated a process whereby the Compliance Supplement will be annually reviewed and subsequent required reporting inclusive of Section 3, will be electronically calendared. The most current report was submitted in January 2008.

COUNTY OF SAN MATEO
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2007

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

Finding 2007-04 U.S. Department of Health and Human Services

Temporary Assistance to Needy Families (TANF), CFDA number 93.558
 Passed Through the State of California, Department of Social Services
 Administered by the County of San Mateo, Human Services Agency
 Reporting

Criteria:

The County receives TANF funds passed through from the California Department of Social Services (CDSS). The CDSS has developed procedures to assist counties with their efforts to submit the appropriate supporting documentation and to help avoid any processing delays of counties' assistance claims. The County submits the following fiscal and statistical reports to CDSS to report financial and programmatic information:

- Summary Report of Assistance Expenditures (CA 800 FED)
- CalWORKS Cash Grant Case Load Movement Report (Form CA 237 CW)
- CalWORKS Report on Reasons for Discontinuances of Cash Grant (Form CA 253 CW)
- CalWORKS Report on Reasons for Denials and other Non Approvals of Applications for Cash Grant (Form CA 255 CW)

The submission due date is the 20th calendar day following the end of the claiming month for the CA 800 FED and the 15th calendar day following the end of the claiming month for the statistical reports (CA 237 CW, CA 253 CW, and CA 255 CW).

The CDSS relies on the counties to submit the required information timely to complete the required federal reports within the required timeframe. Under the authorities of U.S. Code, Title 42, section 609(a)(2), the federal agency may reduce a state's grant assistance for the immediately succeeding fiscal year by an amount equal to 4 percent of the state family assistance grant.

Condition:

Out of three monthly CA 800 FED reports and three months of the statistical reports selected for testing, we noted 2 monthly CA 800 FED reports and one month of the statistical reports were submitted past the required timeframe. Late submission ranged from 5 to 35 days.

Report Name	Reporting Month	No. of Days
		Past due
CA 800 FED	July, 2006	5
CA 800 FED	December, 2006	20
CA 237 CW	May, 2007	35
CA 253 CW	May, 2007	35
CA 255 CW	May, 2007	35

Effect:

Timely submission of all county claims and statistical reports is critical to the timely funding of all local assistance programs. Late expenditure reports could jeopardize subsequent advances to the counties, as the federal funds that are available for disbursement to counties could be reduced. Statistical program data is also essential to demonstrate compliance with programmatic requirements for analysis and determination of future funding levels.

COUNTY OF SAN MATEO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2007

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

Finding 2007-04 (Continued)

Questioned Costs:

None.

Recommendation:

We recognize that the Human Services Agency (HSA) has trained additional staff to assist with the fiscal and statistical reporting process during the fiscal year. We recommend that the HSA continue to provide training and guidance to the additional staff to avoid disruptions in daily operations and to ensure timely submissions of required reports. Management should continue to strengthen controls to identify and track report due dates ensuring that required information is readily available for report preparation.

Management's Response:

We concur with the recommendation. We recognize that submitting all County claims and statistical reports on time is critical to our business. The overdue submission of financial reports was due to continuing problems in retrieving accurate information from the CalWIN eligibility determination computer system implemented in October 2005. The overdue submission of statistical reports was due to the unexpected retirement in May 2007 of the employee compiling the reports.

To better ensure the timely completion of the financial reports, we have formed a claiming team to provide cross-trained staff and are working with a consulting firm to automate to the extent possible the very time consuming process of compiling CalWIN data. We have also trained two staff members in the preparation of the statistical reports and have documented the preparation of the reports so that other staff could compile them if necessary.

Except for one instance in May 2007, the financial reports have been submitted on time since February 2007. The statistical reports have been submitted on time since November 2007. We expect that the cross-training of staff, documentation and streamlining of procedures, and increased emphasis on identifying and tracking due dates will continue to result in the timely submission of these required financial and statistical reports.

COUNTY OF SAN MATEO
Status of Prior Years Findings and Questioned Costs
For the Year Ended June 30, 2007

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

Reference Number: 2006-01	
Federal Catalog Number/ Program Name:	07 / High Intensity Drug Trafficking Area (HIDTA)/ 97.067 / Homeland Security Grant Program
Audit Finding:	The County did not retain documentation of contractor selection and verification of potential contractors against the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA).
Status of Corrective Action:	Appears corrected. For HIDTA, no new contracts were entered into since the fiscal year 2006 audit was completed. Though, the HIDTA contract templates have been updated to include a certification statement that the contractor has not been suspended or debarred from participating in federally funded contracts. In addition, the Sheriff's Office has implemented and communicated a procedure to verify suspension or debarment using the Excluded Parties List System maintained by the GSA.
Reference Number: 2006-02	
Federal Catalog Number/ Program Name:	07 / High Intensity Drug Trafficking Area (HIDTA)
Audit Finding:	The quarterly Financial Status Reports were not prepared on the cash or the accrual basis, as indicated in the instructions for the reports. Expenditures were instead reported in the quarter in which reimbursement was requested from the federal grantor agency.
Status of Corrective Action:	Appears corrected. Reports were prepared on accrual basis as indicated in the instructions for the reports.
Reference Number: 2006-03	
Federal Catalog Number/ Program Name:	10.551 & 10.561 / Food Stamp Cluster
Audit Finding:	Three of the seven reports tested were submitted after the due dates. Late submission ranged from 44 to 164 days.
Status of Corrective Action:	Appears corrected.
Reference Number: 2006-04	
Federal Catalog Number/ Program Name:	16.586 / Violent Offenders Incarceration and Truth Sentencing Incentive Grants
Audit Finding:	Out of 169 certified payroll statements tested, 72 certified payroll statements were not submitted within the required timeframe and 20 certified payroll statements did not have a submission/receipt date.
Status of Corrective Action:	This requirement did not apply to the grant for fiscal year 2007

COUNTY OF SAN MATEO
Status of Prior Years Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2007

Reference Number:	2006-05
Federal Catalog Number/ Program Name:	93.558 / Temporary Assistance to Needy Families (TANF)
Audit Finding:	Various required eligibility forms were not fully completed to document proper review of eligibility information.
Status of Corrective Action:	Appears corrected.
Reference Number:	2006-06
Federal Catalog Number/ Program Name:	93.558 / Temporary Assistance to Needy Families (TANF) 93.658 / Foster Care Title IV-E
Audit Finding:	All six monthly reports tested were submitted after the required timeframe. Late submission ranged from 55 to 126 days.
Status of Corrective Action:	Not corrected. See finding 2007-04.
Reference Number:	2006-07
Federal Catalog Number/ Program Name:	93.558 / Temporary Assistance to Needy Families (TANF)
Audit Finding:	Out of 120 cases tested, 18 cases were individual who did not receive benefits and were erroneously marked as being sanctioned in the system.
Status of Corrective Action:	Appears corrected.