



Joint Legislative Audit Committee

Office of the Auditor General



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**FINANCIAL AUDIT REPORT**  
**SOCIAL WELFARE FEDERAL FUND**  
**YEAR ENDED JUNE 30, 1979**

REPORT TO THE  
CALIFORNIA LEGISLATURE

REPORT **F-610-866**

REPORT OF THE  
OFFICE OF THE AUDITOR GENERAL  
TO THE  
JOINT LEGISLATIVE AUDIT COMMITTEE

610-866

FINANCIAL AUDIT REPORT  
SOCIAL WELFARE FEDERAL FUND  
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



# California Legislature

## Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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S. FLOYD MORI  
CHAIRMAN

November 21, 1980

610-866

The Honorable Speaker of the Assembly  
The Honorable President pro Tempore of the Senate  
The Honorable Members of the Senate and the  
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the Social Welfare Federal Fund, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Michael C. Dendorfer, CPA; Ross Luna; Robyn Graves; and Lisa Kenyon.

Respectfully submitted,

S. FLOYD MORI  
Chairman, Joint Legislative  
Audit Committee

Attachment

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
AUDITOR'S OPINION	2
FINANCIAL STATEMENTS	
BALANCE SHEET	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	4
NOTES TO THE FINANCIAL STATEMENTS	5
OTHER COMMENTS	8

## INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Social Welfare Federal Fund. This audit was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code.

Chapter 1262 of the Statutes of 1951 abolished the Social Welfare Fund and created the Social Welfare Federal Fund as the depository of grants received from the Federal Government for various welfare assistance programs. All grants of money received by the State from the Federal Government for welfare assistance programs which are administered by the State Department of Social Services are deposited in this fund.


AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the balance sheet of the Social Welfare Federal Fund as of June 30, 1979 and the related statement of revenues, expenditures, and changes in fund balance for the year then ended. Except as explained in the following paragraph, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Section 10850 of the California Welfare and Institutions Code bars the Auditor General from access to eligibility information which identifies by name and address any applicant or recipient of public assistance. Accordingly, we could only determine that an amount was paid, but we were precluded from determining if the amount was proper or if the payee was a legal beneficiary. This restriction applies to \$1.2 billion of the total expenditures stated at \$1.5 billion. Thus, we did not examine adequate evidential matter supporting approximately 80 percent of the total expenditures.

Since we were unable to examine adequate evidential matter to substantiate expenditures, as noted in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the aforementioned financial statements.

  
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WESLEY E. YOSS  
Assistant Auditor General

Date: September 1, 1980

Staff: Curt Davis, CPA  
Michael Dendorfer, CPA  
Ross Luna  
Robyn Graves  
Lisa Kenyon

STATE OF CALIFORNIA  
SOCIAL WELFARE FEDERAL FUND

BALANCE SHEET

JUNE 30, 1979

ASSETS

Cash	\$23,928,287
Receivables	514,825
Due from the Federal Government (Note 2)	19,084,816
Advances to local governments (Note 3)	<u>37,492,031</u>
Total Assets	<u>\$81,019,959</u>

LIABILITIES AND FUND EQUITY

Liabilities:	
Accounts payable	\$ 7,702,322
Due to local governments (Note 4)	26,496,718
Due to the General Fund (Note 5)	36,664,412
Due to other funds (Note 6)	<u>10,156,507</u>
Total Liabilities	81,019,959
Fund Equity:	
Fund balance	<u>    --</u>
Total Liabilities and Fund Balance	<u>\$81,019,959</u>

The notes to the financial statements are an integral part of this statement.

STATE OF CALIFORNIA  
SOCIAL WELFARE FEDERAL FUND

STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE

FOR FISCAL YEAR ENDED JUNE 30, 1979

Revenues:	
Intergovernmental revenues	<u>\$1,487,691,621</u>
Total Revenues	<u>1,487,691,621</u>
Expenditures:	
Aid to families with dependent children	978,370,154
Title XX services (Note 7)	316,939,555
Other welfare assistance programs (Note 8)	162,974,189
Miscellaneous adjustments (Note 9)	<u>24,534,003</u>
Total Expenditures	<u>1,482,817,901</u>
Excess of Revenues over Expenditures	<u>4,873,720</u>
Fund Balance, July 1	<u>(4,873,720)</u>
Fund Balance, June 30	<u>\$           --</u>

The notes to the financial statements are an integral part of  
this statement.



STATE OF CALIFORNIA  
SOCIAL WELFARE FEDERAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the Social Welfare Federal Fund. The statements have not been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting. The financial statements depart from generally accepted accounting principles by reporting all encumbrances (such as obligations in the form of purchase orders, contracts, or salary commitments chargeable to an appropriation) at year end as accounts payable and expenditures of the fiscal year covered by this report. Although this is a departure from generally accepted accounting principles, this treatment of encumbrances does not affect the fund balance as these same principles provide that the encumbrances be excluded from the fund balance.

The Social Welfare Federal Fund is an Expendable Trust Fund established for collecting and disbursing federal grants for welfare assistance programs. The Social Welfare Federal Fund is maintained on a modified accrual basis of accounting. These are some of the significant elements:

Income

Throughout the fiscal year, all income including revenues, transfers, and reimbursements--except for certain reimbursements which are recorded when billed--are accounted for on a cash basis. At June 30, the accounts are adjusted to accrue all earned but uncollected income.

Expenditures

Expenditures are accounted for at the time that individual counties or the various state agencies notify the department of actual expenditures. At June 30, all valid expenditure commitments are accrued as expenditures including encumbrances outstanding against budget appropriations for which no goods or services have been received.

2. DUE FROM THE FEDERAL GOVERNMENT

This account represents the amount owed to the Social Welfare Federal Fund from the Federal Government for reimbursement of expenditures applicable to federally sponsored programs.

3. ADVANCES TO LOCAL GOVERNMENTS

This account represents the amount of funds that are advanced to local governments at the end of June and that are applicable to July expenditures under the Aid to Families with Dependent Children Program.

4. DUE TO LOCAL GOVERNMENTS

This account represents the amount owed to local governments by the Social Welfare Federal Fund for reimbursement of expenditures.

5. DUE TO THE GENERAL FUND

This account represents the amount owed to the General Fund by the Social Welfare Federal Fund as reimbursement for administrative expenditures applicable to federal programs.

6. DUE TO OTHER FUNDS

This account represents the amount of federal incentive payments due to the Interstate Collection Incentive Fund and the Support Enforcement Incentive Fund. These funds were created for the purpose of making incentive payments to California counties and other states for monies received or collected from noncustodial parents.

7. EXPENDITURES--TITLE XX SERVICES

This account represents the amount expended for providing services mandated by the Federal Government. Federal Title XX laws require that at least three services be provided for beneficiaries of Supplemental Security Income. At least one of these services must meet one of the five national goals of the federal program. These goals relate to discovering and remedying the underlying causes of welfare dependency and protecting people who cannot protect themselves. These are some of the services that are provided in California:

- Protective services for children and adults;
- Child day care services;
- Family planning;
- Information and referral services;
- Employment-related services.

8. OTHER WELFARE ASSISTANCE PROGRAMS

This account consists of amounts expended for welfare assistance programs, such as child support, child welfare services, food stamps, Vietnamese and Cambodian refugees, and disability education.

9. MISCELLANEOUS ADJUSTMENT

This account shows the difference between the net amount of revenues, expenditures, abatements, and reimbursements accrued as of the previous June 30 and the actual amount of revenues, expenditures, abatements, and reimbursements realized during the current fiscal year but related to the prior year.

### OTHER COMMENTS

As an integral part of our examination, we reviewed the accounting procedures and related system of internal accounting control to the extent we considered necessary to properly form an opinion concerning the fairness with which the financial statements present financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the State Department of Social Services.

The department generally concurs with the suggested operating improvements and recommendations.

cc: Members of the Legislature  
Office of the Governor  
Office of the Lieutenant Governor  
Secretary of State  
State Controller  
State Treasurer  
Legislative Analyst  
Director of Finance  
Assembly Office of Research  
Senate Office of Research  
Assembly Majority/Minority Consultants  
Senate Majority/Minority Consultants  
California State Department Heads  
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