



State of California

Federal Compliance Audit Report for the
Fiscal Year Ended June 30, 2016

Report 2016-002

COMMITMENT
INTEGRITY
LEADERSHIP



CALIFORNIA STATE AUDITOR

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March 29, 2017

2016-002

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As required by California Government Code, Section 8543 et seq., the California State Auditor (state auditor) presents this audit report concerning the review of the State of California's internal controls and compliance with federal laws and regulations for the year ended June 30, 2016. The state auditor contracted with Macias, Gini & O'Connell, LLP (MGO) to perform this audit for fiscal year 2015–16.

This report concludes that the State did not materially comply with certain requirements for nine of the 19 federal programs or clusters of programs (federal programs) MGO audited. Additionally, although MGO concluded that the State materially complied with requirements for the remaining federal programs it audited, MGO reported various instances of noncompliance relating to those programs. Further, the State continues to experience certain deficiencies in its accounting and administrative practices that affect its internal controls over compliance with federal requirements. Deficiencies in the State's internal control system could adversely affect its ability to administer federal programs in compliance with applicable requirements.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

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Auditor's Section



Independent Auditor's Report on the Schedule of Expenditures of Federal Awards as Required by the Uniform Guidance

The Governor and the Legislature of the State of California:

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying Schedule of Expenditures of Federal Awards (the Schedule) of the State of California for the fiscal year ended June 30, 2016, and the related notes to the Schedule (the financial statement).

Management's Responsibility for the Schedule of Expenditures of Federal Awards

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for presentation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit 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 the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards of the State of California for the fiscal year ended June 30, 2016, in accordance with the cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 to the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As described in Note 1 to the Schedule, the State of California's basic financial statements include the operations of the University of California system, a component unit of the State of California, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund, which is administered by the California Housing Finance Agency, a component unit of the State of California, which reported \$5.5 billion, \$2.6 billion, \$74.6 million, \$168.6 million, and \$60.2 million, respectively, in federal awards, which are not included in the Schedule for the fiscal year ended June 30, 2016. Our audit, described above, did not include the operations of the University of California system, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water Pollution Control Revolving Fund, and the California Housing Finance Agency because these entities engaged other auditors to perform an audit in accordance with the Uniform Guidance. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2017 on our consideration of the State of California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance of the financial statement, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of California's internal control over financial reporting and compliance of the financial statement.



Sacramento, California

March 22, 2017



**Independent Auditor’s Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of the Schedule of
Expenditures of Federal Awards Performed in Accordance With
Government Auditing Standards and the Uniform Guidance**

The Governor and the Legislature of the State of California:

We have audited, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the Schedule of Expenditures of Federal Awards (the Schedule) of the State of California for the fiscal year ended June 30, 2016, and the related notes to the Schedule (the financial statement), and have issued our report thereon dated March 22, 2017. Our report includes an emphasis of matter paragraph to describe those entities which are audited by other auditors and whose federal award expenditures are not included in the Schedule. 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 of the financial statement, we considered the State of California’s internal control over financial reporting of the financial statement (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the State of California’s internal control. Accordingly, we do not express an opinion on the effectiveness of the State of California’s internal control over financial reporting of the financial statement.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of California's financial statement is free from 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 test disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as 2016-001.

State of California's Response to Finding

The State of California's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The State of California's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of California's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of California's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Sacramento, California

March 22, 2017



Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Governor and the Legislature of the State of California:

Report on Compliance for Each Major Federal Program

We have audited the State of California’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State of California’s major federal programs for the fiscal year ended June 30, 2016. The State of California’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

As described in Note 1 to the Schedule, the State of California’s basic financial statements include the operations of the University of California system, a component unit of the State of California, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund, which is administered by the California Housing Finance Agency, a component unit of the State of California, which reported \$5.5 billion, \$2.6 billion, \$74.6 million, \$168.6 million, and \$60.2 million, respectively, in federal awards, which are not included in the State of California’s Schedule for the fiscal year ended June 30, 2016. Our audit, described below, did not include the operations of the University of California system, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water Pollution Control Revolving Fund, and the California Housing Finance Agency because these entities engaged other auditors to perform an audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the State of California’s major federal programs based on our audit of the types of compliance requirements referred to above. 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 Title 2 U.S. *Code*

of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 State of California’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 on compliance for each major federal program. However, our audit does not provide a legal determination of the State of California’s compliance.

Basis for Qualified Opinion on Major Federal Programs

As described in the table below and in the accompanying schedule of findings and questioned costs, the State of California did not comply with requirements regarding the following:

Finding Number	CFDA Number	Federal Program Name or Cluster	Compliance Requirement(s)	State Administering Department
2016-003	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Subrecipient Monitoring	Department of Public Health
2016-008	93.069	Public Health Emergency Preparedness	Allowable Costs	Department of Public Health
2016-008	93.889	National Bioterrorism Hospital Preparedness Program	Allowable Costs	Department of Public Health
2016-009	93.767	Children's Health Insurance Program	Activities Allowed or Unallowed; Allowable Costs/Cost Principles	Department of Health Care Services
2016-010	93.575	Child Care and Development Block Grant	Cash Management	Department of Education
2016-010	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Cash Management	Department of Education
2016-011 2016-012	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Cash Management	Department of Health Care Services
2016-013	93.778	Medical Assistance Program (Medicaid Cluster)	Eligibility	Department of Health Care Services
2016-014	93.069	Public Health Emergency Preparedness	Matching	Department of Public Health
2016-014	93.889	National Bioterrorism Hospital Preparedness Program	Matching	Department of Public Health
2016-015	93.069	Public Health Emergency Preparedness	Level of Effort	Department of Public Health
2016-015	93.889	National Bioterrorism Hospital Preparedness Program	Level of Effort	Department of Public Health
2016-016	93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	Earmarking	Department of Public Health
2016-018 2016-019	93.069	Public Health Emergency Preparedness	Subrecipient Monitoring	Department of Public Health
2016-018 2016-019	93.889	National Bioterrorism Hospital Preparedness Program	Subrecipient Monitoring	Department of Public Health

Finding Number	CFDA Number	Federal Program Name or Cluster	Compliance Requirement(s)	State Administering Department
2016-019 2016-020	93.268	Immunization Cooperative Agreements	Subrecipient Monitoring	Department of Public Health
2016-019	93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	Subrecipient Monitoring	California Emergency Medical Services Authority
2016-019 2016-020	93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	Subrecipient Monitoring	Department of Public Health
2016-020	93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	Subrecipient Monitoring	California Emergency Medical Services Authority
2016-022	93.575	Child Care Development and Block Grant	Subrecipient Monitoring	Department of Education
2016-022	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Subrecipient Monitoring	Department of Education
2016-024 2016-025 2016-026 2016-027	93.767	Children's Health Insurance Program	Subrecipient Monitoring	Department of Health Care Services
2016-024 2016-025 2016-026 2016-027	93.778	Medical Assistance Program (Medicaid Cluster)	Subrecipient Monitoring	Department of Health Care Services
2016-027 2016-030	93.778	Medical Assistance Program (Medicaid Cluster)	Special Tests and Provisions	Department of Health Care Services

Compliance with such requirements is necessary, in our opinion, for the State of California to comply with the requirements applicable to that program.

Qualified Opinion on Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State of California complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs listed in the Basis for Qualified Opinion paragraph for the fiscal year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State of California complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the fiscal year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the table below and in the accompanying schedule of findings and questioned costs. Our opinion on each major federal program is not modified with respect to these matters.

Finding Number	CFDA Number	Federal Program Name or Cluster	Compliance Requirement(s)	State Administering Department
2016-002	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Eligibility and Reporting	Department of Public Health
2016-004	20.205	Highway Planning and Construction	Subrecipient Monitoring	Department of Transportation
2016-005	84.010	Title I Grants to Local Educational Agencies	Level of Effort	Department of Education
2016-005	84.365	English Language Acquisition State Grants	Level of Effort	Department of Education
2016-006	84.002	Adult Education - Basic Grants to States	Subrecipient Monitoring	Department of Education
2016-006	84.010	Title I Grants to Local Educational Agencies	Subrecipient Monitoring	Department of Education
2016-006	84.365	English Language Acquisition State Grants	Subrecipient Monitoring	Department of Education
2016-007	84.010	Title I Grants to Local Educational Agencies	Subrecipient Monitoring	Department of Education
2016-007	84.365	English Language Acquisition State Grants	Subrecipient Monitoring	Department of Education
2016-017	93.568	Low-Income Home Energy Assistance	Period of Performance	Department of Community Services and Development
2016-021	93.575	Child Care and Development Block Grant	Subrecipient Monitoring	Department of Education
2016-021	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Subrecipient Monitoring	Department of Education
2016-023	93.658	Foster Care Title IV-E	Subrecipient Monitoring	Department of Social Services
2016-023	93.659	Adoption Assistance	Subrecipient Monitoring	Department of Social Services
2016-023	93.667	Social Services Block Grant	Subrecipient Monitoring	Department of Social Services
2016-028	93.069	Public Health Emergency Preparedness	Reporting	Department of Public Health
2016-028	93.889	National Bioterrorism Hospital Preparedness Program	Reporting	Department of Public Health
2016-029	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Special Tests and Provisions	Department of Public Health

The State of California’s responses to the noncompliance findings identified in our audit are described in the management’s response and corrective action plan. The State of California’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the State of California is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of California’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 State of California’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-003, 2016-008, 2016-009, 2016-010, 2016-0011, 2016-012, 2016-013, 2016-014, 2016-015, 2016-016, 2016-018, 2016-019, 2016-020, 2016-022, 2016-024, 2016-025, 2016-026, 2016-027, and 2016-030 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-002, 2016-004, 2016-005, 2016-006, 2016-007, 2016-017, 2016-021, 2016-023, 2016-028, and 2016-029 to be significant deficiencies.

The State of California's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State of California's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Sacramento, California
March 22, 2017

Schedule of Findings and Questioned Costs

**STATE OF CALIFORNIA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Section I – Summary of Auditor’s Results

Financial Statements

Issued under a separate cover. Refer to California State Auditor’s 2016-001.1 report entitled *State of California: Internal Control and Compliance Audit Report for the Fiscal Year Ended June 30, 2016*.

Schedule of Expenditures of Federal Awards (Schedule)

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

Material weakness (es) identified? No

Significant deficiency (ies) identified? Yes

Noncompliance material to the Schedule noted? No

Federal Awards

Internal control over major federal programs:

Material weakness (es) identified? Yes

Significant deficiency (ies) identified? Yes

Type of auditor’s reports issued on compliance for major federal programs: Refer to the tables that follow

<u>Qualified</u>	
<u>CFDA Number</u>	<u>Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
93.069	Public Health Emergency Preparedness
93.268	Immunization Cooperative Agreements
	CCDF Cluster:
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Qualified	
<u>CFDA Number</u>	<u>Federal Program or Cluster</u>
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)
93.767	Children’s Health Insurance Program Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
93.889	National Bioterrorism Hospital Preparedness Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Unmodified	
<u>CFDA Number</u>	<u>Federal Program or Cluster</u>
	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
20.219	Recreation Trails Program
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants
84.002	Adult Education – Basic Grants to States
84.010	Title I Grants to Local Educational Agencies
84.365	English Language Acquisition State Grants
	Aging Cluster:
93.044	Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging_ Title III, Part C_ Nutrition Services
93.053	Nutrition Services Incentive Program
93.568	Low-Income Home Energy Assistance
93.658	Foster Care_ Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Dollar threshold used to distinguish between Type A and Type B programs	\$140,073,439
Auditee qualified as low-risk auditee?	No

Identification of Major Federal Programs:

<u>CFDA Number</u>	<u>Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
20.219	Recreation Trails Program
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants
84.002	Adult Education – Basic Grants to States
84.010	Title I Grants to Local Educational Agencies
84.365	English Language Acquisition State Grants
	Aging Cluster:
93.044	Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging_ Title III, Part C_ Nutrition Services
93.053	Nutrition Services Incentive Program
93.069	Public Health Emergency Preparedness
93.268	Immunization Cooperative Agreements
93.568	Low-Income Home Energy Assistance
	CCDF Cluster:
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care_ Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)
93.767	Children’s Health Insurance Program
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
93.889	National Bioterrorism Hospital Preparedness Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Schedule of Expenditures of Federal Awards Finding

DEPARTMENT OF FINANCE AND OTHER DEPARTMENTS

Reference Number: 2016-001

Criteria

Title 2 - Grants and Agreements Subtitle A - Office Of Management and Budget Guidance for Grants and Agreements Chapter II - Office of Management and Budget Guidance Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart D - Post Federal Award Requirements §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements Subtitle A - Office of Management and Budget Guidance for Grants and Agreements Chapter II - Office of Management and Budget Guidance Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F - Audit Requirements §205.510 Financial statements:

- (b) *Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:
 - (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
 - (4) Include the total amount provided to subrecipients from each Federal program.

Condition

The State of California (State) has a decentralized financial reporting process, which requires State agencies and departments to provide specific financial information to the Department of Finance (Finance) in order to annually compile the Schedule of Expenditures of Federal Awards (Schedule). In its effort to more efficiently and accurately prepare the Schedule in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Finance developed the Single Audit Expenditures Reporting Database (Database). Finance developed the Database to include all of the relevant data fields necessary to

compile and produce the Schedule. Finance also created a Single Audit Database User Manual which provides specific guidance to users for accessing and navigating through the database. Departments are given access to the centralized Database by Finance in order to upload and report federal award information for all of their federal award programs which they administer. During our testing of the Schedule we identified the following errors, which were subsequently corrected by Finance, that are indicative of a lack of adequate controls for ensuring its completeness and accuracy:

- Education erroneously reported \$6.2 million and \$21.9 million of contractor payments as pass-through expenditures for Adult Education – Basic Grants to States (CFDA #84.002) and Child Care and Development Block Grant (CFDA #93.575).
- Education included a \$10.0 million transfer of funds from the Temporary Assistance for Needy Families (TANF) program (CFDA #93.558) in total federal expenditures for the Child Care and Development Block Grant (CFDA #93.575).
- Public Health combined the federal expenditures for Public Health Emergency Preparedness (CFDA #93.069) and the National Bioterrorism Hospital Preparedness Program (CFDA #93.889) and reported the amount under Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements (CFDA #93.074).
- Health Care Services incorrectly reported \$123.0 million of pass-through expenditures for the Children’s Health Insurance Program (CFDA #93.767) under the Medical Assistance Program (CFDA #93.778).
- The California Emergency Medical Services Authority (EMSA) administers a portion of the Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (CFDA #93.758) program, and did not timely report its federal award expenditures to Finance via the Database.

Cause

Education’s misclassification of contractor payments as pass-through expenditures for Adult Education – Basic Grants to States (CFDA #84.002) and the Child Care and Development Block Grant (CFDA #93.575) was because the Fiscal and Administrative Services Division misinterpreted the related contractor agreements as subawards.

The \$10.0 million funds transfer from TANF to Child Care and Development Block Grant (CFDA #93.575) was erroneously included as federal expenditures because Education reported cash basis receipts instead of cash basis expenditures.

Public Health misinterpreted the Centers for Disease Control and Prevention (CDC), the granting agency, reporting requirements for CFDA #93.069 and CFDA #93.889 since communications from the CDC are often times combined. However, in Section IV – Special Terms and Conditions of the Notice of Award, the CDC stipulates that although aligned, the two programs remain distinct and separate programs, are funded through two different appropriations, and should be listed as two CFDA numbers for audit purposes.

Due to the similarities in the Children's Health Insurance Program and Medical Assistance Program, Health Care Services mistakenly reported all Short-Doyle pass-through expenditures under the Medical Assistance Program.

Our understanding is that due to some difficulties encountered by EMSA with the State's phased implementation of its new FISCAL accounting application system, its reporting of federal expenditures for the Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds program was overlooked.

Effect

Although the errors identified were not quantitatively material to the Schedule as a whole, outside of the audit process, the State currently lacks a system of adequate controls for ensuring that the Schedule is complete and accurate. Accordingly, there is an increased risk for material errors to exist in the Schedule which will not be prevented or detected by the State.

Recommendation

Finance should work collaboratively with the State agencies and departments administering federal awards to ensure that the reporting requirements for preparing the Schedule under the Uniform Guidance are clearly understood, including performing more outreach and training. Furthermore, Finance should strengthen its analytical procedures that are being performed relative to the Schedule which considers the comparison of pass-through expenditures year-to-year, possible misclassification of federal awards, and missing federal award programs.

For those departments previously mentioned, a more thorough departmental internal review process should be developed and implemented to ensure the information submitted to Finance for compilation of the Schedule is complete and accurate. Also, departments need to ensure the information submitted to Finance is timely and expenditures reported in the Database are on the proper basis of accounting. Expenditures reported in the Database by departments should be cash basis expenditures, which has been articulated by Finance in its Single Audit Database User Manual.

Views of Responsible Officials

Finance Response – Finance agrees with this finding. Finance's responsibility is to compile each state entities' federal expenditure information into the Schedule. Currently, Finance provides guidance on the reporting requirements through the State Administrative Manual, Audit Memos, Single Audit Database User Manual, and E-mail instructions. Additionally, Finance performs various analytical procedures on the submitted information. When these procedures identify potential errors, Finance contacts the state entity and requests additional documentation to confirm the accuracy of the reported information.

Finance will continue to work collaboratively with state entities administering federal awards to obtain accurate information to compile the Schedule. Specifically, Finance will provide additional training and outreach, including site visits, to ensure that the reporting requirements for preparing the Schedule under the Uniform Guidance are clearly understood. To enhance the current analytical procedures, Finance will consider other information that could be requested from state entities.

Education Response – Concur. Education will strengthen internal processes to ensure that information submitted to the Department of Finance for compilation of the Schedule, including contractor payments and the transfer of Temporary Assistance for Needy Families funding, is complete, accurate, timely, and reported under the proper basis of accounting.

Public Health Response – Public Health agrees with the finding. Public Health already submitted corrected information to Finance to display the expenditures separately for these two programs for the fiscal year 2015-16 Schedule. Internally, Public Health has been tracking each program's expenditures separately on a detailed level.

EMSA Response – EMSA agrees with this finding. During fiscal year 2015-16 the Department of General Services (DGS)/Contracted Fiscal Services (CFS), who has responsibility for the accounting functions of EMSA, was transitioning all its client agencies from CalSTARS to the Financial Information System for California (Fi\$Cal). During this transition process both the Fi\$Cal project and DGS\CFS experienced multiple challenges resulting in significant delays completing both the month and the year-end reconciliation processes. Without these processes being completed, the fiscal year 2015-16 financial statements could not be accurately generated resulting in EMSA's inability to timely report its federal award expenditures via Finance's Single Audit Expenditures Reporting Database.

Health Care Services Response – Health Care Services agrees with the finding. The Health Care Services subrecipient procedures will be updated by April 2017 to ensure future reporting of subrecipient payments within the Short-Doyle system are correctly identified as either Children's Health Insurance Program (CFDA #93.767) or for the Medical Assistance Program (CFDA #93.778).

Schedule of Federal Award Findings and Questioned Costs

U.S. DEPARTMENT OF AGRICULTURE

Reference Number:	2016-002
Category of Finding:	Eligibility and Reporting
Type of Finding:	Significant Deficiency
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	10.557
Federal Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Federal Award Numbers and Years:	2015IW100347; 2015 2015IW100647; 2015 201615W200147; 2016 201616W100347; 2016 201616W100647; 2016

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management, §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

State Administrative Manual, Section 5300 – Information security refers to the protection of information, information systems, equipment, software, and people from a wide spectrum of threats and risks. Implementing appropriate security measures and controls to provide for the confidentiality, integrity, and availability of information, regardless of its form (electronic, optical, print, or other media), is critical to ensure business continuity and protect information assets against unauthorized access, use, disclosure, disruption, modification, or destruction. Information security is also the means by which privacy of personal information held by state entities is protected.

State Administrative Manual, Section 5365 – Each state entity shall establish and implement physical security and environmental protection controls to safeguard information assets against unauthorized access, use, disclosure, disruption, modification, or destruction.

Condition

During our testing of user access termination to the WIC Management Information Systems (MIS), we noted that one user access termination was not completed for 130 days. A routing form is used to request and authorize termination of user access. Approved forms are then routed to the appropriate information technology personnel.

Cause

The routing form used to request and authorize termination of user access was not routed to the appropriate information technology personnel. Current policies and procedures do not include monitoring controls to assess the effectiveness of existing controls over time.

Effect

Public Health utilizes WIC MIS to determine eligibility for WIC participants as well as to monitor and report issuance and redemption of food vouchers. Unauthorized access to the information system poses significant risk to the security and integrity of the data, and could result in the creation of inappropriate recipient profiles, or the disbursement of food instruments to ineligible participants.

Questioned Costs

Questioned costs could not be determined.

Context

We tested four of the thirty-nine user terminations processed during the year. The sample was not a statistical sample.

Recommendation

Public Health should strengthen the policies and procedures for termination of user access rights to ensure that requests are processed in a timely manner and that requests are sufficiently tracked from initiation through completion. Additionally, Public Health should perform periodic system access reviews to ensure that users access is appropriate for their current roles.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2016-003
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	10.557
Federal Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Federal Award Numbers and Years:	201616W100347; 2016 201616W100647; 2016 201615W200147; 2015 2015IW100347; 2015

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management, §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Subrecipient Monitoring and Management, §200.331 Requirements or pass-through entities:

All pass-through entities must:

- (b) Evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:
 - (1) The subrecipient’s prior experience with the same or similar subawards;
 - (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F – Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
 - (3) Whether the subrecipient has new personnel or new or substantially changed systems; and

- (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Condition

The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) are subject to the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Public Health did not evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

Cause

Public Health did not develop policies and procedures for evaluating each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward in a timely manner such that it could be implemented during the fiscal year ended June 30, 2016.

Effect

The monitoring performed during the fiscal year ended June 30, 2016, did not ensure that sufficient and effective monitoring occurred for those subrecipients most at risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

Questioned Costs

No questioned costs were identified.

Context

Disbursements for the fiscal year ended June 30, 2016 to the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) subrecipients totaled \$263,404,893.

Recommendation

Public Health should review all federal statutes, regulations, and the terms and conditions of the federal award and determine whether or not policies and procedures exist and are operating effectively to ensure compliance with all requirements.

Additionally, Public Health should develop policies and procedures to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward and perform monitoring according to the assessed risk. Further, Public Health should retain evidence that the policies and procedures are operating as designed.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

U.S. DEPARTMENT OF TRANSPORTATION

Reference Number:	2016-004
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	California Department of Transportation (Caltrans)
Federal Catalog Number:	20.205
Federal Program Title:	Highway Planning and Construction
Federal Award Numbers and Years:	Various

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management, §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Subrecipient Monitoring and Management, §200.331 Requirements for pass-through entities:

All pass-through entities must:

- (b) Evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:
 - (1) The subrecipient’s prior experience with the same or similar subawards;
 - (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F – Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;

- (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
- (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Condition

The Highway Planning and Construction program administered by Caltrans involves a large number of federal awards pertaining to individual project grants and was subject to the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) for the projects under those grants approved by the U.S. Department of Transportation on or after December 26, 2014. We noted that although Caltrans monitors its subrecipients on the basis of risk, primarily based on reviews of independent single audits of the subrecipients, it has not yet developed and documented a formal risk assessment process over its subrecipients of federal awards by which to determine the frequency and extent of subrecipient monitoring activities to be performed.

Cause

Caltrans did not develop formal policies and procedures for evaluating each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward in a timely manner such that it could be implemented during the fiscal year ended June 30, 2016.

Effect

In the absence of a formally documented risk assessment process for determining appropriate monitoring procedures, sufficient and effective monitoring may not occur for those subrecipients most at risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

Questioned Costs

No questioned costs were identified.

Context

Disbursements to subrecipients for the fiscal year ended June 30, 2016 for the Highway Planning and Construction program totaled \$1,217,538,067.

Recommendation

Caltrans should ensure that policies and procedures are in place for timely response to new federal award requirements and implementation of changes resulting from new requirements.

Caltrans should document a formal process for performing risk assessments over its subrecipients of federal awards in order to determine the frequency and extent of monitoring activities to be performed in accordance with the requirements of the Uniform Guidance.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

U.S. DEPARTMENT OF EDUCATION

Reference Number:	2016-005
Category of Finding:	Level of Effort – Maintenance of Effort
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	Department of Education (Education)
Federal Catalog Number:	84.010
Federal Program Title:	Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)
Federal Award Number and Year:	S010A150005; 2015
Federal Catalog Number:	84.365
Federal Program Title:	English Language Acquisition State Grants
Federal Award Number and Year:	S365A150005; 2015

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 34: Education, Subtitle B – Regulations of the Offices of the Department of Education, Chapter II – Office of Elementary and Secondary Education, Department of Education, Part 299—General Provisions, Subpart D—Fiscal Requirements, §299.5 What maintenance of effort requirements apply to ESEA programs? (34 CFR 299.5)

- (a) *General.* An LEA receiving funds under an applicable program listed in paragraph (b) of this section may receive its full allocation of funds only if the SEA finds that either the combined fiscal effort per student or the aggregate expenditures of State and local funds with respect to the provision of free public education in the LEA for the preceding fiscal year was not less than 90 percent of the combined fiscal effort per student or the aggregate expenditures for the second preceding fiscal year.

(c) *Meaning of “preceding fiscal year”*. For purposes of determining if the requirement of paragraph (a) of this section is met, the “preceding fiscal year” means the Federal fiscal year, or the 12-month fiscal period most commonly used in a State for official reporting purposes, prior to the beginning of the Federal fiscal year in which funds are available for obligation by the Department.

(d) *Expenditures*.

(1) In determining an LEA's compliance with paragraph (a) of this section, the SEA shall consider only the LEA's expenditures from State and local funds for free public education. These include expenditures for administration, instruction, attendance and health services, pupil transportation services, operation and maintenance of plant, fixed charges, and net expenditures to cover deficits for food services and student body activities.

(2) The SEA may not consider the following expenditures in determining an LEA's compliance with the requirements in paragraph (a) of this section:

(i) Any expenditures for community services, capital outlay, debt service or supplemental expenses made as a result of a Presidentially declared disaster.

(ii) Any expenditures made from funds provided by the Federal Government.

Title 20 – Education, Chapter 70 – Strengthening and Improvement of Elementary and Secondary Schools, Subchapter VIII: General Provisions, Part F – Uniform Provisions, Subpart 2 – Other Provisions, §7901. Maintenance of effort (20 USC 70.7901)

(a) In general - A local educational agency may receive funds under a covered program for any fiscal year only if the State educational agency finds that either the combined fiscal effort per student or the aggregate expenditures of the agency and the State with respect to the provision of free public education by the agency for the preceding fiscal year was not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding fiscal year, subject to the requirements of subsection (b).

(b) Reduction in case of failure to meet:

(1) In general - The State educational agency shall reduce the amount of the allocation of funds under a covered program in any fiscal year in the exact proportion by which a local educational agency fails to meet the requirement of subsection (a) of this section by falling below 90 percent of both the combined fiscal effort per student and aggregate expenditures (using the measure most favorable to the local agency), if such local educational agency has also failed to meet such requirement (as determined using the measure most favorable to the local agency) for 1 or more of the 5 immediately preceding fiscal years.

(2) Special rule - No such lesser amount shall be used for computing the effort required under subsection (a) of this section for subsequent years.

(c) Waiver - The Secretary may waive the requirements of this section if the Secretary determines that a waiver would be equitable due to—

(1) exceptional or uncontrollable circumstances, such as a natural disaster or a change in the organizational structure of the local educational agency; or

(2) a precipitous decline in the financial resources of the local educational agency.

Condition

For nine of the thirty-three local educational agencies (LEAs) tested, Education could not provide evidence that they substantiated whether the LEAs met the maintenance of effort (MOE) as required under the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act of 2001. All nine of the LEAs were charter schools.

Cause

Education performs its MOE verification using financial data submitted by the LEAs pursuant to state law (*California Education Code* Section 42100). All school districts and county offices of education report their data through Education's software application called the Standardized Account Code Structure (SACS). Charter schools report their financial data to Education in one of the following three ways: (1) as part of the financial data of its authorizing LEA in the SACS software, (2) separate from its authorizing LEA in the SACS software, or (3) separate from its authorizing LEA in the Alternative Format approved by the State Board of Education, as authorized by state regulations (*Title 5, Section 15071 of the California Code of Regulations*).

According to Education, they do not substantiate whether the charter schools that report separately from their authorizing LEA meet their MOE due to many administrative complications which are not easily solved without changes to state laws and regulations. Specifically, each year a charter school can change from reporting in the SACS software to the Alternative Format, which does not provide Education the detail it needs to verify the MOE in accordance with 34 CFR 299.5(d). Additionally, state law allows charter schools to choose whether to be funded through their authorizing LEA or directly through Education from year-to-year, which effectively changes whether the charter schools are deemed to be an LEA for federal funding and MOE purposes. A charter school's funding selection does not have to coincide with whether or not they report with or separate from their authorizing LEA. Further, if a charter school does not meet its MOE, there would likely be no practical effect as the charter school could choose to be locally funded in the year in which the resulting award reduction should occur, and thus not be held accountable for not meeting the MOE requirement.

Effect

Education cannot perform the analysis necessary for compliance with the requirement to either reduce awards in cases of MOE failure in accordance with 20 USC 70.7901(b) or grant waivers in accordance with 20 USC 70.7901(c).

Questioned Costs

No questioned costs were identified.

Context

For the fiscal year ended June 30, 2016, award reductions due to MOE failures would affect Education's subawards using federal funds from its 2015 grant award. Total amounts allocated to subrecipients of Title I, Part A funds was \$1,668,279,381. Awards to charter schools subject to this noncompliance total \$38,094,383, or 2.3% of total subawards. Total amounts allocated for subrecipients of English Language Acquisition State Grants funds was \$139,550,930. Awards to charter schools subject to this noncompliance total \$2,505,248, or 1.795% of total subawards. The sample was a statistical sample.

Recommendation

Education should develop and follow policies and procedures which ensure the required MOE calculations are performed for all LEAs. Further, Education should obtain and maintain adequate documentation to provide evidence of compliance with the requirements.

Views of Responsible Officials and Corrective Action Plan

Management’s response is reported in “Management’s Response and Corrective Action Plan” included in a separate section at the end of this report.

Reference Number:	2016-006
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	Department of Education (Education)
Federal Catalog Number:	84.002
Federal Program Title:	Adult Education – Basic Grants to States
Federal Award Number and Year:	V002A150005; 2015 V002A140005; 2014 V002A130005; 2013
Federal Catalog Number:	84.010
Federal Program Title:	Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)
Federal Award Number and Year:	S010A150005; 2015 S010A140005; 2014 S010A130005; 2013
Federal Catalog Number:	84.365
Federal Program Title:	English Language Acquisition State Grants
Federal Award Number and Year:	S365A150005; 2015 S365A140005; 2014 S365A130005; 2013

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter I - Office of Management and Budget Government wide Guidance for Grants and Agreements, Part 25 - Universal Identifier and System for Award Management, Subpart B - Policy, §25.200 Requirements for program announcements, regulations, and application instructions (2 CFR 25.200):

- (a) Each agency that awards types of Federal financial assistance included in the definition of “award” in §25.305 must include the requirements described in paragraph (b) of this section in each program announcement, regulation, or other issuance containing instructions for applicants that either:
 - (1) Is issued on or after the effective date of this part; or
 - (2) Has application or plan due dates after October 1, 2010.
- (b) The program announcement, regulation, or other issuance must require each entity that applies and does not have an exemption under §25.110 to:
 - (1) Be registered in the System for Award Management (SAM) prior to submitting an application or plan;
 - (2) Maintain an active SAM registration with current information at all times during which it has an active Federal award or an application or plan under consideration by an agency; and
 - (3) Provide its unique entity identifier in each application or plan it submits to the agency.
- (c) For purposes of this policy:
 - (1) The applicant is the entity that meets the agency's or program's eligibility criteria and has the legal authority to apply and to receive the award. For example, if a consortium applies for an award to be made to the consortium as the recipient, the consortium must have a unique entity identifier. If a consortium is eligible to receive funding under an agency program but the agency's policy is to make the award to a lead entity for the consortium, the unique entity identifier of the lead entity will be used.
 - (2) A “program announcement” is any paper or electronic issuance that an agency uses to announce a funding opportunity, whether it is called a “program announcement,” “notice of funding availability,” “broad agency announcement,” “research announcement,” “solicitation,” or some other term.
 - (3) To remain registered in the SAM database after the initial registration, the applicant is required to review and update on an annual basis from the date of initial registration or subsequent updates its information in the SAM database to ensure it is current, accurate and complete.

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter I - Office of Management and Budget Government wide Guidance for Grants and Agreements, Part 25 - Universal Identifier and System for Award Management, Subpart B - Policy, §25.205 Effect of noncompliance with a requirement to obtain a unique entity identifier or register in the SAM (2 CFR 25.205):

- (a) An agency may not make an award to an entity until the entity has complied with the requirements described in §25.200 to provide a valid unique entity identifier and maintain an active SAM registration with current information (other than any requirement that is not applicable because the entity is exempted under §25.110).
- (b) At the time an agency is ready to make an award, if the intended recipient has not complied with an applicable requirement to provide a unique entity identifier or maintain an active SAM registration with current information, the agency:
 - (1) May determine that the applicant is not qualified to receive an award; and
 - (2) May use that determination as a basis for making an award to another applicant.

Condition

Education did not communicate the universal identifier and system for award management requirements to subaward applicants in accordance with 2 CFR 25.200. Additionally, Education did not collect the unique entity identifier prior to awarding funds in accordance with 2 CFR 25.205.

Cause

Education does not have a process in place to ensure the required information is communicated and collected, nor was Education aware of this pre-award requirement for pass-through entities.

Effect

Education is at risk for awarding federal funds to entities that have not properly registered with the SAM.

Questioned Costs

No questioned costs were identified.

Context

For the fiscal year ended June 30, 2016, disbursements to subrecipients of the Adult Education – Basic Grants to States, Title I Grants to Local Educational Agencies, and English Language Acquisition State Grants totaled \$87,178,734, \$1,639,844,358, and \$149,359,143, respectively.

Recommendation

Education should review all federal statutes, regulations, and the terms and conditions of the federal award and determine whether or not policies and procedures exist and are operating effectively to ensure compliance with all requirements.

Education should develop and implement policies and procedures over subawards that ensure the required information is communicated to applicants in accordance with 2 CFR 25.200 and that the unique entity identifier is collected prior to making subawards in accordance with 2 CFR 25.205.

Further, Education should maintain adequate documentation that the unique entity identifier has been obtained.

Views of Responsible Officials and Corrective Action Plan

Management’s response is reported in “Management’s Response and Corrective Action Plan” included in a separate section at the end of this report.

Reference Number:	2016-007
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency
State Administering Department:	Department of Education (Education)
Federal Catalog Number:	84.010
Federal Program Title:	Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)
Federal Award Number and Year:	S010A150005; 2015
Federal Catalog Number:	84.365
Federal Program Title:	English Language Acquisition State Grants
Federal Award Number and Year:	S365A150005; 2015

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition

During our testing of Education’s cash management process of disbursing funds to subrecipients, we noted that the methodology does not sufficiently analyze subrecipient information to reasonably determine, a subrecipient’s potential noncompliance with federal statutes, regulations, and the terms and conditions of the subaward. For example, one of the English Language

Acquisition subrecipient payments indicated that the subrecipient had spent 58% of its total fiscal year 2015-16 entitlement award during the month of July. Given that subrecipients are local education agencies and the nature of the funds is to provide services to students, the use of 58% of an entitlement award during the month of July should warrant further inquiry and analysis.

Cause

Education assesses payments to subrecipients of English Language Acquisition funding and Title I, Part A funding on a quarterly basis using the Federal Cash Management Data Collection (CMDC) system. This method requires quarterly reporting of cash-on-hand balances which the School Fiscal Services Division then uses to ensure that subrecipients have no more than 25% of total open entitlements on hand each quarter. The cash needs assessment methodology calculates the first disbursement amount of a new grant to reimburse for negative cash balances plus an amount equal to 25% of the total entitlement award. Education's subrecipient monitoring efforts do not take into account whether or not it is reasonable that the negative cash balance could be indicative of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward. For example, a negative cash balance at the beginning of an entitlement award could indicate that expenditures charged to the grant were incurred prior to the grant period, which is not allowable.

Effect

Negative cash at the beginning of a subaward period could indicate a risk of the subrecipients potential noncompliance with federal statutes, regulations, and the terms and conditions of the subaward concerning the expenditure of federal funds prior to the commencement of the grant period.

Questioned Costs

No questioned costs were identified.

Context

For English Language Acquisition, Education awarded \$139,517,109 of the fiscal year 2015-16 entitlement award funding to subrecipients. The first apportionment disbursement of the 2015-16 award totaled \$6,546,650, of which approximately \$1,864,611 was related to negative cash balances.

For Title I, Part A, Education awarded \$1,604,994,330 of the fiscal year 2015-16 entitlement award funding to subrecipients. The first apportionment disbursement of the 2015-16 award totaled \$53,452,867, of which approximately \$2,404,705 was related to negative cash balances.

Recommendation

Education should utilize subrecipient information gathered from all sources, including the CMDC system, to assist in subrecipient monitoring efforts such as risk assessment and periodic outreach.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Reference Number:	2016-008
Category of Finding:	Allowable Costs
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	93.069
Federal Program Title:	Public Health Emergency Preparedness
Federal Award Numbers and Years:	5U90TP000506-04; 2015 5U90TP000506-03; 2014
Federal Catalog Number:	93.889
Federal Program Title:	National Bioterrorism Hospital Preparedness Program
Federal Award Numbers and Years:	5U90TP000506-04; 2015 5U90TP000506-03; 2014

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart E-Cost Principles, General Provisions for Selected Items of Cost, §200.430-Compensation-personal services (2 CFR 200.430):

- (i) *Standards for Documentation of Personnel Expenses*
 - (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:

- (A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;
- (B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and
- (C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

Condition

The Department of Public Health charges personnel costs to the award based on budgeted amounts but does not perform an after-the-fact-review of the actual effort applied toward the administration of the award. As such, Public Health did not determine if an adjustment was necessary to final charges in accordance with 2 CFR 200.430(i)(1)(viii)(C).

Cause

The Department of Public Health does not have a system of recordkeeping that accurately reflects the work performed in order to perform the required adjustment analysis and support charges to federal awards for salaries and wages.

Effect

Actual payroll and related costs charged to federal awards administered by the Department could be materially misstated.

Questioned Costs

Questioned costs could not be determined due to the lack of records.

Context

For the fiscal year ended June 30, 2016, payroll and related costs totaled \$11,117,357 for the Public Health Emergency Preparedness program (CFDA #93.069) and \$7,563,667 for the National Bioterrorism Hospital Preparedness Program (CFDA #93.889).

Recommendation

Public Health should develop policies and procedures to comply with the standards for documentation of personnel expenses and retain evidence of compliance with this requirement. Additionally, Public Health should perform and document the required adjustment analysis to final charges when using a budget charge approach.

Views of Responsible Officials and Corrective Action Plan

Management’s response is reported in “Management’s Response and Corrective Action Plan” included in a separate section at the end of this report.

Reference Number:	2016-009
Category of Finding:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Health Care Services (Health Care Services)
Federal Catalog Number:	93.767
Federal Program Title:	Children’s Health Insurance Program
Federal Award Numbers and Years:	05-1605CA5021; 2016 05-1505CA1081; 2015

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management, §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart E - Cost Principles, Basic Considerations, §200.403 Factors affecting allowability of costs (2 CFR 200.403):

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

Condition

Four cash drawdowns tested amounting to \$1,527,285 were for Local Education Agency (LEA) expenditures that are not allowable under the Children's Health Insurance Program.

Identification as a Repeat Finding

Finding 2015-008 was reported in the immediate prior year.

Cause

A coding error associated with aid code 7X, One Month Bridge to Healthy Families, resulted in payments claimed under the Children's Health Insurance Program from the title XIX Funding.

Effect

As a result, unallowable activity was funded under the Children's Health Insurance Program and is included in the schedule of expenditures of federal awards.

Questioned Costs

\$1,527,285

Context

Forty (40) cash drawdowns were tested that amounted to \$1,296,241,295 from a population of 349 cash drawdowns that amounted to \$1,972,883,719. The sample was not a statistical sample.

Recommendation

The Safety Net Financing Division should strengthen internal controls to ensure that program expenditures are properly funded from allowable federal funding sources. Further, management should correct the coding error to ensure future LEA expenditures are not charged to the Children's Health Insurance Program and that management review prior cash drawdowns to evaluate the extent to which LEA expenditures have been funded by the Children's Health Insurance Program.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2016-010
Category of Finding:	Cash Management
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	Department of Education (Education)
Federal Catalog Number:	93.575
Federal Program Title:	Child Care and Development Block Grant
Federal Catalog Number:	93.596
Federal Program Title:	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Federal Award Numbers and Years:	G1601CACCDF; 2016 G1501CACCDF; 2015 G1401CACCDF; 2014 G1301CACCDF; 2013

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management, §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 31 - Money and Finance: Treasury, Chapter II - Fiscal Service, Department of the Treasury, Part 205 Rules and Procedures for Efficient Federal-State Funds Transfers, Subpart A - Rules Applicable to Federal Assistance Programs Included in a Treasury-State Agreement, §205.12 What Funding Techniques May Be Used? (2 CFR 205.12):

- (a) We and a State may negotiate the use of mutually agreed upon funding techniques. We may deny interest liability if a State does not use a mutually agreed upon funding technique. Funding techniques should be efficient and minimize the exchange of interest between States and Federal agencies.

CASH MANAGEMENT IMPROVEMENT ACT (CMIA) Agreement between the State of California and the Secretary of the Treasury, United States Department of the Treasury:

Section 6.2.1 The following are terms under which standard funding techniques shall be implemented for all transfers of funds to which the funding technique is applied in Section 6.3.2 of this Agreement.

Section 6.2.4 The following are terms under which State unique funding techniques shall be implemented for all transfers of funds to which the funding technique is applied in Section 6.3.2 of this Agreement.

Monthly Estimate/Monthly Draw – The State departments will estimate the monthly expenditures during the first week of each month. This amount will be requested within the first ten working days of each month. The request shall be made in accordance with the appropriate federal agency cut-off time specified in Exhibit I. The State will reconcile the actual expenditures to the estimate for each month and adjust the subsequent request for funds. This funding technique is interest neutral.

Section 6.3.1 The State shall apply the following funding techniques when requesting federal funds for the component cash flows of the programs listed in sections 4.2 and 4.3 of this Agreement.

Section 6.3.2 Programs - Below are programs listed in Section 4.2 and Section 4.3:

93.575 Recipient: % of Funds Agency Receives: Component: Technique:	Child Care and Development Block Grant Department of Education 88.94 Payments to child care providers Monthly Estimate/Monthly Draw
93.596 Recipient: % of Funds Agency Receives: Component: Technique:	Child Care Mandatory and Matching Funds of the Child Care and Development Fund Department of Education 95.46 Payments to child care providers Monthly Estimate/Monthly Draw

Condition

Education failed to ensure that federal fund drawdowns for payments to child care providers were in compliance with the funding technique required by the CMIA Agreement. For seven of the ten drawdowns tested, the draw down occurred after the first ten working days of the month.

Cause

Internal reports used for calculating the estimated monthly expenditures were not prepared in a timely manner for the draw down to occur within the first ten working days of the month. Education’s current process does not allow for the estimated monthly expenditure calculation to occur without the internal reports. As a result, requests for the seven drawdowns ranged from 2-10 days after the required period.

Effect

Pursuant to Section 11.1 of the CMIA Agreement, noncompliance with the funding technique can result in sanctions and penalties, including additional restrictions such as drawing funds on a reimbursement basis rather than the current advance basis.

Questioned Costs

Questioned costs were not identified.

Context

Education performed twelve Monthly Estimate/Monthly Draw drawdowns during the fiscal year ended June 30, 2016, totaling \$471,475,758. Drawdowns tested for payments to child care providers totaled \$422,653,406, of which drawdowns totaling \$317,481,102 occurred after the first ten working days of the month. The sample was not a statistical sample.

Recommendation

Education should evaluate the current policies and procedures for necessary revisions that would ensure that draw down of federal funds are in compliance with the stated funding technique pursuant to the CMIA Agreement.

Views of Responsible Officials and Corrective Action Plan

Management’s response is reported in “Management’s Response and Corrective Action Plan” included in a separate section at the end of this report.

Reference Number:	2016-011
Category of Finding:	Cash Management
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Health Care Services (Health Care Services)
Federal Catalog Number:	93.959
Federal Program Title:	Block Grants for Prevention and Treatment of Substance Abuse
Federal Award Number and Year:	2B08TI010062-15; 2015

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management, §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements, Subtitle A – Office of Management and Budget Guidance for Grants and Agreements, Chapter II – Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management, §200.305 Payment (2 CFR 200.305):

- (b) For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. See also §200.302 Financial management paragraph (b)(6). Except as noted elsewhere in this part, Federal agencies must require recipients to use only OMB-approved standard government-wide information collection requests to request payment.
 - (1) The non-Federal entity must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the non-Federal entity, and financial management systems that meet the standards for fund control and accountability as established in this part. Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs. The non-Federal entity must make timely payment to contractors in accordance with the contract provisions.

Condition

The Substance Use Disorder Program, Policy and Fiscal Division of Health Care Services distributes funds awarded to subrecipients on a quarterly basis in accordance with an allocation schedule. The cash management process does not provide for appropriate monitoring to ensure that subrecipients are minimizing the time elapsing between the receipt and disbursement of federal funds.

Cause

The Substance Use Disorder Program, Policy and Fiscal Division was not aware of the requirement to monitor the cash needs of their subrecipients.

Effect

Subrecipients might not be expending federal funds in a timely manner resulting in an interest liability, which is required to be returned to the federal granting agency.

Questioned Costs

Questioned costs could not be determined.

Context

Payments by the Substance Use Disorder Program, Policy and Fiscal Division to subrecipients related to the Block Grants for Prevention and Treatment of Substance Abuse (SABG) program totaled \$120,496,806 for the fiscal year ended June 30, 2016.

Recommendation

The Substance Use Disorder Program, Policy and Fiscal Division should develop and implement policies and procedures over federal funding that ensures the time between the receipt and disbursement of federal funds by subrecipients is minimized. Further, the Substance Use Disorder Program, Policy and Fiscal Division should develop procedures for the maintenance of records, which support that the compliance objectives are being satisfied.

Views of Responsible Officials and Corrective Action Plan

Management’s response is reported in “Management’s Response and Corrective Action Plan” included in a separate section at the end of this report.

Reference Number:	2016-012
Category of Finding:	Cash Management
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Health Care Services (Health Care Services)
Federal Catalog Number:	93.959
Federal Program Title:	Block Grants for Prevention and Treatment of Substance Abuse
Federal Award Number and Year:	2B08TI010062-15; 2015

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management, §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These

internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 31 - Money and Finance: Treasury, Chapter II - Fiscal Service, Department of the Treasury, Part 205 Rules and Procedures for Efficient Federal-State Funds Transfers, Subpart A - Rules Applicable to Federal Assistance Programs Included in a Treasury-State Agreement, §205.12 What Funding Techniques May Be Used? (31 CFR 205.12):

- (a) We and a State may negotiate the use of mutually agreed upon funding techniques. We may deny interest liability if a State does not use a mutually agreed upon funding technique. Funding techniques should be efficient and minimize the exchange of interest between States and Federal agencies.

CASH MANAGEMENT IMPROVEMENT ACT (CMIA) Agreement between the State of California and the Secretary of the Treasury, United States Department of the Treasury:

Section 6.2.1 The following are terms under which standard funding techniques shall be implemented for all transfers of funds to which the funding technique is applied in Section 6.3.2 of this Agreement.

Pre-Issuance

The State shall request funds such that they are deposited in a State account not more than three business days prior to the day the State makes a disbursement. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I to the Treasury-State Agreement. The amount of the request shall be the same amount the State expects to disburse. This funding technique is not interest neutral.

Section 6.3.1 The State shall apply the following funding techniques when requesting Federal funds for the component cash flows of the programs listed in sections 4.2 and 4.3 of this Agreements.

Section 6.3.2 Programs - Below are programs listed in Section 4.2 and Section 4.3:

93.959	Block Grants for Prevention and Treatment of Substance Abuse
Recipient:	Department of Health Care Services
Component:	Payments to health care providers and to States and local agencies
Technique:	Pre-Issuance

Condition

The Cash Management Unit of Health Care Services failed to ensure that the drawdown of federal funds for payments to local agencies were in compliance with the funding technique requirements for the Block Grants for Prevention and Treatment of Substance Abuse (SABG) program. For three of the eight pre-issuance drawdowns tested, the related disbursements occurred more than three business days after deposit of the related federal funds.

Cause

Funds were drawn in error by the Cash Management Unit, which caused the warrant issue dates to exceed the required number of business days, ranging from 12-23 business days.

Effect

Because this funding technique is not interest neutral, the State must calculate an interest liability for SABG draws in accordance with the CMIA Agreement, section 8.0, which calls for a dollar-weighted calculation methodology. Per CMIA Agreement, section 11.1, noncompliance with the funding technique can result in sanctions and penalties, including additional restrictions such as drawing funds on a reimbursement basis rather than the current advance basis.

Questioned Costs

No questioned costs were identified.

Context

The Cash Management Unit performed 26 pre-issuance funding technique drawdowns during the fiscal year ended June 30, 2016, totaling \$120,184,181. The amount of drawdowns tested for payments to local agencies totaled \$116,339,032, of which the noncompliant drawdowns totaled \$13,935,256. The sample was not a statistical sample. For the fiscal year ended June 30, 2016, SABG incurred a total of 172 interest days, resulting in a total interest liability of \$5,091. The State remits the interest earned back to the federal government from its General Fund, which is where the earned interest was deposited. Interest is not charged back to the federal award.

Recommendation

The Cash Management Unit should strengthen and follow existing policies and procedures, and monitor those procedures, to ensure that drawdown of federal funds are in compliance with the stated funding technique pursuant to the CMIA Agreement.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2016-013
Category of Finding:	Eligibility
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Health Care Services (Health Care Services)
Federal Catalog Number:	93.778
Federal Program Title:	Medical Assistance Program
Federal Award Numbers and Years:	05-1605CA5ADM; 2016 05-1605CA5MAP; 2016

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II – Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management, §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 42 - Public Health, Chapter IV - Centers for Medicare & Medicaid Services, Department of Health and Human Services (Continued), Subchapter C - Medical Assistance Programs, Part 435 - Eligibility in the States, District of Columbia, the Northern Mariana Islands, and American Samoa, Subpart J - Eligibility in the States and District of Columbia, Redeterminations of Medicaid Eligibility, §435.916 Periodic renewal of Medicaid eligibility (42 CFR 435.916):

- (a) Renewal of individuals whose Medicaid eligibility is based on modified adjusted gross income methods (MAGI).
 - (1) Except as provided in paragraph (d) of this section, the eligibility of Medicaid beneficiaries whose financial eligibility is determined using MAGI-based income must be renewed once every 12 months, and no more frequently than once every 12 months.
 - (2) Renewal on basis of information available to agency. The agency must make a redetermination of eligibility without requiring information from the individual if able to do so based on reliable information contained in the individual’s account or other more current information available to the agency, including but not limited to information accessed through any data bases accessed by the agency under §435.948, §435.949 and §435.956 of this part.

(b) Redetermination of individuals whose Medicaid eligibility is determined on a basis other than modified adjusted gross income. The agency must redetermine the eligibility of Medicaid beneficiaries excepted from modified adjusted gross income under §435.603(j) of this part, for circumstances that may change, at least every 12 months. The agency must make a redetermination of eligibility in accordance with the provisions of paragraph (a)(2) of this section, if sufficient information is available to do so. The agency may adopt the procedures described at §435.916(a)(3) for individuals whose eligibility cannot be renewed in accordance with paragraph (a)(2) of this section.

Condition

Eligibility redeterminations for seven beneficiaries out of 69 reviewed were not performed within the required interval of once every 12 months. The overdue periods ranged from 29 months to 205 months.

Health Care Services has delegated the performance of eligibility redeterminations to County welfare agencies in subawards.

Identification as a Repeat Finding

Finding 2015-009 was reported in the immediate prior year.

Cause

Since the implementation of the Affordable Care Act, which resulted in expanded Medicaid coverage, there has been a continual large influx of new applications. This influx has increased the already existing condition of excessive case management workload at the County welfare agency level resulting in insufficient resources to ensure compliance with the redetermination requirements.

Effect

As a result of our inquiry into these seven beneficiaries, three were determined to be ineligible and benefits were terminated, while the remaining four were determined to be eligible. Thus, the existing internal controls did not prevent, or detect and correct, the occurrence of benefits being provided to ineligible beneficiaries.

Questioned Costs

Expenditures related to the ineligible beneficiaries totaled \$23,936 for fiscal year 2015-16.

Context

For the fiscal year ended June 30, 2016, a total of \$47,546 was disbursed on behalf of the seven beneficiaries with overdue redeterminations, and \$23,936 was disbursed on behalf of the three beneficiaries later determined to be ineligible. Total benefits paid on behalf of the 69 beneficiaries tested were \$1,139,044. The total benefits paid on behalf of beneficiaries for the fiscal year ended June 30, 2016 is \$45,995,934,041. The total number of beneficiaries for the fiscal year ended June 30, 2016 is approximately 13.4 million. The sample was not a statistical sample.

Recommendation

The Eligibility Division of Health Care Services should strengthen and follow policies and procedures to ensure that redeterminations occur within the required timeline. For the County welfare agencies that are responsible for completing the redetermination process, the Eligibility Division should consider additional training and oversight, including tracking of the due dates of redeterminations, to reduce the potential for future noncompliance.

Views of Responsible Officials and Corrective Action Plan

Management’s response is reported in “Management’s Response and Corrective Action Plan” included in a separate section at the end of this report.

Reference Number:	2016-014
Category of Finding:	Matching
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	93.069
Federal Program Title:	Public Health Emergency Preparedness
Federal Award Number and Year:	5U90TP000506-04; 2015
Federal Catalog Number:	93.889
Federal Program Title:	National Bioterrorism Hospital Preparedness Program
Federal Award Number and Year:	5U90TP000506-04; 2015

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management §200.306 Cost sharing or matching (2 CFR 200.306):

(b) For all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the nonfederal entity's cost sharing or matching when such contributions meet all of the following criteria:

- (1) Are verifiable from the non-Federal entity's records;
- (2) Are not included as contributions for any other Federal award;
- (3) Are necessary and reasonable for accomplishment of project or program objectives;
- (4) Are allowable under Subpart E-Cost Principles of this part;
- (5) Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;
- (6) Are provided for in the approved budget when required by the Federal awarding agency; and
- (7) Conform to other provisions of this part, as applicable.

U.S. Code Title 42 - The Public Health And Welfare Chapter, 6a - Public Health Service, Subchapter II General Powers and Duties, Part B, Federal-State Cooperation, 247d-3a. Improving State and Local Public Health Security (42 USC 247d-3a):

(h) Funding, (1) Authorization of appropriations, (B) Requirement for State matching funds. – Beginning in fiscal year 2009, in the case of any State or consortium of two or more States, the Secretary may not award a cooperative agreement under this section unless the State or consortium of States agree that, with respect to the amount of the cooperative agreement awarded by the Secretary, the State or consortium of States will make available (directly or through donations from public or private entities) non-Federal contributions in an amount equal to –

- (ii) for any second fiscal year of the cooperative agreement, and for any subsequent fiscal year of such cooperative agreement, not less than 10 percent of such costs (\$1 for each \$10 of Federal funds provided in the cooperative agreement).

Condition

The Emergency Preparedness Office of Public Health has an informal arrangement with Los Angeles County to set aside a portion of the County's Measure B Tax Revenue to contribute to the State's match requirement. The support for the County portion does not include evidence that meets the criteria of 2 CFR 200.306(b).

Cause

The Emergency Preparedness Office does not require evidence or assurance that the County portion meets the stated criteria.

Effect

If the match requirement is not met with amounts that meet the stated criteria, Public Health is subject to sanctions and penalties.

Questioned Costs

The amount claimed to have been met through Los Angeles County funding for the National Bioterrorism Hospital Preparedness Program totaled \$2,099,265 and for Public Health Emergency Preparedness totaled \$2,163,740.

Context

The required match for the fiscal year ended June 30, 2016, for National Bioterrorism Hospital Preparedness Program totaled \$2,320,445 and for Public Health Emergency Preparedness totaled \$4,257,727.

Recommendation

The Emergency Preparedness Office should develop policies and procedures to ensure that the Los Angeles County portion meets the stated criteria and retain evidence that the stated criteria have been met.

Views of Responsible Officials and Corrective Action Plan

Management’s response is reported in “Management’s Response and Corrective Action Plan” included in a separate section at the end of this report.

Reference Number:	2016-015
Category of Finding:	Level of Effort
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	93.069
Federal Program Title:	Public Health Emergency Preparedness
Federal Award Number and Year:	5U90TP000506-03; 2014
Federal Catalog Number:	93.889
Federal Program Title:	National Bioterrorism Hospital Preparedness Program
Federal Award Number and Year:	5U90TP000506-03; 2014

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 42 - The Public Health and Welfare Chapter, 6a - Public Health Service, Subchapter II General Powers and Duties, Part B, Federal-State Cooperation, 247d-3b. Partnerships for State and regional hospital preparedness to improve surge capacity (42 USC 247d-3b):

- (h) Maintenance of funding

- (1) In general - An entity that receives an award under this section shall maintain expenditures for health care preparedness at a level that is not less than the average level of such expenditures maintained by the entity for the preceding 2 year period.

Condition

Public Health did not maintain expenditures for health care preparedness at a level that is not less than the average level of such expenditures maintained by the entity for the preceding 2-year period for the grant award that closed during the fiscal year ended June 30, 2016. Additionally, Public Health cannot calculate compliance with the requirement for each program individually as the expenditures are not tracked separately.

Cause

Public Health has historically calculated the maintenance of effort using a budgeted allocation amount rather than actual expenditures. As such, Public Health has not been properly calculating the base against which compliance is measured. Additionally, as noted in finding 2016-001, Public Health has been erroneously tracking and reporting activity for these two programs as one single program.

Effect

Public Health cannot properly determine and budget for the required threshold of expenditures by using budgeted allocation in its calculation. When actual expenditures do not meet the maintenance of effort threshold, Public Health is subject to repayment of the amount not met in accordance with 42 USC 6a §247d-3a(2)(B) or withholding of payments in accordance with 42 USC 6a §247d-3a(2)(C). If actual expenditures exceed the maintenance of effort threshold, future thresholds would increase the average level during the measurement period.

Questioned Costs

Actual combined expenditures for the closed grant period resulted in a shortfall of \$1,056,964. Questioned costs represent the combined total of both programs because expenditures were not tracked separately by individual CFDA numbers.

Context

Actual combined expenditures for the closed grant period totaled \$4,838,638 and the threshold calculated as the previous two fiscal year’s average actual expenditures was \$5,895,602.

Recommendation

Public Health should develop policies and procedures to ensure proper calculation of the maintenance of effort requirement based on actual expenditures for each grant. Additionally, Public Health should evaluate the maintenance of effort result for closed grants and if required, submit revised reports to the granting agency.

Views of Responsible Officials and Corrective Action Plan

Management’s response is reported in “Management’s Response and Corrective Action Plan” included in a separate section at the end of this report.

Reference Number:	2016-016
Category of Finding:	Earmarking
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health) and California Emergency Medical Services Authority (EMSA)
Federal Catalog Number:	93.758
Federal Program Title:	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)
Federal Award Numbers and Years:	2B01OT009006-14; 2014 3B01OT009006-14S1; 2014 3B01OT009006-14S2; 2014

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management, §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 42-The Public Health and Welfare, Chapter 6A-Public Health Service, Subchapter XVII-Block Grants, Part A-Preventive Health and Health Services Block Grants §300w-3. Use of Allotments (42 USC 300w-3):

- (d) Limitation on Administrative Costs

Of the amount paid to any State under section 300w-2 of this title, not more than 10 percent paid from each of its allotments under subsections (a) and (b) of section 300w-1 of this title may be used for administering the funds made available under section 300w-2 of this title. The State will pay from non-Federal sources the remaining costs of administering such funds.

Condition

Total administrative expenditures for the 2014 grant award exceeded the 10% administrative cost limit.

Cause

Public Health and EMSA do not have processes and procedures in place to monitor spending against the 10% limit during the grant period, nor do they have a process and procedure to perform an after-the-fact-review of compliance with the limit to adjust charges prior to final close-out of the grant.

Effect

Charges to the grant beyond the limit are not allowable to the grant.

Questioned Costs

Questioned costs of \$66,720 represent the amount by which actual administrative costs charged to the grant exceed the administrative cost limit.

Context

The 2014 grant award period was October 1, 2013 through September 30, 2015. The administrative cost limit of \$1,050,810 is determined by applying 10% to the total 2014 grant awards of \$10,508,099. Actual administrative costs charged to the 2014 grant awards by Public Health were \$907,054 and by EMSA were \$210,476, which total \$1,117,530.

Recommendation

Public Health and EMSA should develop processes and procedures to monitor spending against the 10% limit during the grant period and to perform an after-the-fact-review for potential adjustments to charges prior to final close-out of the grant. Additionally, Public Health and EMSA should perform an after-the-fact review of the already closed grants and report any noncompliant results to their granting agency for possible return of funds.

Views of Responsible Officials and Corrective Action Plan

Management’s response is reported in “Management’s Response and Corrective Action Plan” included in a separate section at the end of this report.

Reference Number:	2016-017
Category of Finding:	Period of Performance
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	California Department of Community Services and Development (CSD)
Federal Program Title:	Low-Income Home Energy Assistance Program (LIHEAP)
Federal Catalog Number:	93.568
Federal Award Numbers and Award Years:	G-14B1CALIEA; 2014 G-13B1CALIEA; 2013 G-12B1CALIEA; 2012 G-11B1CALIEA; 2011

Criteria

USC Title 42 – the Public Health and Welfare. Chapter 94 – Low-Income Energy Assistance. Subchapter II – Low-Income Home Energy Assistance. §8626 Payments to States; fiscal year requirements respecting availability, etc. (42 USC 8626):

(b)(2)(B) No amount may be held available under this paragraph for a State from a prior fiscal year to the extent such amount exceeds 10 percent of the amount payable to such State for such prior fiscal year. For purposes of the preceding sentence, the amount payable to a State for a fiscal year shall be determined without regard to any amount held available under this paragraph for such State for such fiscal year from the prior fiscal year. The Secretary shall reallocate amounts made available under this paragraph for the fiscal year following the fiscal year of the original allotment in accordance with paragraph (1) of this subsection.

Condition

Pursuant to the “Terms and Conditions Addendum: Additional Financial Requirements” issued by the DHHS’s Office of Community Services, the two-year funding period (or the obligation period) is from the first day of the federal fiscal year for which LIHEAP funds were awarded through the last day of the following federal fiscal year (i.e., from October 1 of the first federal fiscal year through September 30 of the second federal fiscal year). Any federal funds not obligated by the end of the obligation period are to be recouped by DHSS.

CSD’s practice has been to carryover and re-obligate LIHEAP funds on an annual basis, which were not expended by its subrecipients, as long as the re-obligation occurred within five years from the grant award date. CSD’s practice was based upon its understanding that it had five years to expend and liquidate LIHEAP funds. For the fiscal year ended June 30, 2016, the 2011-2015 grant award years were still active; however, only the 2011-2014 grant awards had carryover funds that were expended in 2016.

Since the finding was first reported in fiscal year 2014-15, CSD has taken corrective action and is no longer carrying-over and re-obligating federal funds outside the period of performance. CSD is now obligating federal funds for specific grant award years only within the first federal fiscal year. We noted per review of CSD’s 2016 Budget Allocation Worksheet and testing of subaward contracts entered into during fiscal year 2015-16, only 2016 grant award funds were being obligated in its 2016 subaward contracts.

In September 2016, CSD sent a letter to the Office of Community Services (OCS), expressing their remediation efforts and corrective action taken in response to the finding, which will be effective for grant award year 2016. Unexpended funds will no longer be recaptured from prior year grant awards and re-obligated within subsequent subaward contracts. In January 2017, OCS replied to CSD’s letter stipulating that CSD’s current interpretation of the period of performance aligns with OCS’ interpretation, which is that 90 percent of the annual grant award must be obligated within the same/first federal fiscal year in which the award is granted, and up to 10 percent of the grant may be carried over for obligation in the subsequent/second fiscal year.

Cause

CSD misinterpreted the period of performance compliance requirement and understood the obligation period to be five federal fiscal years. However, CSD must obligate the funds within the first two federal fiscal years but then has five federal fiscal years in which to expend and liquidate the federal funds awarded under the grants awards.

Effect

CSD is not in compliance with the required period of performance pursuant to the “Terms and Conditions Addendum: Additional Financial Requirements” and Section 8626 of Title 42 of the U.S. Code.

Questioned Costs

Questioned costs totaled \$13.6 million, which represents the costs incurred during fiscal year 2015-16 using federal funds from the 2011 to 2014 grant award years, which were re-obligated outside of the period of performance.

Context

For fiscal year 2015-16, CSD re-obligated \$236,163, \$13,683,504 and \$790,020 in federal funds related to the 2011, 2013, and 2014 grant award years, respectively, which fell outside the period of performance. CSD did not re-obligate any federal funds for the 2012 grant award year.

Identification as a Repeat Finding

Finding 2015-006 was reported in the immediate prior year.

Recommendation

Since CSD has remediated the period of performance compliance finding, which is effective for fiscal year 2016-17, CSD should continue to communicate with OCS to ensure that appropriate remediation and corrective action has occurred and ultimate resolution of the compliance finding.

Views of Responsible Officials and Corrective Action Plan

Management’s response is reported in “Management’s Response and Corrective Action Plan” included in a separate section at the end of this report.

Reference Number:	2016-018
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	93.069
Federal Program Title:	Public Health Emergency Preparedness
Federal Award Numbers and Years:	5U90TP000506-04; 2015 5U90TP000506-03; 2014
Federal Catalog Number:	93.889
Federal Program Title:	National Bioterrorism Hospital Preparedness Program
Federal Award Numbers and Years:	5U90TP000506-04; 2015 5U90TP000506-03; 2014

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Subrecipient Monitoring and Management, §200.331 Requirements for pass-through entities (2 CFR 200.331):

All pass-through entities must:

- (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

Condition

The Public Health Emergency Preparedness and the National Bioterrorism Hospital Preparedness Programs had sixty-one subrecipients during the fiscal year. We tested six subrecipients and noted that Emergency Preparedness Office (EPO) program management could not provide evidence that sufficient monitoring was performed for the purpose of determining that subrecipient use of funds is in accordance with federal statutes, regulations, and the terms and conditions of the subaward. Current monitoring procedures primarily focus on cost allowability and do not consistently cover other compliance areas, such as reporting and subrecipient monitoring, and whether programmatic objectives are achieved.

Cause

EPO did not properly design their monitoring policies and procedures to provide evidence that EPO monitors subrecipients’ use of funds in accordance with federal statutes, regulations, and the terms and conditions of the subaward.

Effect

The monitoring performed during the fiscal year ended June 30, 2016, did not ensure that sufficient and effective monitoring occurred over subrecipients’ use of funds in accordance with federal statutes, regulations, and the terms and conditions of the subaward.

Questioned Costs

Questioned costs were not identified.

Context

For the fiscal year ended June 30, 2016, disbursements to subrecipients totaled \$32,224,734 for the Public Health Emergency Preparedness (CFDA #93.069) and \$14,746,156 for the National Bioterrorism Hospital Preparedness Program (CFDA #93.889). The sample was not a statistical sample.

Recommendation

EPO should develop a comprehensive monitoring tool, which explicitly includes provisions for the review of subrecipient compliance with federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

Views of Responsible Officials and Corrective Action Plan

Management’s response is reported in “Management’s Response and Corrective Action Plan” included in a separate section at the end of this report.

Reference Number:	2016-019
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	93.069
Federal Program Title:	Public Health Emergency Preparedness
Federal Award Numbers and Years:	5U90TP000506-04; 2015 5U90TP000506-03, 2014
Federal Catalog Number:	93.268
Federal Program Title:	Immunization Cooperative Agreements
Federal Award Numbers and Years:	NH23IP000717-04-00; 2016 5H231P000717-03 REVISED; 2015 5H231P000717-03; 2014
Federal Catalog Number:	93.758
Federal Program Title:	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)
Federal Award Numbers and Years:	2B01OT009006-15; 2015 2B01OT009006-14; 2014 3B01OT009006-14S1; 2014 3B01OT009006-14S2; 2014
Federal Catalog Number:	93.889
Federal Program Title:	National Bioterrorism Hospital Preparedness Program
Federal Award Numbers and Years:	5U90TP000506-04; 2015 5U90TP000506-03; 2014

State Administering Department: California Emergency Medical Services Authority (EMSA)
 Federal Catalog Number: 93.758
 Federal Program Title: Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF) (PHHS Block Grant)
 Federal Award Numbers and Years: 2B01OT009006-15; 2015
 2B01OT009006-14; 2014
 3B01OT009006-14S1; 2014
 3B01OT009006-14S2; 2014

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management, §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Subrecipient Monitoring and Management, §200.331 Requirements for pass-through entities (2 CFR 200.331):

All pass-through entities must:

- (b) Evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:
 - (1) The subrecipient’s prior experience with the same or similar subawards;
 - (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F – Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
 - (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
 - (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Condition

The Public Health Emergency Preparedness, Immunization Cooperative Agreements, Preventive Health and Health Services Block Grant, and National Bioterrorism Hospital Preparedness Programs are subject to the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Public Health and EMSA did not evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

Cause

Public Health and EMSA did not develop policies and procedures for evaluating each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward in a timely manner such that it could be implemented during the fiscal year ended June 30, 2016.

Effect

The monitoring performed during the fiscal year ended June 30, 2016, did not ensure that sufficient and effective monitoring occurred for those subrecipients most at risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

Questioned Costs

No questioned costs were identified.

Context

Disbursements for the fiscal year ended June 30, 2016 to the Public Health Emergency Preparedness, Immunization Cooperative Agreements, Preventive Health and Health Services Block Grant, and National Bioterrorism Hospital Preparedness Programs subrecipients totaled \$32,224,734, \$25,577,085, \$1,314,294, and \$14,746,156, respectively.

Recommendation

Public Health and EMSA should review all federal statutes, regulations, and the terms and conditions of the federal award and determine whether or not policies and procedures exist and are operating effectively to ensure compliance with all requirements.

Additionally, Public Health and EMSA should develop policies and procedures to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward and perform monitoring according to the assessed risk. Further, Public Health and EMSA should retain evidence that the policies and procedures are operating as designed.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2016-020
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health) and California Emergency Medical Services Authority (EMSA)
Federal Catalog Number:	93.268
Federal Program Title:	Immunization Cooperative Agreements
Federal Award Numbers and Years:	NH23IP000717-04-00; 2016 5H231P000717-03 ; 2015 5H231P000717-03; 2014
Federal Catalog Number:	93.758
Federal Program Title:	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)
Federal Award Numbers and Years:	2B01OT009006-15; 2015 2B01OT009006-14; 2014 3B01OT009006-14S1; 2014 3B01OT009006-14S2; 2014

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management, §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter I - Office of Management and Budget Government wide Guidance for Grants and Agreements, Part 25 - Universal Identifier and System for Award Management, Subpart B - Policy, §25.200 Requirements for program announcements, regulations, and application instructions (2 CFR 25.200):

- (a) Each agency that awards types of Federal financial assistance included in the definition of “award” in §25.305 must include the requirements described in paragraph (b) of this section in

each program announcement, regulation, or other issuance containing instructions for applicants that either:

- (1) Is issued on or after the effective date of this part; or
 - (2) Has application or plan due dates after October 1, 2010.
- (b) The program announcement, regulation, or other issuance must require each entity that applies and does not have an exemption under §25.110 to:
- (1) Be registered in the System for Award Management (SAM) prior to submitting an application or plan;
 - (2) Maintain an active SAM registration with current information at all times during which it has an active Federal award or an application or plan under consideration by an agency; and
 - (3) Provide its unique entity identifier in each application or plan it submits to the agency.
- (c) For purposes of this policy:
- (1) The applicant is the entity that meets the agency's or program's eligibility criteria and has the legal authority to apply and to receive the award. For example, if a consortium applies for an award to be made to the consortium as the recipient, the consortium must have a unique entity identifier. If a consortium is eligible to receive funding under an agency program but the agency's policy is to make the award to a lead entity for the consortium, the unique entity identifier of the lead entity will be used.
 - (2) A “program announcement” is any paper or electronic issuance that an agency uses to announce a funding opportunity, whether it is called a “program announcement,” “notice of funding availability,” “broad agency announcement,” “research announcement,” “solicitation,” or some other term.
 - (3) To remain registered in the SAM database after the initial registration, the applicant is required to review and update on an annual basis from the date of initial registration or subsequent updates its information in the SAM database to ensure it is current, accurate and complete.

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter I - Office of Management and Budget Government wide Guidance for Grants and Agreements, Part 25 - Universal Identifier and System for Award Management, Subpart B - Policy, §25.205 Effect of noncompliance with a requirement to obtain a unique entity identifier or register in the SAM (2 CFR 25.205):

- (a) An agency may not make an award to an entity until the entity has complied with the requirements described in §25.200 to provide a valid unique entity identifier and maintain an active SAM registration with current information (other than any requirement that is not applicable because the entity is exempted under §25.110).
- (b) At the time an agency is ready to make an award, if the intended recipient has not complied with an applicable requirement to provide a unique entity identifier or maintain an active SAM registration with current information, the agency:
 - (1) May determine that the applicant is not qualified to receive an award; and
 - (2) May use that determination as a basis for making an award to another applicant.

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Subrecipient Monitoring and Management, §200.331 Requirements for pass-through entities (2 CFR 200.331):

All pass-through entities must:

- (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:
 - (1) Federal Award Identification.
 - (i) Subrecipient name (which must match the name associated with its unique entity identifier);
 - (ii) Subrecipient's unique entity identifier;
 - (iii) Federal Award Identification Number (FAIN);
 - (iv) Federal Award Date (see §200.39 Federal award date) of award to the recipient by the Federal agency;
 - (v) Subaward Period of Performance Start and End Date;
 - (vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
 - (vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;
 - (viii) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
 - (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
 - (x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
 - (xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
 - (xii) Identification of whether the award is R&D; and
 - (xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs).
 - (2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;
 - (3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
 - (4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f);
 - (5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and
 - (6) Appropriate terms and conditions concerning closeout of the subaward.

Condition

The Immunization Branch of Public Health, the Chronic Disease Control Branch of Public Health, and EMSA did not communicate the universal identifier and system for award management

requirements to applicants in accordance with 2 CFR 25.200. Additionally, the unique entity identifier was not collected prior to awarding funds in accordance with 2 CFR 25.205. Further, the Immunization Branch of Public Health, the Chronic Disease Control Branch of Public Health, and EMSA did not communicate to its subrecipients the required federal award data elements upon making a subaward, including identifying the award as a subaward in accordance with 2 CFR 200.331.

Cause

The Immunization Branch of Public Health, the Chronic Disease Control Branch of Public Health, and EMSA were not aware of these pre-award and post-award requirements for pass-through entities, and had not established a process place to ensure the required information is communicated to subrecipients.

Effect

This may result in awarding funds to entities that have not registered with the SAM and in subrecipients not using and reporting subawards in accordance with federal statutes, regulations, and the terms and conditions of the federal award.

Questioned Costs

No questioned costs were identified.

Context

The identified deficiencies apply to all subrecipient expenditures for fiscal year 2015-16.

For the fiscal year ended June 30, 2016, the Immunization Branch of Public Health passed a total of \$25,577,085 through to subrecipients of Immunization Cooperative Agreements funding.

For the fiscal year ended June 30, 2016, the Chronic Disease Control Branch of Public Health passed a total of \$864,021 through to subrecipients of PHHS Block Grant funding.

For the fiscal year ended June 30, 2016, EMSA passed a total of \$450,273 through to subrecipients of PHHS Block Grant funding.

Recommendation

The Immunization Branch of Public Health, the Chronic Disease Control Branch of Public Health, and EMSA should review all federal statutes, regulations, and the terms and conditions of the federal award and determine whether or not policies and procedures exist and are operating effectively to ensure compliance with all requirements.

The Immunization Branch of Public Health, the Chronic Disease Control Branch of Public Health, and EMSA should develop and implement policies and procedures to ensure the required information is communicated to applicants in accordance with 2 CFR 25.200 and that the unique entity identifier is collected prior to making subawards in accordance with 2 CFR 25.205. Further, the Immunization Branch of Public Health, the Chronic Disease Control Branch of Public Health, and EMSA should obtain and maintain adequate documentation that the unique entity identifier has been obtained.

Additionally, the Immunization Branch of Public Health, the Chronic Disease Control Branch of Public Health, and EMSA should develop and implement policies and procedures, which provide for the timely and proper communication of all applicable subaward information in accordance with 2 CFR 200.331 and maintain records demonstrating that such communications occurred.

Views of Responsible Officials and Corrective Action Plan

Management’s response is reported in “Management’s Response and Corrective Action Plan” included in a separate section at the end of this report.

Reference Number:	2016-021
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	Department of Education (Education)
Federal Catalog Number:	93.575
Federal Program Title:	Child Care and Development Block Grant
Federal Award Numbers and Years:	G1601CACCDF; 2016 G1501CACCDF; 2015 G1401CACCDF; 2014 G1301CACCDF; 2013
Federal Catalog Number:	93.596
Federal Program Title:	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Federal Award Numbers and Years:	G1601CACCDF; 2016 G1501CACCDF; 2015 G1401CACCDF; 2014 G1301CACCDF; 2013

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management §200.303 Internal Controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring

Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter I - Office of Management and Budget Government wide Guidance for Grants and Agreements, Part 25 - Universal Identifier and System for Award Management, Subpart B - Policy, §25.200 Requirements for program announcements, regulations, and application instructions (2 CFR 25.200):

- (a) Each agency that awards types of Federal financial assistance included in the definition of “award” in §25.305 must include the requirements described in paragraph (b) of this section in each program announcement, regulation, or other issuance containing instructions for applicants that either:
 - (1) Is issued on or after the effective date of this part; or
 - (2) Has application or plan due dates after October 1, 2010.
- (b) The program announcement, regulation, or other issuance must require each entity that applies and does not have an exemption under §25.110 to:
 - (1) Be registered in the System for Award Management (SAM) prior to submitting an application or plan;
 - (2) Maintain an active SAM registration with current information at all times during which it has an active Federal award or an application or plan under consideration by an agency; and
 - (3) Provide its unique entity identifier in each application or plan it submits to the agency.
- (c) For purposes of this policy:
 - (1) The applicant is the entity that meets the agency's or program's eligibility criteria and has the legal authority to apply and to receive the award. For example, if a consortium applies for an award to be made to the consortium as the recipient, the consortium must have a unique entity identifier. If a consortium is eligible to receive funding under an agency program but the agency's policy is to make the award to a lead entity for the consortium, the unique entity identifier of the lead entity will be used.
 - (2) A “program announcement” is any paper or electronic issuance that an agency uses to announce a funding opportunity, whether it is called a “program announcement,” “notice of funding availability,” “broad agency announcement,” “research announcement,” “solicitation,” or some other term.
 - (3) To remain registered in the SAM database after the initial registration, the applicant is required to review and update on an annual basis from the date of initial registration or subsequent updates its information in the SAM database to ensure it is current, accurate and complete.

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter I - Office of Management and Budget Governmentwide Guidance for Grants and Agreements, Part 25 - Universal Identifier and System for Award Management, Subpart B - Policy, §25.205 Effect of noncompliance with a requirement to obtain a unique entity identifier or register in the SAM (2 CFR 25.205):

- (a) An agency may not make an award to an entity until the entity has complied with the requirements described in §25.200 to provide a valid unique entity identifier and maintain an active SAM registration with current information (other than any requirement that is not applicable because the entity is exempted under §25.110).

- (b) At the time an agency is ready to make an award, if the intended recipient has not complied with an applicable requirement to provide a unique entity identifier or maintain an active SAM registration with current information, the agency:
- (1) May determine that the applicant is not qualified to receive an award; and
 - (2) May use that determination as a basis for making an award to another applicant.

Condition

Education did not communicate the universal identifier and system for award management requirements to subaward applicants in accordance with 2 CFR 25.200. Additionally, Education did not collect the unique entity identifier prior to awarding funds in accordance with 2 CFR 25.205.

Cause

Education does not have a process in place to ensure the required information is communicated and collected, nor was Education aware of this pre-award requirement for pass-through entities.

Effect

Education is at risk for awarding federal funds to entities that have not properly registered with the SAM.

Questioned Costs

No questioned costs were identified.

Context

For the fiscal year ended June 30, 2016, disbursements to subrecipients of the Child Care and Development Block Grant (CFDA #93.575) funding totaled \$220,347,530 and to subrecipients of the Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA #93.596) funding totaled \$267,701,991.

Recommendation

Education should review all federal statutes, regulations, and the terms and conditions of the federal award and determine whether or not policies and procedures exist and are operating effectively to ensure compliance with all requirements.

Education should develop and implement policies and procedures over subawards that ensure the required information is communicated to applicants in accordance with 2 CFR 25.200 and that the unique entity identifier is collected prior to making subawards in accordance with 2 CFR 25.205. Further, Education should obtain and maintain adequate documentation that the unique entity identifier has been obtained.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2016-022
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	Department of Education (Education)
Federal Catalog Number:	93.575
Federal Program Title:	Child Care and Development Block Grant
Federal Catalog Number:	93.596
Federal Program Title:	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Federal Award Numbers and Years:	G1601CACCCDF; 2016 G1501CACCCDF; 2015 G1401CACCCDF; 2014 G1301CACCCDF; 2013

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management, §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Subrecipient Monitoring and Management, §200.331 Requirements for pass-through entities (2 CFR 200.331):

All pass-through entities must:

- (b) Evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:
 - (1) The subrecipient’s prior experience with the same or similar subawards;
 - (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F – Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;

- (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
- (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Condition

The Child Care and Development Block Grant and Child Care Mandatory and Matching Funds of the Child Care and Development Fund are subject to the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Education did not evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

Cause

Education did not develop policies and procedures for evaluating each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward in a timely manner such that it could be implemented during the fiscal year ended June 30, 2016.

Effect

The monitoring performed during the fiscal year ended June 30, 2016, did not ensure that sufficient and effective monitoring occurred for those subrecipients most at risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

Questioned Costs

No questioned costs were identified.

Context

Disbursements for the fiscal year ended June 30, 2016 to subrecipients of the Child Care and Development Block Grant and Child Care Mandatory and Matching Funds of the Child Care and Development Fund totaled \$220,347,530 and \$267,701,991, respectively.

Recommendation

Education should review all federal statutes, regulations, and the terms and conditions of the federal award and determine whether or not policies and procedures exist and are operating effectively to ensure compliance with all requirements.

Additionally, Education should develop and document a formal risk assessment process for evaluating each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward and perform monitoring commensurate with the assessed risk.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2016-023
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	Department of Social Services (Social Services)
Federal Program Title:	Foster Care_Title IV-E
Federal Catalog Number:	93.658
Federal Award Numbers and Years:	1501CAFOST; 2015 1601CAFOST; 2016
Federal Program Title:	Adoption Assistance
Federal Catalog Number:	93.659
Federal Award Numbers and Years:	1501CAADPT; 2015 1601CAADPT; 2016
Federal Program Title:	Social Services Block Grant
Federal Catalog Number:	93.667
Federal Award Number and Year:	1501CASOSR; 2015

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements §200.331 Requirements for pass-through entities (2 CFR 200.331):

All pass-through entities must:

- (b) Evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient

monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

- (1) The subrecipient's prior experience with the same or similar subawards;
- (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F – Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
- (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
- (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Condition

We noted that although Social Services monitors its subrecipients on the basis of using some risk factors, primarily based on reviews of the subrecipients independent single audits, Social Services has not yet developed and documented a formal risk assessment process for its subrecipients by which to determine the frequency and extent of subrecipient monitoring activities to be performed. Some of the risk factors that Social Services currently utilizes related to information contained in the subrecipients independent single audits are (1) whether the subrecipient was designated as a “high risk” auditee pursuant to the Uniform Guidance, (2) existence of questioned costs with findings, and (3) a large number of findings across several of the compliance requirements.

Cause

Social Services did not formally develop policies and procedures for evaluating each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward in a timely manner such that it could be implemented during the fiscal year ended June 30, 2016.

Effect

In the absence of a formally documented risk assessment process for determining appropriate monitoring procedures, sufficient and effective monitoring may not occur for those subrecipients most at risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

Questioned Costs

No questioned costs were identified.

Context

Disbursements to subrecipients for the Foster Care Title IV-E, Adoption Assistance, and Social Services Block Grant programs for the fiscal year ended June 30, 2016 totaled \$1.2 billion, \$465.8 million, and \$297.6 million, respectively.

Recommendation

Social Services should develop and document a formal process for performing risk assessments over its subrecipients in order to determine the frequency and extent of monitoring activities to be performed that is commensurate with the identified risks for each subrecipient.

Views of Responsible Officials and Corrective Action Plan

Management’s response is reported in “Management’s Response and Corrective Action Plan” included in a separate section at the end of this report.

Reference Number:	2016-024
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Health Care Services (Health Care Services)
Federal Catalog Number:	93.767
Federal Program Title:	Children’s Health Insurance Program
Federal Award Numbers and Years:	05-1605CA5021; 2016 05-1505CA1081; 2015
Federal Catalog Number:	93.778
Federal Program Title:	Medical Assistance Program
Federal Award Numbers and Years:	05-1605CA5ADM; 2016 05-1605CA5MAP; 2016

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management, §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements, Subtitle A – Office of Management and Budget Guidance for Grants and Agreements, Chapter II – Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Subrecipient Monitoring and Management, §200.331 Requirements for pass-through entities (2 CFR 200.331):

All pass-through entities must:

- (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

Welfare and Institutions Code - WIC, Division 9. Public Social Services, Part 3. Aid and Medical Assistance, Chapter 8.9. Transition of Community-Based Medi-Cal Mental Health, §14705:

- (c) With regard to county operated facilities, clinics, or programs for which claims are submitted to the department for Medi-Cal reimbursement for specialty mental health services to Medi-Cal eligible individuals, the county shall ensure that all requirements necessary for Medi-Cal reimbursement for these services are complied with, including, but not limited to, utilization review and the submission of year end cost reports by December 31 following the close of the fiscal year.

Welfare and Institutions Code - WIC, Division 9. Public Social Services, Part 3. Aid and Medical Assistance, Chapter 8.9. Transition of Community-Based Medi-Cal Mental Health, §14712:

- (e) Whenever the department determines that a mental health plan has failed to comply with this chapter or any regulations, contractual requirements, state plan, or waivers adopted pursuant to this chapter, the department shall notify the mental health plan in writing within 30 days of its determination and may impose sanctions, including, but not limited to, fines, penalties, the withholding of payments, special requirements, probationary or corrective actions, or any other actions deemed necessary to promptly ensure contract and performance compliance.

Condition

Nine of 56 subrecipients of Short-Doyle funding were tested and two did not submit their cost reports timely. One of these two subrecipients had not submitted its cost reports for fiscal years 2013-14 and 2014-15 and the other subrecipient had not submitted its cost reports for fiscal year 2014-15.

The Mental Health Division of Health Care Services did not take the required action of notifying the two subrecipients in writing within 30 days of the noncompliance. It was only through our audit requests that the Mental Health Division detected that these two subrecipients had not submitted the required cost reports. Additionally, it was observed that even when cost reports are submitted timely, the Mental Health Division will often not review them for up to two years after submission.

The cost reports are the basis for the allocation of payments made to subrecipients providing mental health services to eligible beneficiaries and serve to provide the Mental Health Division with fiscal oversight for subrecipient monitoring purposes. The Welfare and Institutions Code states that the cost report is due by December 31 following the close of the fiscal year. The Mental Health Division updates the cost report template annually prior to its release to subrecipients for use in reporting.

The fiscal year 2013-14 cost reports were due on December 31, 2014. However, the template was not finalized and approved for subrecipient use until May 2015 with an extended due date of October 2015. Therefore, the Mental Health Division should have issued a written notice of

noncompliance for late reports by November 30, 2015. The fiscal year 2014-15 cost reports were due on December 31, 2015. The Mental Health Division should have issued a written notice of noncompliance for late reports by January 31, 2016.

Cause

The Mental Health Division did not perform the required follow-up action for late cost reports because they are not tracking cost report submission.

Effect

Delays in releasing the cost report template and delays in reviewing the submitted cost reports do not comply with the objective of timely and effective subrecipient monitoring. Inaccurate or untimely cost reports could result in under/over funding each subrecipient and increases the risk of statewide noncompliance with award requirements.

Questioned Costs

No questioned costs were identified.

Context

For the fiscal year ended June 30, 2016, disbursements of Short-Doyle funding from the Medical Assistance Program to the two noncompliant subrecipients totaled \$600,686,955, the nine tested subrecipients totaled \$735,001,087, and all 56 subrecipients totaled \$1,786,580,218. For the fiscal year ended June 30, 2016, disbursements of Short-Doyle funding from the Children's Health Insurance Program to the two noncompliant subrecipients totaled \$42,255,184, the nine tested subrecipients totaled \$52,506,388, and all 56 subrecipients totaled \$125,758,201. The sample was not a statistical sample.

Recommendation

The Mental Health Division should develop and follow policies and procedures to track the submission of the annual cost reports. These policies and procedures should include a component to comply with the required follow-up actions for late cost reports. Additionally, the Mental Health Division should strengthen and follow policies and procedures for reviewing the cost reports in order to accomplish the objective of timely and effective subrecipient monitoring. Further, the Mental Health Division should retain evidence that their policies and procedures are operating as designed.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2016-025
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Health Care Services (Health Care Services)
Federal Catalog Number:	93.767
Federal Program Title:	Children’s Health Insurance Program
Federal Award Numbers and Years:	05-1605CA5021; 2016 05-1505CA1081; 2015
Federal Catalog Number:	93.778
Federal Program Title:	Medical Assistance Program
Federal Award Numbers and Years:	05-1605CA5ADM; 2016 05-1605CA5MAP; 2016

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management, §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements, Subtitle A – Office of Management and Budget Guidance for Grants and Agreements, Chapter II – Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Subrecipient Monitoring and Management, §200.330 Subrecipient and contractor determinations (2 CFR 200.330):

The non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities. Therefore, a pass-through entity must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. The Federal awarding agency may supply and require recipients to comply with additional guidance to support these determinations provided such guidance does not conflict with this section.

Condition

Health Care Services could not provide evidence that the required subrecipient versus contractor determinations were performed for the Children's Health Insurance Program and Medical Assistance Program.

Cause

Health Care Services does not have policies and procedures in place to perform and document the required determinations.

Effect

Subawards are made using a standard contract agreement. The language in the agreement does not clearly indicate whether it casts the receiving entity as a subrecipient or as a vendor. Given that there is similar language used throughout the agreements with local agencies, there is not a clear definition, nor is there an established and documented assessment of subrecipient versus vendor that clearly defines the nature of the party receiving the federal funds as a contractor or a subrecipient. This ambiguity in the nature of the funding that is being passed through to third parties, including whether it casts the receiving entity as a subrecipient or a vendor, limits the pass-through entity's ability to properly monitor the activities of the receiving entity to ensure that subrecipients are in compliance with federal administrative requirements. Further, it does not provide sufficient information for the recipient to properly record and report the activity as either a subaward of federal awards or as a vendor. Additionally, extraordinary time and effort was needed by Health Care Services to determine and support the amount to be reported as disbursements to subrecipients in the schedule of expenditures of federal awards.

Questioned Costs

No questioned costs were identified.

Context

For the fiscal year ended June 30, 2016, amounts disbursed to subrecipients of the Medical Assistance Program totaled \$3,562,495,312 and to subrecipients of the Children's Health Insurance Program totaled \$139,281,229.

Recommendation

Health Care Services should develop and follow policies and procedures to perform and document the required subrecipient and contractor determinations as well as revise standard contract language to clearly indicate whether it casts the receiving entity as a subrecipient or a vendor.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2016-026
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Health Care Services (Health Care Services)
Federal Catalog Number:	93.767
Federal Program Title:	Children’s Health Insurance Program
Federal Award Numbers and Years:	05-1605CA5021; 2016 05-1505CA1081; 2015
Federal Catalog Number:	93.778
Federal Program Title:	Medical Assistance Program
Federal Award Numbers and Years:	05-1605CA5ADM; 2016 05-1605CA5MAP; 2016

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management, §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Subrecipient Monitoring and Management, §200.331 Requirements for pass-through entities (2 CFR 200.331):

All pass-through entities must:

- (b) Evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:
 - (1) The subrecipient’s prior experience with the same or similar subawards;

- (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F – Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
- (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
- (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Condition

The Children’s Health Insurance Program and Medical Assistance Program are subject to the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Health Care Services did not evaluate each subrecipient’s risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

Cause

Health Care Services did not develop policies and procedures for evaluating each subrecipient’s risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward in a timely manner over the Children’s Health Insurance Program and the Medical Assistance Program such that they could be implemented during the fiscal year ended June 30, 2016.

Effect

The monitoring performed during the fiscal year ended June 30, 2016, did not ensure that sufficient and effective monitoring occurred for those subrecipients most at risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

Questioned Costs

No questioned costs were identified.

Context

Disbursements for the fiscal year ended June 30, 2016 to the Children’s Health Insurance Program and the Medical Assistance Program subrecipients totaled \$139,281,229 and \$3,562,495,312, respectively.

Recommendation

Health Care Services should review all federal statutes, regulations, and the terms and conditions of the federal award and determine whether or not policies and procedures exist and are operating effectively to ensure compliance with all requirements.

Additionally, Health Care Services should develop policies and procedures to evaluate each subrecipient’s risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward and perform monitoring according to the assessed risk. Further, Health Care Services should retain evidence that the policies and procedures are operating as designed.

Views of Responsible Officials and Corrective Action Plan

Management’s response is reported in “Management’s Response and Corrective Action Plan” included in a separate section at the end of this report.

Reference Number: 2016-027
 Category of Finding: Subrecipient Monitoring
 Type of Finding: Material Weakness and Material Instance of Noncompliance

State Administering Department: California Department of Health Care Services (Health Care Services)

Federal Catalog Number: 93.767
 Federal Program Title: Children’s Health Insurance Program
 Federal Award Numbers and Years: 05-1605CA5021; 2016
 05-1505CA1081; 2015

Federal Catalog Number: 93.778
 Federal Program Title: Medical Assistance Program
 Federal Award Numbers and Years: 05-1605CA5ADM; 2016
 05-1605CA5MAP; 2016

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management, §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter I - Office of Management and Budget Governmentwide Guidance for Grants and Agreements, Part 25 - Universal Identifier and System for Award Management, Subpart B - Policy, §25.200 Requirements for program announcements, regulations, and application instructions (2 CFR 25.200):

- (a) Each agency that awards types of Federal financial assistance included in the definition of “award” in §25.305 must include the requirements described in paragraph (b) of this section in each program announcement, regulation, or other issuance containing instructions for applicants that either:
 - (1) Is issued on or after the effective date of this part; or
 - (2) Has application or plan due dates after October 1, 2010.
- (b) The program announcement, regulation, or other issuance must require each entity that applies and does not have an exemption under §25.110 to:

- (1) Be registered in the System for Award Management (SAM) prior to submitting an application or plan;
 - (2) Maintain an active SAM registration with current information at all times during which it has an active Federal award or an application or plan under consideration by an agency; and
 - (3) Provide its unique entity identifier in each application or plan it submits to the agency.
- (c) For purposes of this policy:
- (1) The applicant is the entity that meets the agency's or program's eligibility criteria and has the legal authority to apply and to receive the award. For example, if a consortium applies for an award to be made to the consortium as the recipient, the consortium must have a unique entity identifier. If a consortium is eligible to receive funding under an agency program but the agency's policy is to make the award to a lead entity for the consortium, the unique entity identifier of the lead entity will be used.
 - (2) A "program announcement" is any paper or electronic issuance that an agency uses to announce a funding opportunity, whether it is called a "program announcement," "notice of funding availability," "broad agency announcement," "research announcement," "solicitation," or some other term.
 - (3) To remain registered in the SAM database after the initial registration, the applicant is required to review and update on an annual basis from the date of initial registration or subsequent updates its information in the SAM database to ensure it is current, accurate and complete.

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter I - Office of Management and Budget Governmentwide Guidance for Grants and Agreements, Part 25 - Universal Identifier and System for Award Management, Subpart B - Policy, §25.205 Effect of noncompliance with a requirement to obtain a unique entity identifier or register in the SAM (2 CFR 25.205):

- (a) An agency may not make an award to an entity until the entity has complied with the requirements described in §25.200 to provide a valid unique entity identifier and maintain an active SAM registration with current information (other than any requirement that is not applicable because the entity is exempted under §25.110).
- (b) At the time an agency is ready to make an award, if the intended recipient has not complied with an applicable requirement to provide a unique entity identifier or maintain an active SAM registration with current information, the agency:
 - (1) May determine that the applicant is not qualified to receive an award; and
 - (2) May use that determination as a basis for making an award to another applicant.

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Subrecipient Monitoring and Management, §200.331 Requirements for pass-through entities (2 CFR 200.331):

All pass-through entities must:

- (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is

not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

- (1) Federal Award Identification.
 - (i) Subrecipient name (which must match the name associated with its unique entity identifier);
 - (ii) Subrecipient's unique entity identifier;
 - (iii) Federal Award Identification Number (FAIN);
 - (iv) Federal Award Date (see §200.39 Federal award date) of award to the recipient by the Federal agency;
 - (v) Subaward Period of Performance Start and End Date;
 - (vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
 - (vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;
 - (viii) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
 - (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
 - (x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
 - (xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
 - (xii) Identification of whether the award is R&D; and
 - (xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs).
- (2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;
- (3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
- (4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f);
- (5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and
- (6) Appropriate terms and conditions concerning closeout of the subaward.

Condition

The Mental Health Division of Health Care Services did not communicate the universal identifier and system for award management requirements to applicants of Short-Doyle funding in accordance with 2 CFR 25.200. Additionally, the Mental Health Division did not collect the unique entity identifier prior to awarding funds in accordance with 2 CFR 25.205. Further, the Mental Health Division did not communicate to its subrecipients the required federal award data

elements upon making a subaward, including identifying the award as a subaward in accordance with 2 CFR 200.331.

Cause

The Mental Health Division does not have a process in place to ensure the required information is communicated to subrecipients, nor was the Mental Health Division aware of these pre-award and post-award requirements for pass-through entities.

Effect

This may result in awarding Short-Doyle funds to entities that have not registered with the SAM and in subrecipients not using and reporting subawards in accordance with federal statutes, regulations, and the terms and conditions of the federal award.

Questioned Costs

Questioned costs could not be determined.

Context

For the fiscal year ended June 30, 2016, payments to subrecipients of Short-Doyle funding under the Children's Health Insurance Program totaled \$125,758,201 and for the Medical Assistance Program totaled \$1,786,580,218.

Recommendation

The Mental Health Division should review all federal statutes, regulations, and the terms and conditions of the federal award and determine whether or not policies and procedures exist and are operating effectively to ensure compliance with all requirements.

The Mental Health Division should develop and implement policies and procedures over Short-Doyle funding that ensure the required information is communicated to applicants in accordance with 2 CFR 25.200 and that the unique entity identifier is collected prior to making subawards in accordance with 2 CFR 25.205. Further, the Mental Health Division should obtain and maintain adequate documentation that the unique entity identifier has been obtained.

Additionally, the Mental Health Division should develop and implement policies and procedures, which provide for the timely and proper communication of all applicable subaward information in accordance with 2 CFR 200.331 and maintain records demonstrating that such communications occurred.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2016-028
Category of Finding:	Reporting
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	93.069
Federal Program Title:	Public Health Emergency Preparedness
Federal Award Number and Year:	5U90TP000506-04; 2015
Federal Catalog Number:	93.889
Federal Program Title:	National Bioterrorism Hospital Preparedness Program
Federal Award Number and Year:	5U90TP000506-04; 2015

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management §200.302 Financial management (2 CFR 200.302):

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §200.327 Financial reporting and §200.328 monitoring and reporting program performance.

Condition

The Emergency Preparedness Office (EPO) of Public Health combined the federal expenditures for the Public Health Emergency Preparedness and the National Bioterrorism Hospital Preparedness Program and reported the amount as a single award in the Federal Financial Report

(FFR). Instructions for the FFR clearly state that reporting multiple awards on the same FFR requires additional forms in order to properly identify the awards.

Cause

The Centers for Disease Control and Prevention (CDC) as the granting agency combines the communication for these federal awards, which has created confusion in proper reporting by individual federal catalog numbers. The award letter states that audits should report the activity under the two separate federal catalog numbers, but for all other referencing, the activity is referred to by the single federal catalog number.

Effect

Improper reporting does not allow the granting agency the ability to monitor the required reporting data elements, such as federal expenditures, recipient share of expenditures, and unobligated balance for each individual grant.

Questioned Costs

Questioned costs were not identified.

Context

EPO is required to submit the Federal Financial Report on an annual basis.

Recommendation

The Emergency Preparedness Office should review the report filing instructions and revise policies and procedures in order to ensure that reporting is complete and accurate. Additionally, EPO should submit corrected reports to the granting agency.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2016-029
Category of Finding:	Special Test and Provisions - Provider Health and Safety Standards
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	93.777
Federal Program Title:	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
Federal Award Number and Year:	05-1505-CA-5000; 2015

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards For Financial and Program Management, §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 42 - Public Health, Chapter IV - Centers for Medicare & Medicaid Services, Department of Health and Human Services (Continued), Subchapter C - Medical Assistance Programs, Part 442 - Standards for Payment to Nursing Facilities and Intermediate Care Facilities for Individuals with Intellectual Disabilities, Subpart C – Certification of ICFs/IID, §442.109 Certification period for ICF/IIDs: General provisions (42 CFR 442.109):

- (a) A survey agency may certify a facility that fully meets applicable requirements. The State Survey Agency must conduct a survey of each ICF/IID not later than 15 months after the last day of the previous survey.
- (b) The statewide average interval between surveys must be 12 months or less, computed in accordance with paragraph (c) of this section.
- (c) The statewide average interval is computed at the end of each Federal fiscal year by comparing the last day of the most recent survey for each participating facility to the last day of each facility's previous survey.

U.S. Department of Health and Human Services (HHS) Centers for Medicare and Medicaid Services (CMS), Survey and Certification Group, Quality Assurance for the Medicare & Medicaid Programs, FY2015 Mission and Priority Document (MPD):

D. Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID). States have a statutory obligation to conduct annual surveys of ICFs/IID. These facilities must be surveyed, on average, every 12.9 months with a maximum 15.9 month survey interval (please see S&C: 12-29-ALL).

Condition

For one of 40 ICFs/IID providers tested, the annual survey was not performed in accordance with the required interval. The sample was not a statistical sample.

Cause

This condition was a result of Public Health's Center for Health Care Quality (the Center) not having sufficient resources.

Effect

CMS tracks each participating state's outcomes based on the state's submission into a tracking database. If a state has not met the target number of certifications, the state's subsequent year's allocation is adjusted (reduced) to compensate for those certifications not performed. As a result of CMS' review of outcomes in California, the State of California's subsequent grant award was reduced by \$316,800.

Questioned Costs

No questioned costs were identified.

Context

Expenditures of State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare funds for the fiscal year ended June 30, 2016, totaled \$44,586,801.

Recommendation

The Center should evaluate and improve monitoring and tracking of mandatory workload to ensure that certification surveys are performed timely. Then, if necessary, evaluate existing resources and reallocate or seek to obtain additional resources in order to improve the administration of federal awards to ensure compliance with federal statutes, regulations, and the terms and conditions.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2016-030
Category of Finding:	Special Tests and Provisions – ADP Risk Analysis and System Security Review
Type of Finding:	Material Weakness
State Administering Department:	California Department of Health Care Services (Health Care Services)
Federal Catalog Number:	93.778
Federal Program Title:	Medical Assistance Program
Federal Award Numbers and Years:	05-1605CA5ADM; 2016 05-1605CA5MAP; 2016

Criteria

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management, §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 45 - Public Welfare, Subtitle A - Department of Health and Human Services, Subchapter A - General Administration, Part 95 - General Administration - Grant Programs (Public Assistance, Medical Assistance and State Children’s Health Insurance Programs), Subpart F - Automatic Data Processing Equipment and Services - Conditions for Federal Financial Participation (FFP), Specific Conditions for FFP, §95.621 ADP reviews (45 CFR 95.621):

The Department will conduct periodic onsite surveys and reviews of State and local agency ADP methods and practices to determine the adequacy of such methods and practices and to assure that ADP equipment and services are utilized for the purposes consistent with proper and efficient administration under the Act. Where practical, the Department will develop a mutually acceptable schedule between the Department and State or local agencies prior to conducting such surveys or reviews, which may include but are not limited to:

- (f) ADP System Security Requirements and Review Process:
 - (3) ADP System Security Reviews. State agencies shall review the ADP system security of installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices.

Condition

The California Medicaid Management Information System (CAMMIS) Division of Health Care Services is responsible for appropriate, cost effective safeguards over the information systems used in the administration of the Medical Assistance Program (California Medicaid Management Information System or CA-MMIS). The CAMMIS Division uses a service organization/fiscal intermediary (Xerox Business Services division of Xerox spun off into wholly separate corporation, Conduent, in January 2017) to perform many fiscal components of the administration of the program. The CAMMIS Division obtained a Statement on Standards for Attestation Engagements (AT) Section 801, Reporting on Controls at a Service Organization (SOC 1 type 2) report for the period July 1, 2015 to June 30, 2016 from Conduent on the Suitability of the Design and Operating Effectiveness of Controls. There were a number of exceptions in that report, three of which were significant enough to warrant a modified opinion on controls.

Cause

The three significant exceptions were that Xerox did not have (1) adequate controls that restrict access to promote changes to the production environment to authorized personnel, (2) an adequate process to terminate employees' access to the network and applications upon notification, and (3) adequate controls that restrict access to Automatic Transaction Generators (ATGs) to authorized personnel, nor an adequate process to approve ATGs prior to implementation.

Effect

As a result, there is an increased risk of unauthorized access to CA-MMIS creating a risk that unauthorized modifications could be made to the production environment and/or the information within it. Based on these results, no reliance was placed on the ADP Risk Analysis and System Security Reviews for testing compliance with Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility for Individuals.

Questioned Costs

No questioned costs were identified.

Context

For the fiscal year ended June 30, 2016, total fee-for-service federal expenditures processed by Xerox operations totaled \$24,126,186,171.

Recommendation

The CAMMIS Division should ensure that the corrective actions noted in the SOC 1 type 2 report are implemented by Conduent in a timely manner.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Auditee's Section

**Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016**

STATE OF CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

California State Auditor Report 2016-002
 March 2017

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of Agriculture				
Agricultural Research_Basic and Applied Research	10.001		\$ 14,497	\$ -
Plant and Animal Disease, Pest Control, and Animal Care	10.025		65,495,613	23,097,171
Market Protection and Promotion	10.163		3,300,205	-
Specialty Crop Block Grant Program - Farm Bill	10.170		19,760,719	16,549,030
Organic Certification Cost Share Programs	10.171		1,653,531	-
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475		253,146	-
Meat, Poultry, and Egg Products Inspection	10.477		53,042	9,382
Food Safety Cooperative Agreements	10.479		47,820	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		973,966,647	263,404,893
Child and Adult Care Food Program	10.558		448,683,696	445,581,308
State Administrative Expenses for Child Nutrition	10.560		36,144,880	-
WIC Farmers' Market Nutrition Program (FMNP)	10.572		1,858,718	198,513
Team Nutrition Grants	10.574		306,000	306,000
Senior Farmers Market Nutrition Program	10.576		678,743	-
Child Nutrition Discretionary Grants Limited Availability	10.579		2,567,563	2,567,563
Fresh Fruit and Vegetable Program	10.582		10,996,302	10,891,778
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	10.596		44,641	39,805
Technical Assistance for Specialty Crops Program	10.604		-	-
<i>Pass-Through from California Citrus Mutual</i>	10.604	95-3139901	39,880	-
Cooperative Forestry Assistance	10.664		3,829,298	1,193,825
Urban and Community Forestry Program	10.675		844,687	647,628
Forest Legacy Program	10.676		7,040,568	15,311
Forest Stewardship Program	10.678		379,152	246,750
Forest Health Protection	10.680		551,816	271,356
National Fish and Wildlife Foundation	10.683		37,013	34,522
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688		183	-
Watershed Restoration and Enhancement Agreement Authority	10.693		22,987	-
Long-Term Standing Agreements for Storage, Transportation and Lease	10.999		541,175	-
Total Excluding Clusters			1,579,112,522	765,054,835
SNAP Cluster				
Supplemental Nutrition Assistance Program (SNAP)	10.551		7,334,952,144	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		927,970,607	766,788,060
Total SNAP Cluster			8,262,922,751	766,788,060
Child Nutrition Cluster				
School Breakfast Program (SBP)	10.553		501,243,352	501,243,352
<i>National School Lunch Program (Noncash)</i>	10.555		170,612,102	-
National School Lunch Program (NSLP)	10.555		1,481,433,095	1,481,433,095
Special Milk Program for Children (SMP)	10.556		334,330	334,330
Summer Food Service Program for Children (SFSPC)	10.559		25,373,195	24,477,096
Total Child Nutrition Cluster			2,178,996,074	2,007,487,873
Forest Service Schools and Roads Cluster				
Schools and Roads - Grants to States	10.665		31,808,885	31,787,328
Total Forest Service Schools and Roads Cluster			31,808,885	31,787,328
Research and Development Cluster				
Specialty Crop Block Grant Program - Farm Bill	10.170		7,938,254	-
Total Research and Development Cluster			7,938,254	-
Food Distribution Cluster				
Commodity Supplemental Food Program	10.565		7,757,248	7,669,176
<i>Commodity Supplemental Food Program (Noncash)</i>	10.565		18,425,507	-
Emergency Food Assistance Program (Administrative Costs)	10.568		11,597,769	10,997,149
<i>Emergency Food Assistance Program (Food Commodities - Noncash)</i>	10.569		75,827,269	-
Total Food Distribution Cluster			113,607,793	18,666,325
Total U.S. Department of Agriculture			12,174,386,279	3,589,784,421

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of Commerce				
Economic Development_Technical Assistance	11.303		65,291	-
Interjurisdictional Fisheries Act of 1986	11.407		143,819	749
Coastal Zone Management Administration Awards	11.419		2,386,347	-
Coastal Zone Management Estuarine Research Reserves	11.420		970,548	615,314
Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438		18,199,156	16,709,451
Unallied Management Projects	11.454		910,157	-
Habitat Conservation	11.463		283,018	131,793
Meteorologic and Hydrologic Modernization Development	11.467		524,447	-
State and Local Implementation Grant Program	11.549		810,656	-
ARRA - State Broadband Data and Development Grant Program	11.558		(80,661)	-
Other - U.S. Department of Commerce/Marine Debris Program	11.999		124,174	-
Total Excluding Clusters			24,336,952	17,457,307
Research and Development Cluster				
Unallied Science Program	11.472		311,818	-
Total Research and Development Cluster			311,818	-
Total U.S. Department of Commerce			24,648,770	17,457,307
U.S. Department of Defense				
Planning Assistance to States	12.110		(52,347)	-
Payments to States in Lieu of Real Estate Taxes	12.112		183,531	183,531
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		11,457,606	-
Basic and Applied Scientific Research	12.300		36,169	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401		87,236,872	-
National Guard ChalLNGe Program	12.404		16,974,058	-
Economic Adjustment Assistance for State Governments	12.617		292,088	237,855
Air Force Defense Research Sciences Program	12.800		24,435	-
Other - U.S. Department of Defense	12.999		1,738,419	2,411
Total U.S. Department of Defense			117,890,831	423,797
U.S. Department of Housing and Urban Development				
Manufactured Home Dispute Resolution	14.171		170,315	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		82,087,999	39,321,718
Emergency Solution Grant Program	14.231		9,121,789	8,362,495
Home Investment Partnerships Program	14.239		200,982,785	26,455,844
Housing Opportunities for Persons with AIDS	14.241		3,396,624	3,295,250
Equal Opportunity in Housing	14.400		1,955,731	-
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900		507,677	424,267
Total U.S. Department of Housing and Urban Development			298,222,920	77,859,574
U.S. Department of the Interior				
Cultural and Paleontological Resources Management	15.224		5,610	-
Fish, Wildlife and Plant Conservation Resource Management	15.231		3,141,645	3,083,852
Southern Nevada Public Land Management	15.235		227,619	-
Federal Oil and Gas Royalty Management State and Tribal Coordination	15.427		886,236	-
Geothermal Resources	15.434		4,032,803	4,032,803
Minerals Leasing Act	15.437		39,020,066	39,020,066
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508		333,612	-
Central Valley Project Improvement Act, Title XXXIV	15.512		6,201,757	743
Fish and Wildlife Coordination Act	15.517		332,358	14,758
Recreation Resources Management	15.524		2,485,787	-

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Lake Tahoe Regional Wetlands Development	15.543		216,444	-
<i>Lake Tahoe Regional Wetlands Development (Noncash)</i>	15.543		105,000	-
Total Lake Tahoe Regional Wetlands Development			<u>321,444</u>	<u>-</u>
San Joaquin River Restoration	15.555		315,544	-
Fish and Wildlife Management Assistance	15.608		21,480	-
Coastal Wetlands Planning, Protection and Restoration	15.614		4,164,730	3,018,856
Cooperative Endangered Species Conservation Fund	15.615		17,012,167	16,409,113
Clean Vessel Act	15.616		341,079	317,942
Sportfishing and Boating Safety Act	15.622		94,648	94,648
North American Wetlands Conservation Fund	15.623		356,745	292,390
Enhanced Hunter Education and Safety	15.626		205,409	-
Coastal	15.630		25,829	-
Landowner Incentive	15.633		40,176	40,145
State Wildlife Grants	15.634		1,641,687	618,094
Central Valley Improvement (CVI) Anadromous Fish Restoration (AFRP)	15.648		402,568	-
Research Grants (Generic)	15.650		1,003	-
Endangered Species Conservation - Recovery Implementation Funds	15.657		11,632	-
Coastal Impact Assistance	15.668		1,504,230	-
Cooperative Landscape Conservation	15.669		34,146	19,234
Earthquake Hazards Program Assistance	15.807		70,610	-
U.S. Geological Survey_ Research and Data Collection	15.808		42,156	-
National Cooperative Geologic Mapping	15.810		168,432	-
National Geological and Geophysical Data Preservation	15.814		2,553	-
Historic Preservation Fund Grants-In-Aid	15.904		1,175,470	161,094
Outdoor Recreation_Acquisition, Development and Planning	15.916		2,873,457	2,252,618
National Maritime Heritage Grants	15.925		6,722	-
ARRA - Redwood National Park Cooperative Management with the State of California	15.937		50,046	-
Natural Resource Stewardship	15.944		(6,624)	-
National Park Service Conservation, Protection, Outreach, and Education	15.954		29,500	-
Other - U.S. Department of the Interior	15.999		3,888,494	22,996
Total Excluding Clusters			<u>91,462,826</u>	<u>69,399,352</u>
Fish and Wildlife Cluster				
Sport Fish Restoration Program	15.605		18,704,386	1,453,186
Wildlife Restoration and Basic Hunter Education	15.611		25,070,586	989,089
Total Fish and Wildlife Cluster			<u>43,774,972</u>	<u>2,442,275</u>
Research and Development Cluster				
San Luis Unit, Central Valley Project	15.527		51,422	-
San Joaquin River Restoration Program	15.555		325,014	-
Sport Fish Restoration Program	15.605		8,499,523	-
Wildlife Restoration and Basic Hunter Education	15.611		3,486,944	-
Cooperative Endangered Species Conservation Fund	15.615		1,988,548	-
State Wildlife Grants	15.634		556,659	-
Central Valley Project Improvement (CVPI) Anadromous Fish Restoration Program (AFRP)	15.648		2,526	-
Recovery Act Funds - Habitat Enhancement, Restoration and Improvement.	15.656		23,853	-
Total Research and Development Cluster			<u>14,934,489</u>	<u>-</u>
Total U.S. Department of the Interior			<u>150,172,287</u>	<u>71,841,627</u>
U.S. Department of Justice				
Law Enforcement Assistance_Narcotics and Dangerous Drugs_Laboratory Analysis	16.001		231,259	-
Sexual Assault Services Formula Program	16.017		833,246	833,246
Juvenile Accountability Block Grants	16.523		2,099,607	2,099,607
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540		1,748,143	1,350,294
National Criminal History Improvement Program (NCHIP)	16.554		496,139	-
Crime Victim Assistance	16.575		63,661,750	61,066,203
Crime Victim Compensation	16.576		23,886,231	-
Crime Victim Assistance/Discretionary Grants	16.582		103,449	-

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Drug Court Discretionary Grant Program	16.585		126,825	107,475
Violence Against Women Formula Grants	16.588		13,612,015	12,493,965
Residential Substance Abuse Treatment for State Prisoners	16.593		862,218	764,775
State Criminal Alien Assistance Program	16.606		44,192,049	-
Project Safe Neighborhoods	16.609		70,907	56,641
Regional Information Sharing Systems	16.610		-	-
<i>Pass-Through from Western States Information Network</i>		2014-RS-CX-0007, 2015-RS-CX-0002	1,331,079	-
Public Safety Partnership and Community Policing Grants	16.710		906,563	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		9,371,252	8,900,953
DNA Backlog Reduction Program	16.741		3,600,393	106,952
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		764,667	694,620
Support for Adam Walsh Act Implementation Grant Program	16.750		196,284	-
Edward Byrne Memorial Competitive Grant Program	16.751		873,740	-
Harold Rogers Prescription Drug Monitoring Program	16.754		142,196	-
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803		(46,778)	(46,778)
Second Chance Act Prisoner Reentry Initiative	16.812		217,842	-
John R. Justice Prosecutors and Defenders Incentive Act	16.816		56,280	56,280
Postconviction Testing of DNA Evidence to Exonerate the Innocent	16.820		793,332	753,310
Vision 21	16.826		95,425	-
Equitable Sharing Program	16.922		1,148,426	-
Other - Department of Justice	16.999		631,281	-
Total U.S. Department of Justice			172,005,820	89,237,543
U.S. Department of Labor				
Labor Force Statistics	17.002		6,804,457	-
Compensation and Working Conditions	17.005		604,241	-
Unemployment Insurance	17.225		5,871,621,314	-
Senior Community Service Employment Program	17.235		7,093,083	6,619,254
Trade Adjustment Assistance	17.245		9,065,568	-
Work Opportunity Tax Credit Program (WOTC)	17.271		2,316,907	-
Temporary Labor Certification for Foreign Workers	17.273		1,295,937	250,000
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277		21,995,510	20,880,494
WIA/WIOA Dislocated Worker National Reserve Demonstration Grants	17.280		208,765	188,093
WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training	17.281		556,621	-
Occupational Safety and Health_State Program	17.503		27,858,518	-
Consultation Agreements	17.504		6,214,472	-
Mine Health and Safety Grants	17.600		290,215	-
Total Excluding Clusters			5,955,925,608	27,937,841
Employment Service Cluster				
Employment Service/Wagner-Peyser Funded Activities	17.207		93,315,422	2,779,859
Disabled Veterans' Outreach Program (DVOP)	17.801		19,014,970	-
Total Employment Service Cluster			112,330,392	2,779,859
WIA/WIOA Cluster				
WIA/WIOA Adult Program	17.258		116,555,646	108,985,991
WIA/WIOA Youth Activities	17.259		113,087,153	106,201,303
WIA/WIOA Dislocated Worker Formula Grants	17.278		167,628,429	150,636,241
Total WIA/WIOA Cluster			397,271,228	365,823,535
Total U.S. Department of Labor			6,465,527,228	396,541,235
U.S. Department of Transportation				
Highway Research and Development Program	20.200		1,368	-
Highway Training and Education	20.215		(7,300)	-
National Motor Carrier Safety	20.218		15,144,595	-
Performance and Registration Information Systems Management	20.231		123,201	-
Commercial Driver's License Program Improvement Grant	20.232		1,714,413	-

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Fuel Tax Evasion-Intergovernmental Enforcement Effort	20.240		138,101	-
Capital Assistance to States - Intercity Passenger Rail Service	20.317		1,520,847	1,520,847
ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319		855,147,334	-
High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319		3,899,148	2,436,171
Total High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants			859,046,482	2,436,171
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		70,694,732	70,694,732
Formula Grants for Rural Areas	20.509		29,616,846	28,625,552
Public Transportation Research, Technical Assistance, and Training	20.514		82,926	73,659
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Program	20.528	Grant	2,931,872	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		57,564,154	23,391,570
Pipeline Safety Program State Base Grant	20.700		5,148,816	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		1,398,352	185,531
Total Excluding Clusters			1,045,119,405	126,928,062
Highway Planning and Construction Cluster				
ARRA - Highway Planning and Construction	20.205		(8,815,164)	-
Highway Planning and Construction	20.205		4,016,797,829	1,217,538,067
Recreational Trails Program	20.219		3,614,029	3,566,080
Total Highway Planning and Construction Cluster			4,011,596,694	1,221,104,147
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		9,279,022	8,586,624
Job Access and Reverse Commute Program	20.516		2,922,778	2,580,984
New Freedom Program	20.521		1,714,092	1,437,619
Total Transit Services Programs Cluster			13,915,892	12,605,227
Federal Transit Cluster				
Bus and Bus Facilities Formula Program	20.526		1,357,811	1,357,811
Total Federal Transit Cluster			1,357,811	1,357,811
Highway Safety Cluster				
State and Community Highway Safety	20.600		20,897,367	11,610,575
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		1,954,693	-
Safety Belt Performance Grants	20.609		207,628	-
State Traffic Safety Information System Improvements Grants	20.610		769,994	104,778
Incentive Grant Program to Increase Motorcyclist Safety	20.612		4,582	-
Child Safety and Child Booster Seats Incentive Grants	20.613		52,409	-
National Priority Safety Programs	20.616		30,583,402	16,851,796
Total Highway Safety Cluster			54,470,075	28,567,149
Research and Development Cluster				
Highway Planning and Construction	20.205		6,436,123	-
Total Research and Development Cluster			6,436,123	-
Total U.S. Department of Transportation			5,132,896,000	1,390,562,396
Equal Employment Opportunity Commission				
Other - Equal Opportunity Employment Commission	30.999		2,565,900	-
Total Equal Employment Opportunity Commission			2,565,900	-
General Services Administration				
Donation of Federal Surplus Personal Property (Noncash)	39.003		8,145,716	-
Election Reform Payments	39.011		289,043	-
Total General Services Administration			8,434,759	-

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
National Endowment for the Arts				
Promotion of the Arts_Partnership Agreements	45.025		949,499	-
Grants to States	45.310		13,721,834	8,562,973
Total National Endowment for the Arts			14,671,333	8,562,973
Small Business Administration				
State Trade Expansion	59.061		747,781	64,368
Total Small Business Administration			747,781	64,368
U.S. Department of Veterans Affairs				
Grants to States for Construction of State Home Facilities	64.005		1,043,522	-
Burial Expenses Allowance for Veterans	64.101		197,422	-
Veterans Housing Guaranteed and Insured Loans	64.114		104,555,423	-
All-Volunteer Force Educational Assistance	64.124		1,517,523	-
Veterans Cemetery Grants Program	64.203		4,513,603	-
Total U.S. Department of Veterans Affairs			111,827,493	-
Environmental Protection Agency				
Air Pollution Control Program Support	66.001		9,557,883	-
State Indoor Radon Grants	66.032		117,435	-
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		1,026,596	-
State Clean Diesel Grant Program	66.040		262,223	262,223
The San Francisco Bay Water Quality Improvement Fund	66.126		181,113	148,200
<i>Pass-Through from The San Francisco Bay Water Quality Improvement Fund</i>	66.126	<i>SFBC 12-09</i>	34,562	-
Total The San Francisco Bay Water Quality Improvement Fund			215,675	148,200
Congressionally Mandated Projects	66.202		15,895	15,895
State Environmental Justice Cooperative Agreement Program	66.312		9,076	-
Water Pollution Control State, Interstate, and Tribal Program Support	66.419		9,301,664	2,944,261
State Public Water System Supervision	66.432		6,657,372	28,629
Water Quality Management Planning	66.454		863,623	231,798
Nonpoint Source Implementation Grants	66.460		7,523,792	4,455,808
Regional Wetland Program Development Grants	66.461		342,507	82,982
Beach Monitoring and Notification Program Implementation Grants	66.472		507,577	398,806
Performance Partnership Grants	66.605		1,545,443	-
Surveys, Studies, Investigations, and Special Purpose Grants	66.606		2,212,113	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608		382,777	141,526
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707		534,402	-
Pollution Prevention Grants Program	66.708		127,952	63,082
Hazardous Waste Management State Program Support	66.801		7,666,008	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		956,106	-
Underground Storage Tank Prevention, Detection and Compliance Program	66.804		828,832	655,315
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805		2,295,891	-
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.814		197,095	-
State and Tribal Response Program Grants	66.817		856,109	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		1,387,203	-
Total Environmental Protection Agency			55,391,249	9,428,525
U.S. Department of Energy				
State Energy Program	81.041		4,082,930	-
Weatherization Assistance for Low-Income Persons	81.042		4,883,315	3,959,048
Nuclear Waste Disposal Siting	81.065		786,963	-
Renewable Energy Research and Development	81.087		2,871	-
Environmental Remediation and Waste Processing and Disposal	81.104		434,744	-
State Energy Program Special Projects	81.119		140,946	140,946
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122		(888)	-

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Long-Term Surveillance and Maintenance	81.136		38,298	-
Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214		46,295	-
Total U.S. Department of Energy			10,415,474	4,099,994
U.S. Department of Education				
Adult Education - Basic Grants to States	84.002		96,358,006	87,178,734
Title I Grants to Local Educational Agencies	84.010		1,655,724,304	1,639,844,358
Migrant Education_State Grant Program	84.011		134,708,352	132,296,928
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		1,215,892	1,203,774
Career and Technical Education -- Basic Grants to States	84.048		118,833,632	109,698,347
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126		307,587,128	-
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177		3,318,193	3,128,920
Special Education-Grants for Infants and Families	84.181		46,264,648	-
School Safety National Archives	84.184		4,294,672	3,875,694
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187		3,208,753	-
Education for Homeless Children and Youth	84.196		6,654,108	6,275,770
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	84.265		121,195	-
Charter Schools	84.282		16,105,961	15,100,984
Twenty-First Century Community Learning Centers	84.287		126,785,983	124,158,863
Special Education - State Personnel Development	84.323		1,684,474	1,675,084
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330		10,952,825	10,952,825
Rural Education	84.358		1,386,764	1,373,000
English Language Acquisition State Grants	84.365		154,983,825	149,359,134
Mathematics and Science Partnerships	84.366		15,876,903	14,980,006
Improving Teacher Quality State Grants	84.367		254,533,525	250,013,982
Competitive Grants for State Assessments	84.368		21,700	-
Grants for State Assessments and Related Activities	84.369		22,755,036	16,048,180
School Improvement Grants	84.377		46,133,541	45,306,327
College Access Challenge Grant Program	84.378		(102,926)	-
Race to the Top - Early Learning Challenge	84.412		16,075,978	12,736,297
Promoting Readiness of Minors in Supplemental Security Income	84.418		10,811,537	-
Total Excluding Clusters			3,056,294,009	2,625,207,207
Special Education Cluster (IDEA)				
Special Education - Grants to States (IDEA, Part B)	84.027		1,118,970,316	1,082,849,038
Special Education - Preschool Grants (IDEA Preschool)	84.173		24,085,693	23,311,650
Total Special Education Cluster (IDEA)			1,143,056,009	1,106,160,688
Total U.S. Department of Education			4,199,350,018	3,731,367,895
U.S. Election Assistance Commission				
Help America Vote Act Requirements Payments	90.401		36,041,705	-
U.S. Election Assistance Commission Research Grants	90.403		(1,521)	-
Total U.S. Election Assistance Commission			36,040,184	-
U.S. Department of Health and Human Services				
Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission	93.018		285,734	197,537
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		461,924	461,924
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042		1,535,445	1,416,555
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043		1,818,218	1,818,218
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048		420,376	209,202
Alzheimer's Disease Demonstration Grants to States	93.051		306,579	306,579
National Family Caregiver Support, Title III, Part E	93.052		13,261,873	12,705,726
Public Health Emergency Preparedness	93.069		44,717,552	32,224,734
Environmental Public Health and Emergency Response	93.070		1,158,263	482,563
Medicare Enrollment Assistance Program	93.071		894,903	769,874

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		386,589	-
Guardianship Assistance	93.090		43,599,031	43,545,867
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		6,108,808	4,492,035
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094		1,145,685	700,808
Food and Drug Administration_Research	93.103		1,023,065	-
Maternal and Child Health Federal Consolidated Programs	93.110		348,880	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		9,605,331	4,822,154
Preventive Medicine and Public Health Residency Training Program, Integrative Medicine Program, and National Center for Integrative Primary Healthcare	93.117		32,159	-
Emergency Medical Services for Children	93.127		130,000	-
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130		499,066	-
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135		220,933	163,515
Injury Prevention and Control Research and State and Community Based Programs	93.136		3,562,833	-
Projects for Assistance in Transition from Homelessness (PATH)	93.150		8,395,306	7,841,891
Health Program for Toxic Substances and Disease Registry	93.161		905,468	-
Grants to States for Loan Repayment Program	93.165		1,219,375	-
Grants to States to Support Oral Health Workforce Activities	93.236		29,359	-
State Rural Hospital Flexibility Program	93.241		431,563	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243		3,652,745	1,823,439
Universal Newborn Hearing Screening	93.251		252,068	24,923
Immunization Cooperative Agreements	93.268		31,792,079	25,577,085
<i>Immunization Cooperative Agreements (Noncash)</i>	93.268		441,795,672	-
Total Immunization Cooperative Agreements			<u>473,587,751</u>	<u>25,577,085</u>
Adult Viral Hepatitis Prevention and Control	93.270		140,978	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283		9,694,697	-
Small Rural Hospital Improvement Grant Program	93.301		392,318	-
National State Based Tobacco Control Programs	93.305		2,404,716	476,273
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314		137,922	-
State Health Insurance Assistance Program	93.324		4,749,636	4,074,372
Behavioral Risk Factor Surveillance System	93.336		315,961	-
ACL Independent Living State Grants	93.369		2,118,034	520,971
Food Safety and Security Monitoring Project	93.448		288,972	-
ACL Assistive Technology	93.464		900,202	-
Pregnancy Assistance Fund Program	93.500		1,505,487	690,414
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505		25,625,530	19,417,186
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long-Term Care Facilities and Providers	93.506		240,973	-
PPHF National Public Health Improvement Initiative	93.507		695,953	-
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511		2,815,967	-
Affordable Care Act (ACA) - Consumer Assistance Program Grants	93.519		326,000	-
The Affordable Care Act Medicaid Incentives for Prevention of Chronic Disease Demonstration Project	93.536		4,174,521	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539		1,479,576	-
Promoting Safe and Stable Families	93.556		32,690,895	29,841,263
Child Support Enforcement	93.563		648,268,755	504,345,693
Child Support Enforcement Research	93.564		278,612	278,612
Refugee and Entrant Assistance_State Administered Programs	93.566		34,238,982	20,466,976
Low-Income Home Energy Assistance	93.568		179,437,190	170,078,226
Community Services Block Grant	93.569		60,139,520	57,021,115
Refugee and Entrant Assistance_Discretionary Grants	93.576		1,441,160	1,350,150
U.S. Repatriation	93.579		13,920	-
Refugee and Entrant Assistance_Targeted Assistance Grants	93.584		2,765,611	2,634,272
State Court Improvement Program	93.586		2,255,348	39,805
Community-Based Child Abuse Prevention Grants	93.590		2,552,417	1,974,377
Grants to States for Access and Visitation Programs	93.597		246,502	-
Chafee Education and Training Vouchers Program (ETV)	93.599		6,280,706	-
Head Start	93.600		4,959,902	3,331,569

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
The Affordable Care Act - Medicaid Adult Quality Grants	93.609		432,568	-
Voting Access for Individuals with Disabilities_Grants to States	93.617		698,713	-
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624		154,440	70,809
Affordable Care Act State Health Insurance Assistance Program (SHIP) and Aging and Disability Resource Center (ADRC) Options Counseling for Medicare-Medicaid Individuals in States with Approved Financial Alignment Models	93.626		347,255	293,437
Affordable Care Act Implementation Support for State Demonstrations to Integrate Care for Medicare-Medicaid Enrollees	93.628		1,530,857	-
Developmental Disabilities Basic Support and Advocacy Grants	93.630		6,672,585	-
ACA Support for Demonstration Ombudsman Programs Serving Beneficiaries of State Demonstrations to Integrate Care for Medicare-Medicaid	93.634		1,128,332	-
Children's Justice Grants to States	93.643		1,753,983	1,588,828
Adult Medicaid Quality: Improving Maternal and Infant Health Outcomes in Medicaid and CHIP	93.644		41,940	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645		30,561,046	30,561,046
Child Welfare Research Training or Demonstration	93.648		2,510,996	1,897,270
ARRA - Foster Care_Title IV-E	93.658		(2,461)	(2,461)
Foster Care_Title IV-E	93.658		1,282,161,050	1,221,686,476
Total Foster Care_Title IV-E			<u>1,282,158,589</u>	<u>1,221,684,015</u>
ARRA - Adoption Assistance	93.659		(1,392)	(1,392)
Adoption Assistance	93.659		485,403,291	465,849,355
Total Adoption Assistance			<u>485,403,291</u>	<u>465,849,355</u>
Social Services Block Grant	93.667		566,133,552	297,650,970
Child Abuse and Neglect State Grants	93.669		3,315,881	43,957
Child Abuse and Neglect Discretionary Activities	93.670		279,463	-
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		8,047,731	7,691,057
Chafee Foster Care Independence Program	93.674		17,947,124	16,086,189
ARRA - Advance Interoperable Health Information Technology Services to Support Health Information Exchange	93.719		527,000	320,000
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by the Prevention and Public Health Fund (PPHF)	93.733		683,777	466,493
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs - financed by Prevention and Public Health Funds (PPHF)	93.734		225,067	225,067
State Public Health Approaches for Ensuring Quiltline Capacity - Funded in part by Prevention and Public Health Funds (PPHF)	93.735		2,059,538	1,899,063
PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745		(5,260)	-
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke (PPHF)	93.757		1,776,057	483,071
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758		9,809,061	1,314,294
Children's Health Insurance Program	93.767		1,945,384,681	139,281,229
Money Follows the Person Rebalancing Demonstration	93.791		27,730,495	-
Organized Approaches to Increase Colorectal Cancer Screening	93.800		462,914	333,230
Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	93.810		236,046	-
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817		260,249	-
National Bioterrorism Hospital Preparedness Program	93.889		23,891,134	14,746,156
Grants to States for Operation of State Offices of Rural Health	93.913		102,094	-
HIV Care Formula Grants	93.917		161,744,514	156,060,089
HIV Prevention Activities_Health Department Based	93.940		17,518,913	9,903,459
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		4,082,796	200,692

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Assistance Programs for Chronic Disease Prevention and Control	93.945		2,003,997	143,369
Tuberculosis Demonstration, Research, Public and Professional Education	93.947		166,381	-
Block Grants for Community Mental Health Services	93.958		45,882,261	44,165,595
Block Grants for Prevention and Treatment of Substance Abuse	93.959		131,574,076	120,496,806
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977		6,871,090	608,589
Mental Health Disaster Assistance and Emergency Mental Health	93.982		66,348	27,046
Preventive Health and Health Services Block Grant	93.991		(1,407)	-
Maternal and Child Health Services Block Grant to the States	93.994		37,599,598	17,935,438
Other - Department of Health and Human Services	93.999		12,724,329	-
Total Excluding Clusters			6,496,066,548	3,508,151,130
Aging Cluster				
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044		34,332,545	32,088,532
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045		61,412,788	59,309,087
Nutrition Services Incentive Program	93.053		12,769,943	12,769,943
Total Aging Cluster			108,515,276	104,167,562
TANF Cluster				
Temporary Assistance for Needy Families (TANF) State Programs	93.558		3,055,131,529	2,589,625,777
Total TANF Cluster			3,055,131,529	2,589,625,777
CCDF Cluster				
Child Care and Development Block Grant	93.575		242,281,880	220,347,530
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		280,592,828	267,701,991
Total CCDF Cluster			522,874,708	488,049,521
Medicaid Cluster				
State Medicaid Fraud Control Units	93.775		23,985,492	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777		44,586,801	5,302,925
Medical Assistance Program	93.778		53,550,785,446	3,562,495,312
Total Medicaid Cluster			53,619,357,739	3,567,798,237
Total U.S. Department of Health and Human Services			63,801,945,800	10,257,792,227
Corporation for National and Community Service				
State Commissions	94.003		799,332	-
AmeriCorps	94.006		23,464,085	23,415,750
Volunteer Generation Fund	94.021		427,571	-
Operation AmeriCorps	94.025		54,366	54,366
Total Excluding Clusters			24,745,354	23,470,116
Foster Grandparent/Senior Companion Cluster				
Foster Grandparent Program	94.011		1,018,448	-
Total Foster Grandparent/Senior Companion Cluster			1,018,448	-
Total Corporation for National and Community Service			25,763,802	23,470,116
Executive Office of the President				
High Intensity Drug Trafficking Areas Program	95.001			
<i>Pass-Through from CA Border Alliance Group / San Diego County</i>		G14SC0001A, G15SC0001A, G16SC0001A	620,758	-
<i>Pass-Through from LA Police Chiefs Association / City of Monrovia</i>		G15LA0006A, G16LA0006A	1,008,428	-
<i>Pass-Through from LA Police Chiefs Association / Riverside County</i>		G14LA0007A, G15LA0007A	73,193	-

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
<i>Pass-Through from LA Police Chiefs Association / Sacramento County</i>		<i>G14CV0002A</i>	11,043	-
		<i>G15CV0002A</i>		
Total Executive Office of the President			1,713,422	-
Social Security Administration				
Disability Insurance/SSI Cluster				
Social Security - Disability Insurance (DI)	96.001		235,261,236	-
Total Social Security Administration			235,261,236	-
U.S. Department of Homeland Security				
Non-Profit Security Program	97.008		1,048,055	926,371
Boating Safety Financial Assistance	97.012		8,521,166	2,287,326
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023		291,110	-
Flood Mitigation Assistance	97.029		872,878	827,110
Crisis Counseling	97.032		174,936	174,936
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		97,584,076	94,247,665
Hazard Mitigation Grant	97.039		9,636,132	8,316,179
National Dam Safety Program	97.041		167,142	-
Emergency Management Performance Grants	97.042		23,021,678	12,253,191
State Fire Training Systems Grants	97.043		5,881	-
Cooperating Technical Partners	97.045		217,712	22,821
Fire Management Assistance Grant	97.046		36,132,800	33,426,554
Pre-Disaster Mitigation	97.047		5,276,346	4,876,680
Homeland Security Grant Program	97.067		158,090,035	142,601,043
Severe Repetitive Loss Program	97.110		991,045	966,397
Border Interoperability Demonstration Project	97.120		382,616	387,664
Total U.S. Department of Homeland Security			342,413,608	301,313,937
Total Expenditures of Federal Awards			\$ 93,382,292,194	\$ 19,969,807,935

Notes to the Schedule of Expenditures of Federal Awards

STATE OF CALIFORNIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the expenditures for all federal award programs received by the State of California (State) for the fiscal year ended June 30, 2016, except for federal awards received by the University of California system, a component unit of the State, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water Pollution Control State Revolving Fund, and the California Housing Finance Agency, a component unit of the State. These entities engaged other auditors to perform an audit in accordance with the U.S. Office of Management and Budget, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200) also referred to as the “Uniform Guidance”.

2. BASIS OF ACCOUNTING

The federal award expenditures reported in the Schedule are prepared from records maintained by each State department for federal funds and reported on the cash basis. All expenditures for each program are net of applicable program income and refunds.

State departments’ records are periodically reconciled to State Controller Office’s records for federal receipts and department expenditure reports. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. NONCASH FEDERAL AWARDS

The State is the recipient of federal award programs that do not result in cash receipts or disbursements. These noncash federal awards include a variety of items, such as commodities, vaccines, or federal excess property. Noncash awards received by the State are included in the Schedule and are italicized. Noncash awards for fiscal year ended June 30, 2016 are as follows:

Federal Catalog Number	Federal Program Title	Noncash Awards for the Fiscal Year Ended June 30, 2016
10.555	National School Lunch Program	\$ 170,612,102
10.565	Commodity Supplemental Food Program	18,425,507
10.569	Emergency Food Assistance Program (Food Commodities)	75,827,269
15.543	Lake Tahoe Regional Wetlands Development	105,000
39.003	Donation of Federal Surplus Personal Property	8,145,716
93.268	Immunization Cooperative Agreements	441,795,672
<u>Total</u>		<u>\$ 714,911,266</u>

4. LOANS, LOAN GUARANTEES OUTSTANDING AND INSURANCE IN EFFECT

Loans and loan guarantees outstanding, and insurance in effect at June 30, 2016 are included in the Schedule and are summarized below:

Federal Catalog Number	Federal Program Title	Loans/Loan Guarantees Outstanding for the Fiscal Year ended June 30, 2016	Insurance In Effect at June 30, 2016
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	\$ 41,578,919	\$ -
14.239	Home Investment Partnerships Program	166,796,410	-
64.114	Veterans Housing Guaranteed and Insured Loans	-	104,555,423
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	850,000	-
81.041	State Energy Program	1,516,393	-
<u>Total</u>		<u>\$ 210,741,722</u>	<u>\$ 104,555,423</u>

5. PASS-THROUGH

Federal awards received by the State from a pass-through entity are included in the Schedule and are italicized.

6. SUBRECIPIENTS

Amounts provided to subrecipients from each federal program are included in a separate column on the Schedule.

7. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule, which is prepared on the cash basis.

8. DE MINIMIS COST RATE

The majority of State entities claim indirect costs in accordance with a federally approved indirect cost rate plan. The de minimis election for State entities that claim indirect costs, but do not have a federally negotiated indirect cost rate are as follows:

State Entities Without Federally Negotiated Indirect Cost Rate	De Minimis Cost Rate Elected?
Department of Community Services and Development	Yes
Emergency Medical Services Authority	No
Arts Council	No
Board of Governors of Community Colleges	No
California Exposition and State Fair	No
California Victim Compensation Board	No
California Coastal Commission	No
Department of Child Support Services	No
Office of Planning and Research	No
Public Utilities Commission State Library	No

**Summary Schedule of Prior Audit Findings
Prepared by Department of Finance**

Reference Number: **2015-001**

Federal Catalog
Number: 10.557

State
Administering
Department: California Department of Public Health (Public Health)

Audit Finding: Eligibility. Local agencies are responsible for eligibility determination for participants in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program using the state-owned Integrated Statewide Information System (ISIS). We tested 60 beneficiaries and found 4 instances in which at least one type of required eligibility information was not obtained or evidenced in ISIS at the time of application.

Status of Corrective
Action: Fully Corrected. A Management Information System report was developed in March 2016. The report is run by Public Health and lists, by local agency, the 'certification holds' placed on participants' accounts. On June 8, 2016, a webinar was held for WIC local agencies to explain how the 'certification holds' report should be used within the clinic to monitor holds and documentation requirements. Another webinar took place in December 2016 to reiterate the policy and procedures regarding 'certification holds'. The webinars will continue as part of ongoing training to WIC local agencies on a semi-annual basis.

Reference Number: **2015-002**

Federal Catalog
Number: 20.319

State
Administering
Department: California Department of Transportation (Caltrans)

Audit Finding: Special Tests and Provisions – Wage Rate Requirement. In fiscal year 2013-14, the predecessor auditor reported that Caltrans did not have procedures in place to comply with federal wage rate requirements because it did not obtain certified weekly payrolls from contractors for the High-Speed Rail Corridors and Intercity Passenger Rail Services – Capital Assistance Grants program. In fiscal year 2014-15, Caltrans had not yet implemented procedures to obtain the weekly certified payrolls.

Status of Corrective Action: Fully Corrected. The grants in question were with a vendor and a local agency. There have been efforts to collect certified payroll reports that remain in question. Letters have been sent to contractors for the closed contracts containing the appropriate Davis-Bacon clause. While no violation occurred during the contract period, the vendor has not responded. Caltrans will monitor local agencies as subrecipients in order to verify agencies are properly collecting certified payroll reports from its contractors. It is the responsibility of each local agency to review the weekly certified payroll reports to determine whether the reports are in compliance with the Davis-Bacon Act as identified in the Caltrans Local Assistance Procedures Manual.

Reference Number: **2015-003**

Federal Catalog Number: 20.513
 20.516
 20.521

State Administering Department: California Department of Transportation (Caltrans)

Audit Finding: Subrecipient Monitoring. During fiscal year 2013-14, the predecessor auditor reported that Caltrans does not have adequate controls in place to ensure that all equipment is inspected within the required time frame for the Transit Services Cluster. Caltrans is currently in the process of implementing controls to ensure that all equipment with its subrecipients is inspected through monitoring on a three-year cycle for the Transit Services Cluster. Eight subrecipients were selected for testing and we noted that for two of the subrecipients, Caltrans was unable to provide supporting equipment inspection reports to indicate that the equipment was properly monitored under the three-year inspection cycle.

Status of Corrective Action: Partially Corrected. Monitoring compliance is achieved through the inspection of one-third of all required vehicles on a yearly basis ensuring 100 percent of all vehicles are inspected within three years. Staff travel throughout the state to review vehicles and inspection reports are physically retained at the Sacramento headquarters location. To enhance monitoring, Caltrans is in the process of implementing an electronic grants management system (system). This system will enable Caltrans to run reports in real time to determine if all agencies and equipment have been monitored according to our three-year monitoring cycle. When district and headquarters staff perform equipment monitoring inspections, the inspection date will be entered, and a scanned copy of the inspection form will be uploaded into the system. The system will automatically notify managers of the three-year monitoring due dates. If the field manager finds equipment in the system that appears due for inspecting, they can

take the necessary corrective action. Caltrans will train staff on the new system, and anticipate full implementation by December 31, 2017.

Reference Number: **2015-004**

Federal Catalog Number: 84.365

State Administering Department: California Department of Education (Education)

Audit Finding: Activities Allowed or Unallowed; Allowable Costs/Cost Principles. Education could not provide evidence of an approved local plan for three of 25 subrecipients tested. Education awarded and disbursed funds to subrecipients without first ensuring that the federal compliance requirements were understood and that the subrecipient programs utilizing those funds were in compliance with those requirements. Due to department turnover, Education has not had, since 2009, a process in place to ensure that subrecipients have an approved plan in place prior to awarding funds.

Status of Corrective Action: Fully Corrected. In 2015, Education re-established the processes and procedures for reviewing plans of subrecipient programs to ensure each subrecipient understands and is in compliance with the federal requirements, prior to the awarding of any funds. Full implementation of these processes and procedures commenced with the 2015-16 grant awards.

Reference Number: **2015-005**

Federal Catalog Number: 93.568

State Administering Department: California Department of Community Services and Development (CSD)

Audit Finding: Earmarking. Because CSD's process for evaluating and monitoring compliance was established to ensure it does not exceed the required percentages over the life of the grant award, we were unable to test and determine CSD's compliance with the aforementioned earmarking compliance requirement on a federal fiscal year basis. Our understanding is that CSD misinterpreted the earmarking regulations, and as such, designed and implemented both processes and controls related to the

planning and administration and weatherization earmarking compliance requirement based upon the life of the grant award, as opposed to on a federal fiscal year basis.

Status of Corrective Action: Fully Corrected. CSD is not in agreement with this Finding. CSD has had several conference calls with the U.S. Department of Health and Human Services (HHS) on this finding. During these calls, CSD has received confirmation that its interpretation is correct and that no changes are needed to its internal controls. CSD has memorialized their understanding that it is acceptable to apply the earmarking requirement based on the life of the grant award in a letter dated September 9, 2016 to HHS.

Reference Number: **2015-006**

Federal Catalog Number: 93.568

State Administering Department: California Department of Community Services and Development (CSD)

Audit Finding: Period of Performance. CSD misinterpreted the period of performance compliance requirement and understood the obligation period to be five federal fiscal years. However, CSD must obligate the funds within the first two federal fiscal years but then has five federal fiscal years in which to expend and liquidate the federal funds awarded under the grant awards. CSD is not in compliance with the required period of performance pursuant to the “Terms and Conditions Addendum: Additional Financial Requirements” and Section 8626 of Title 42 of the U.S. Code. For fiscal year 2014-15, CSD obligated \$29,279,877 and \$13,610,556 in federal funds related to the 2012 and 2013 grant award year, respectively, which fell outside the period of performance.

Status of Corrective Action: Partially Corrected. CSD has adjusted its procedures to correct for this requirement beginning with Program Year 2016. Unexpended funds are no longer recaptured from prior grants and reallocated. Rather, contracts will be extended where funds are still available to maximize federal funding. In addition, any funds (i.e., returned utility payments, proceeds from litigation, etc.) that are returned to CSD after the period of performance are then forwarded to the U.S. Department of Health and Human Services (HHS). HHS has indicated that it is acceptable to remedy this going forward and has not requested that the questioned costs be returned. CSD memorialized this understanding in a letter to HHS dated September 9, 2016.

Reference Number: **2015-007**

Federal Catalog
Number: 93.917

State
Administering
Department: California Department of Public Health (Public Health)

Audit Finding: Subrecipient Monitoring. During our review of subrecipient monitoring, we noted that for two of the nine subrecipients selected for testing, Public Health did not ensure that subrecipients completed required OMB Circular A-133 audits (single audits) within nine months of the end of the subrecipient's audit period. Public Health did not follow up with the two subrecipients until August 17, 2015, 14 months after the end of the subrecipients' audit period. Consequently, there may be a delay in monitoring the compliance of subrecipient activities and issuing any corrective action with respect to audit findings, if applicable. Public Health also monitors subrecipients' use of federal awards by performing site visits. The monitoring performed is documented by program advisors in Public Health's site visit monitoring reports. While the site visit monitoring reports are subject to review and approval by a section manager, such review and approval is not documented in all nine subrecipients selected for testing.

Status of Corrective Action: Fully Corrected. Public Health's Office of Aids (OA) has since implemented procedures to obtain subrecipients single audit reports within the required time frame, by using a tracking and monitoring process for the OMB Circular A-133 reports. As of April 1, 2016, the OA had developed an Audit Tracking Report Log, an Excel spreadsheet that documents each subrecipients audit period, audit due dates, submission dates, and follow-up dates.

Beginning with the first visit of the FY 2015/16 monitoring cycle [August 24, 2016], managers and staff began using a new and improved monitoring log. Unlike the previous log, the new log clearly tracks each step in the monitoring process and allows management to filter and sort to quickly assess where each visit is in the process. Additionally, the Unit Chief fills out a column on the monitoring log to document the date of his review and e-mailed approval of each site visit report. The monitoring log is accessible to the Branch management team and is reviewed on a regular basis by the Unit and Section Chief.

Reference Number: **2015-008**

Federal Catalog
Number: 93.767

State
Administering
Department: California Department of Health Care Services (Health Care Services)

Audit Finding: Activities Allowed or Unallowed; Allowable Costs/Cost Principles. We tested a sample of 40 cash draws for the Children’s Health Insurance Program (CHIP) amounting to \$1,086,034,397. Of the sample items tested, we noted that 10 cash draws included a total of \$3,685,271 in Local Education Agency (LEA) expenditures that are not allowed to be funded under CHIP.

Status of Corrective
Action: Uncorrected. Internal controls exist to ensure program expenditures are properly funded from allowable federal funding sources. Business rules were implemented through the fiscal intermediary to draw down funding according to Aid Codes. A coding error associated with Aid Code 7x, One Month Bridge to Healthy Families, resulted in payments claimed under CHIP from title XIX funding. LEA Medi-Cal Billing Option Program expenditures are not allowed to be claimed under CHIP. Health Care Services conducted a root-cause analysis to identify the coding error associated with Aid Code 7x and made the necessary corrections. Health Care Services will work with the fiscal intermediary to ensure LEA claims are paying correctly; program will work with the accounting office to ensure funding for prior claims paid are adjusted accordingly. In addition, Health Care Services will review claiming regularly to protect against errant billing in the future.

Reference Number: **2015-009**

Federal Catalog
Number: 93.778

State
Administering
Department: California Department of Health Care Services (Health Care Services)

Audit Finding: Eligibility. Based on our review of 140 participants across multiple counties, we found five instances for which at least one type of required eligibility information was not obtained or evidenced in the Statewide Automated Welfare System (SAWS). As a result, we could not conclude

that the five participants were eligible to receive \$1,068 in benefits for fiscal year 2014-15.

Status of Corrective Action: Partially Corrected. Health Care Services will issue county guidance to reiterate the need for counties to: perform timely renewals and maintain appropriate verification documents in the State Automated Welfare System, to ensure when verification of a social security number fails, and the county knows that further action to resolve the failed verification must be performed.

Reference Number: **2015-010**

Federal Catalog Number: 93.959

State Administering Department: California Department of Health Care Services (Health Care Services)

Audit Finding: Subrecipient Monitoring. All federal awards made on or after December 26, 2014 are subject to the new *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The effective date of the Uniform Guidance for subawards is the same as the effective date of the federal award from which the subaward is made. Based on discussions with management, Health Care Services was unaware of the new requirements under the Uniform Guidance and did not evaluate the subrecipient's risk of noncompliance to determine the appropriate subrecipient monitoring.

Status of Corrective Action: Fully Corrected. Below are the activities undertaken to meet the subrecipient pre-award risk assessment requirements:

1. Convened a workgroup that developed appropriate criteria for a risk assessment tool to evaluate each first-tier subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in the Uniform Guidance.
2. Amended the State/County contract with new language on how to comply with the subrecipient pre-award risk assessment under the Uniform Guidance.
3. Issued a Mental Health Substance Use Disorder (SUD) Services Information Notice on July 15, 2016, that provides guidance to counties and stakeholders on following the requirements for the subrecipient pre-award risk assessment process.

4. Revised county desk audit and site visit instruments to include a subrecipient pre-award risk assessment compliance review. Each county will be evaluated annually as a "low," "medium," or "high" risk based on a review of prior year SUD county monitoring reports, Office of Management and Budget A-133 audits, Health Care Services fiscal audits, and other pertinent information.
5. Revised annual fiscal audit plan to incorporate the subrecipient pre-award risk assessment evaluation into the selection criteria of counties to be audited. Health Care Services submitted a corrective action plan to the Substance Abuse and Mental Health Services Administration (SAMHSA) on July 22, 2016, in order to resolve this audit finding. As of March 8, 2017, SAMHSA has not responded with an audit resolution letter.

Department of Finance Response Letter



EDMUND G. BROWN JR. ■ GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

March 24, 2017

Macias Gini & O'Connell^{LLP}
3000 S Street, Suite 300
Sacramento, CA 95816

Ladies and Gentlemen:

Thank you for the opportunity to respond to the federal compliance audit report for the fiscal year ended June 30, 2016. This report was the result of your examination of the state's administration of federal programs and will be part of the Single Audit Report covering this period. We accept the reported findings and recommendations and recognize the compliance findings resulted in 10 unqualified opinions and 9 qualified opinions for the 19 major programs audited. We also recognize internal controls and federal award administration need improvement.

Overseeing the financial and business policies of the state continues to be an important part of the California Department of Finance's (Finance) leadership. State entities with findings and recommendations responded directly to Macias Gini & O'Connell^{LLP} (MGO). The responses and corrective action plans, compiled by MGO and provided to Finance, are attached. Finance will disseminate the Single Audit Report results to all state entities and remind them of their responsibility for implementing corrective actions.

If you have any questions concerning this letter, please contact Jennifer Whitaker, Chief, Office of State Audits and Evaluations, at (916) 322-2985.

Sincerely,

MICHAEL COHEN
Director

Enclosure

Management's Response and Corrective Action Plan

**STATE OF CALIFORNIA
MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Reference No. 2016-002:

The California Department of Public Health (Public Health) Women, Infants, and Children (WIC) Division will review and modify its procedures for terminating WIC Staff user access to the WIC MIS System. The WIC Division Local Services Branch (LSB) will work with the Information Technology Services Division (ITSD) to generate a WIC MIS Logon ID Maintenance report at the conclusion of each month. This report will identify all WIC Staff who had their WIC MIS access terminated during the report period (30-31 days). Additionally, the WIC Division Planning and Workforce Services Unit (PAWS) will also notify the LSB of all separated WIC Staff at the conclusion of every month. The LSB will then cross reference the ITSD report with the separated WIC Staff list that is sent by PAWS. If a separated WIC Staff failed to have the WIC MIS access terminated after their separation date, LSB will follow the procedure outlined in the WIC MIS policy to ensure that user's access is terminated completely.

Estimated Implementation Date: June 2017

Contact: Antonia Romeo, Staff Services Manager I
Women, Infants and Children Division
Center for Family Health
California Department of Public Health

Reference No. 2016-003:

The WIC Division developed a Local Agency Risk Assessment tool to evaluate and assign a risk level annually to each Local Agency that contract with the WIC Division.

Estimated Implementation Date: July 2017

Contact: Antonia Romeo, Staff Services Manager I
Women, Infants and Children Division
Center for Family Health
California Department of Public Health

Reference No. 2016-004:

The California Department of Transportation (Caltrans) will take the following corrective action:

- Identify existing risk assessment activities that the Division of Local Assistance performs (June 2017).
- Identify gaps in our current risk assessment activities (August 2017).
- Identify steps on how we close the gaps (October 2017).

Considering:

- (1) The subrecipient's prior experience with the same or similar subawards;
 - (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Title 2, Grants and Agreements Subtitle A-Office of Management and Budget Guidance for Grants and Agreements Chapter II, Part 200, Subpart F-Audit Requirements, and the extent to which the same or similar subaward has been audited as a major program;
 - (3) Whether the subrecipient has new personnel, or new or substantially changed systems; and
 - (4) The extent and results of federal awarding agency monitoring (e.g., if the subrecipient also receives federal awards directly from a federal awarding agency).
- Develop a formal risk assessment plan (December 2017).
 - Implement plan (January 2018).

Caltrans has quarterly meetings with the Federal Highway Administration (FHWA) to discuss new and existing policies and how they are being implemented. Caltrans has bi-monthly meetings with FHWA, cities and counties to discuss new and existing policies and how best to implement these policies most efficiently. Caltrans has just recently updated their Local Assistance Procedure Manual that provides guidance on federal policy and procedures. The Procedure Manual was reviewed by FHWA prior to the release, and the manual will now be updated on an annual basis to include all changes and new federal policies that have been introduced. Prior to the annual release of the updated Procedure Manual and the rolling out of new or revised federal policies, FHWA and other stakeholders will have a chance to review and comment to ensure the guidance is accurate.

Caltrans performs an annual process review to focus on key policies and procedures that have been implemented with the release of the new Procedure Manual. The purpose is to review how well the policies and procedures have been implemented and if there needs to be any corrections made based on the process review findings.

This should ensure a timely response to federal requirements and the implementation of changes resulting from new requirements.

Estimated Implementation Date: January 2018

Contact: Mark Samuelson, Acting Chief
Division of Local Assistance
California Department of Transportation

Reference No. 2016-005:

Concur. The California Department of Education (Education) will identify solutions to the administrative complications and utilize the information to develop policies and procedures that will ensure the required maintenance of effort (MOE) calculations are performed for all LEAs. In addition, Education will maintain documentation to substantiate compliance with MOE requirements.

Estimated Implementation Date: June 2018

Contact: Kevin W. Chan, Director
Audits and Investigations Division
California Department of Education

Reference No. 2016-006:

Concur. Education will strengthen internal controls over subawards to ensure that all federally required information, including universal identifier numbers, is communicated to all subaward applicants. In addition, Education will ensure that universal identifier numbers are obtained and appropriately documented prior to awarding funds.

Estimated Implementation Date: June 2018

Contact: Kevin W. Chan, Director
Audits and Investigations Division
California Department of Education

Reference No. 2016-007:

Concur. Education revised its process by limiting the payments for the first apportionment of a grant year to no more than 25% of the allocation. In addition, Education's fiscal monitoring processes include reviewing and verifying selected subrecipient's quarterly cash balances as reported in the Cash Management Data Collection (CMDC) system to ensure the accuracy of information used to determine cash needs.

Estimated Implementation Date: March 2017

Contact: Kevin W. Chan, Director
Audits and Investigations Division
California Department of Education

Reference No. 2016-008:

The Emergency Preparedness Office (EPO) has developed policies and procedures to comply with the standards for documentation of personnel expenses. A “Time Study” sheet was created on December 8, 2016. At the January 31, 2017 All Staff Meeting, EPO staff were given the policy and procedures related to the necessity to perform an after-the-fact-review of effort applied toward the administration of the two awards, Public Health Emergency Preparedness and the National Bioterrorism Hospital Preparedness Program.

A full week’s worth of employee time reporting was conducted February 6 – 10, 2017. EPO policy states that the Time Study will be done four times a calendar year and personnel costs allocated to the awards will be reviewed and revised based on the annual statistical average per employee.

Estimated Implementation Date: January 2, 2017

Contact: Barbara Taylor, Deputy Director
Emergency Preparedness Office
California Department of Public Health

Reference No. 2016-009:

The LEA Billing Option Program (LEA BOP) submitted an Operational Instruction Letter (OIL) #172-16 to the California Medicaid Management Information System (CAMMIS) Division of Health Care Services on May 12, 2016, directing Xerox (now Conduent) to no longer pay for aid code 7X, One Month Bridge to Healthy Families, in the LEA Program. The OIL was implemented on July 25, 2016 per CAMMIS.

To ensure LEA BOP is not paying for aid code 7X in the future, the LEA BOP is requesting a data run of all expenditures paid through LEA BOP to verify that no claims with aid code 7X are being paid. In addition, expenditures that have been paid inappropriately, LEA BOP will be submitting an erroneous payment correction to recoup the funds paid for aid code 7X.

Implementation Date: July 25, 2016

Contact: Sarah Hollister, External Audit Manager
Audits & Investigations – Internal Audits
California Department of Health Care Services

Reference No. 2016-010:

Concur. Education will ensure that federal fund drawdowns for payments to child care providers are in compliance with the funding technique required by the Cash Management Improvement Act (CMIA) Agreement. In instances where internal monthly reports are unavailable for calculating drawdowns within the first ten working days of the month, verbal estimates will be obtained from the appropriate office to meet the required timing of the CMIA Agreement.

Estimated Implementation Date: March 2017

Contact: Kevin W. Chan, Director
Audits and Investigations Division
California Department of Education

Reference No. 2016-011:

The California Department of Health Care Services (Health Care Services) agrees with the audit finding that its current allocation and cost reporting processes are insufficient to ensure county first-tier subrecipients are minimizing the time elapsing between receipt of quarterly advances of Block Grants for Prevention and Treatment of Substance Abuse (SABG) funds and the related expenditure, which could potentially result in an interest liability, required to be returned to the federal granting agency.

Beginning with the federal fiscal year (FFY) 2017 SABG award, Health Care Services anticipates implementing a new quarterly line-item invoicing process, whereby counties will only receive reimbursement for authorized SABG Substance Use Disorder Program, Policy and Fiscal Division services after the invoices have been reviewed to verify work performed and costs claimed are in accordance with the State/County SABG contract. This will replace the current process, whereby counties are advanced a quarterly allocation to be settled through the cost report process, at the end of a 21-month period. Once implemented, this new process will eliminate the possibility of time elapsing between receipt of SABG funds and the related expenditure and potential interest liability.

Estimated Implementation Date: April 1, 2017

Contact: Sarah Hollister, External Audit Manager
Audits & Investigations – Internal Audits
California Department of Health Care Services

Reference No. 2016-012:

Health Care Services concurs with the recommendation. Health Care Services will work with staff to follow existing policies and procedures to ensure compliance by March 31, 2017. A review training is scheduled to remind staff of the proper procedures and available resources in March 2017.

Estimated Implementation Date: March 31, 2017

Contact: Sarah Hollister, External Audit Manager
Audits & Investigations – Internal Audits
California Department of Health Care Services

Reference No. 2016-013:

Health Care Services agrees with the finding. Health Care Services is currently in the process of drafting a Medi-Cal Eligibility Division Information Letter (MEDIL) to inform counties of the outcome of the State Single Audit. The MEDIL will address the findings by providing counties with guidance that reiterates the need for completing renewals timely, and to ensure that eligibility is terminated in instances where the beneficiary does not comply with the renewal process, or is determined ineligible for other reasons (i.e. income, property, residency). In addition, Health Care Services shall begin conducting random audits of counties that specifically focus on verifying that renewals are performed timely, in compliance with federal and state regulations, and that eligibility is terminated from the Medi-cal Eligibility Data System (MEDS) when the beneficiary is found ineligible to the Medi-Cal program. Through these reviews, Health Care Services will look to identify and isolate problematic areas in policy, or counties' business operations and process workflow that may contribute to delays in completing renewals. Health Care Services will work directly with counties to address any issues found during the course of these reviews to ensure that mechanisms are implemented to circumvent findings, in turn, increasing both timeliness and accuracy of the renewal process.

In addition, Health Care Services is collecting "Medi-Cal Renewals by County" data on a monthly basis, and posting the data on its Consumer Focus Stakeholder Workgroup webpage as part of the department's transparency/accountability practice. This report is a monthly county-by-county breakdown of Medi-Cal renewals due, which reflects the timeliness of the renewals processed in each county. This public reporting of Medi-Cal Renewals data provides consumer advocates, the media, and the public the opportunity to voice any concerns pertaining to counties' timeliness of renewal processing. Health Care Services will utilize this reported data to assist in identifying counties that may be experiencing a backlog in the processing of renewals, identify specific areas in the renewal process that may be problematic, and offer program guidance where needed.

Performing random audits of counties' renewal processing, and closely monitoring the monthly Medi-Cal Renewals by County data, will aid in the department's efforts for oversight and management of the counties conducting renewals.

Health Care Services will issue the MEDIL no later than April 30, 2017. County audits focusing on the renewal process will begin no later than July 1, 2017, and will continue through at least, July 1, 2018.

Estimated Implementation Date: July 1, 2017

Contact: Sarah Hollister, External Audit Manager
Audits & Investigations – Internal Audits
California Department of Health Care Services

Reference No. 2016-014:

The Emergency Preparedness Office (EPO) is working to create a “certification process” that will ensure compliance with 2 CFR 200.306(b). EPO will ensure that Public Health and LA County are in compliance with the full regulation as it relates to both the Public Health Emergency Preparedness and the National Bioterrorism Hospital Preparedness Program grants.

Estimated Implementation Date: April 2017

Contact: Barbara Taylor, Deputy Director
Emergency Preparedness Office
California Department of Public Health

Reference No. 2016-015:

The Emergency Preparedness Office (EPO) will develop a policy and procedure to ensure proper calculation of the maintenance of effort requirement based on actual expenditures for both the Public Health Emergency Preparedness (PHEP) and the National Bioterrorism Hospital Preparedness (HPP) grants. The policy/procedure will ensure that EPO evaluates the maintenance of effort result for closed grants and if required, submit revised reports to the Centers for Disease Control and Prevention (CDC) for the PHEP grant and to the Assistant Secretary for Preparedness and Response for the HPP grant.

Estimated Implementation Date: June 2017

Contact Person: Barbara Taylor, Deputy Director
Emergency Preparedness Office
California Department of Public Health

Reference No. 2016-016:

California Department of Public Health Chronic Disease Control Branch (CDCB) and Emergency Medical Services Authority will develop new and/or revise existing processes and procedures to monitor spending against the 10% limit during the grant period and perform an after-the-fact review for potential adjustments to charges prior to final close-out of the grant.

Estimated Implementation Date: August 2017

Contacts: Anita Butler, Chief of Business Operations Section
Chronic Disease Control Branch
Center for Chronic Disease and Health Prevention
California Department of Public Health

Rick Trussell, Chief Fiscal Administration, and Information
Technology Division
Emergency Medical Services Authority

Reference No. 2016-017:

The California Department of Community Services and Development's (CSD) administrative processes for the Low-Income Home Energy Assistance Program (LIHEAP) block grant were designed to ensure that local service providers had the funding needed to deliver vital services to low-income households throughout the year. Since LIHEAP is not a federally mandated program and awarding of federal monies may be delayed, CSD had previously administered contracts with local service providers on a calendar year basis, and made adjustments in future year contracts as a way to streamline state and local administrative processes. CSD ensures that LIHEAP funds are distributed in accordance with agreed upon allocation methodologies; and the funds are typically expended within two to three years, even though the federal Cash Management Improvement Act permits access to the federal funds for five federal fiscal years. CSD implemented changes to ensure compliance with the period of performance requirement and funding adjustments are completed within the allowable time frame.

CSD agrees with the Recommendation; and although the 2015 monitoring report has not been released by the U.S. Department of Health and Human Services, CSD has provided written communication to the Office of Community Services of the corrective action taken to ensure compliance with the period of performance.

Implementation Date: October 1, 2016 to be in compliance with the 2017 federal grant award

Contact: Leisa Mastretti, Chief Financial Officer
California Department of Community Services and
Development

Reference No. 2016-018:

The Emergency Preparedness Office's (EPO) Local Emergency Preparedness Section will create/improve a comprehensive monitoring tool which explicitly includes provisions for the review of subrecipient compliance with federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. EPO is currently working with the Office of Compliance Grants Compliance Unit (GCU) on improving the Site Visit tool used to monitor program activities conducted by the subrecipients and our invoice review process. EPO met with GCU on January 17, 2017, to begin reviewing current site visit and invoice processes in place. EPO will continue to revise processes to meet federal requirements and work with GCU to ensure requirements are met. EPO is restructuring the subcontract monitoring process to include a certification and checklist to ensure all aspects of subcontract requirements are met. EPO contract managers are attending training on the federal Office of Management Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards on May 26, 2017, to improve understanding of federal statutes, regulations, and the terms and conditions of the subaward.

Estimated Implementation Date: July 2018

Contact: Barbara Taylor, Deputy Director
Emergency Preparedness Office
California Department of Public Health

Reference No. 2016-019:

The Emergency Preparedness Office (EPO) began working with the California Department of Public Health Office of Compliance-Internal Audits (OOC-IA) in February 2016 to create and formalize a Risk Assessment Matrix for subrecipients. Through this collaboration the EPO Post Award Subrecipient Monitoring Process document was drafted February 29, 2016; revised on March 22, 2016 and finalized on June 7, 2016. The document outlines responsibilities for each office to ensure compliance with the Office of Management Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200). Further, EPO developed their Grant Compliance Criteria in May 2016, which outlines areas of risk assessment for both the Public Health Emergency Preparedness (PHEP) and National Bioterrorism Hospital Preparedness Programs (HPP). Effective June 2016, each subrecipient has been given a Risk Assessment and Score, which accurately reflects their level of grant compliance. The Risk Assessment Matrix and Grant Compliance Criteria will be reviewed annually and updated as necessary. Annually each subrecipient will have their risk assessment evaluated and scored.

Implementation Date: June 7, 2016

Contact: Barbara Taylor, Deputy Director
Emergency Preparedness Office
California Department of Public Health

The Immunization Branch is currently in the process of identifying information and requirements, which must be disclosed to all subrecipients of federal funding, as well as identifying the most effective times and documents through which to provide such information. As the time frames and

methods of communication are identified, operational procedures will be updated and implemented to ensure compliance with the various requirements. Additionally, the Immunization Branch will be developing a tool to assess each subrecipient's risk of noncompliance with federal statutes, regulations and the terms of conditions of the federal award, as well as monitor subrecipients around the same items.

Estimated Implementation Date: July 1, 2017

Contact: Noemi Marin, Staff Services Manager II
Immunization Branch
Center for Infectious Diseases
California Department of Public Health

The California Department of Public Health Chronic Disease Control Branch (CDCB) will review all federal statutes, regulations, and the terms and conditions of the federal Preventive Health and Health Services Block Grant award, and determine whether or not policies and procedures exist and are operating effectively to ensure compliance with all requirements.

CDCB will develop policies and procedures to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the sub-award, and perform monitoring according to the assessed risk. CDCB will retain evidence that the sub-recipient policies and procedures are operating as designed.

Estimated Implementation Date: August 2017

Contact: Anita Butler, Chief of Business Operations Section
Chronic Disease Control Branch
Center for Chronic Disease and Health Prevention
California Department of Public Health

Reference No. 2016-020:

The Immunization Branch is currently in the process of identifying information, which must be disclosed to and obtained from all subrecipients of federal funding. As we identify information, which can be disclosed at the time subrecipients apply for funding, we are including these elements in our Request For Application, which is a precursor to initiate grant agreements with the subrecipients. Operational procedures will be updated and implemented to ensure subrecipients are provided with specific information and requirements regarding their award within required timelines.

Estimated Implementation Date: July 1, 2017

Contact: Noemi Marin, Staff Services Manager II
Immunization Branch
Center for Infectious Diseases
California Department of Public Health

California Department of Public Health Chronic Disease Control Branch (CDCB) and Emergency Medical Services Authority (EMSA) will review all federal statutes, regulations, and the terms and conditions of the federal Prevention Health and Health Services (PHHS) Block Grant award, and determine whether or not policies and procedures exist and are operating effectively to ensure compliance with all requirements.

CDCB and EMSA will create and implement policies and procedures to ensure the required information is communicated to applicants in accordance with 2 CFR 25.200, and that the unique entity identifier is collected prior to making sub-awards in accordance with 2 CFR 25.205. CDCB and EMSA will obtain and maintain adequate documentation that the unique identifier has been obtained.

CDCB and EMSA will create and implement policies and procedures, which will provide for the timely and proper communication of all applicable sub-award information in accordance with 2 CFR 200.331, and maintain records demonstrating that these communications occurred.

Estimated Implementation Date: August 2017

Contacts: Anita Butler, Chief of Business Operations Section
Chronic Disease Control Branch
Center for Chronic Disease and Health Prevention
California Department of Public Health

Rick Trussell, Chief Fiscal Administration, and Information
Technology Division
Emergency Medical Services Authority

Reference No. 2016-021:

Concur. Education will strengthen internal controls over subawards to ensure that all federally required information, including universal identifier numbers, is communicated to all subaward applicants. In addition, Education will ensure that universal identifier numbers are obtained and appropriately documented prior to awarding funds.

Estimated Implementation Date: June 2018

Contact: Kevin W. Chan, Director
Audits and Investigations Division
California Department of Education

Reference No. 2016-022:

Concur. Education's fiscal year 2016-17 contract monitoring review process will utilize a risk assessment that incorporates the following attributes: (1) contractors not reviewed in the past five years; (2) contractors on conditional contract status; (3) contractors with pending issues on their Program Self-Evaluation; (4) contractors with unresolved audit findings for the most recent year; (5) contractors with pending program and fiscal monitoring findings; (6) contractors with at least three late fiscal reports and/or late audit reports; and (7) contractors with concerns reported by

"whistle blowers" within the year. This selection process will allow Education to monitor high-risk subrecipients to ensure compliance with federal child care and development block grant and matching funds requirements.

Estimated Implementation Date: June 2018

Contact: Kevin W. Chan, Director
Audits and Investigations Division
California Department of Education

Reference No. 2016-023:

Adoption Assistance

The Adoption Services Bureau will formalize a risk assessment process which will be shared in an All County Information Notice to be released by June 30, 2017, and included in the next version of the Adoption Assistance Program (AAP) monitoring manual. Risk assessment criteria may include items such as AAP caseload size, new systems, personnel changes, timely submission of corrective action plans, and maintenance of files, single audit report findings, program updates and date of last monitoring visit. The risk assessment will be performed and documented annually.

On-site Fiscal Monitoring

Social Services will develop a procedure guide by July 2017 to formally document the risk assessment process currently utilized for on-site fiscal monitoring reviews. Currently, factors considered when determining counties in which to conduct an on-site fiscal monitoring review include population, expenditures, the determination of a county as "high risk" in the county's Single Audit and issues identified by the Social Services Fiscal Systems and Accounting Branch or program staff (i.e., repeat findings in a desk audit, lack of responsiveness from the county, changes in county personnel or accounting systems, etc.). As Social Services believes that this meets the criteria identified in the Code of Federal Regulations section 200.331(b), the Department will continue to use these factors, and will document more systematically how counties are chosen for an on-site fiscal monitoring review each year.

Estimated Implementation Date: July 2017

Contacts: Cynthia Fair, Chief
Audits Bureau
Division of Administration
California Department of Social Services

Reference No. 2016-024:

Health Care Services agrees with the recommendation and is working on a procedure and letter that will be sent out to counties 30 days after the cost report is submitted.

Estimated Implementation Date: Fiscal year 2017-18

Contact: Sarah Hollister, External Audit Manager
Audits & Investigations – Internal Audits
California Department of Health Care Services

Reference No. 2016-025:

Health Care Services agrees with the recommendation. Health Care Services acknowledges the need to establish policies and procedures to perform and document the required subrecipient and contractor determinations. While Health Care Services has partially complied with this requirement, it will continue to work over the next 12 months to achieve full compliance as laid out in the Uniform Guidance pertaining to subrecipient monitoring requirements.

Estimated Implementation Date: Fiscal year 2017-18

Contact: Sarah Hollister, External Audit Manager
Audits & Investigations – Internal Audits
California Department of Health Care Services

Reference No. 2016-026:

Health Care Services agrees with the recommendation. Health Care Services acknowledges the need to establish policies and procedures to evaluate each subrecipient's risk of noncompliance. While Health Care Services partially complies, it will work over the next 12 months to achieve full compliance with the Uniform Guidance requirements as they pertain to risk assessment requirements.

Estimated Implementation Date: Fiscal year 2017-18

Contact: Sarah Hollister, External Audit Manager
Audits & Investigations – Internal Audits
California Department of Health Care Services

Reference No. 2016-027:

Health Care Services agrees with the recommendation. Health Care Services will include information in the Mental Health Plan (MHP) cost report indicating that the payments are considered a subaward, and identify the regulations with which they need to comply. This information will be added effective immediately and on a go forward basis.

Estimated Implementation Date: April 2017

Contact: Sarah Hollister, External Audit Manager
Audits & Investigations – Internal Audits
California Department of Health Care Services

Reference No. 2016-028:

The Emergency Preparedness Office is working in conjunction with the California Department of Public Health's Budget Office to have expenditures for the Public Health Emergency Preparedness and National Bioterrorism Hospital Preparedness Program grants allocated per each grants individual federal catalog number.

Estimated Implementation Date: May 2017

Contact: Barbara Taylor, Deputy Director
Emergency Preparedness Office
California Department of Public Health

Reference No. 2016-029:

Public Health agrees with the finding. Public Health has a contract with the Los Angeles County Department of Public Health to conduct federal recertification surveys on behalf of Public Health for health care facilities within Los Angeles County (LAC). LAC failed to conduct the required survey in 2014.

In 2015, the Public Health's Center for Health Care Quality (the Center) renegotiated the LAC contract. To ensure compliance with contracted work, the Center has significantly increased its monitoring of LAC's work performance. Below are some of the actions the Center has undertaken:

- Developed specific workload tracking worksheets to ensure compliance with contracted work as established in the new 3-year contract.
- The Center dedicated one Field Operations Branch Chief whose primary function is to oversee LAC performance.
- Hired a former Licensing and Certification district manager as a retired annuitant to conduct ongoing oversight and monitoring of the LAC contract performance. This individual conducts onsite monitoring, statistical data analysis, and audit review of required federal and state survey workload, as well as, assessment of proper assignment of scope and severity, triaging, timeliness and completion of complaints and entity reported incident (ERI) investigations.
- Established the LAC Monitoring Unit (LACMU) and hired a Health Facility Evaluator Nurse (HFEN) supervisor with two HFEN nurse surveyors to conduct concurrent onsite quality review of the federal recertification survey process through a defined State Observation Survey Analysis (SOSA) process. [A SOSA survey is where one of our trained HFENs observes an entire recertification survey to ensure proper survey protocols are used. The SOSA surveyor relays observations to LAC supervisors on areas needing improvement.]

- The Center conducts bi-monthly calls with individual LAC program managers to discuss work performance and enforcement actions.
- The Center conducts bi-monthly calls with the Health Facilities Inspection Division (HFID) branch chief, assistant branch chief and program managers to discuss ongoing operational issues and monitoring activities.

As needed, the Center has and will continue to move resources from one district office to assist another in meeting mandatory survey workload – including using state staff to assist LAC if warranted. Surveyor applicants are informed during the hiring process that statewide travel may be required.

In 2015, the Center revised the estimate process it uses to determine the number of surveyors needed to meet mandatory workload. The estimate takes into consideration the number of facilities, the frequency of activities to be completed and standard average hours for each activity to derive how many surveyors are needed. Based on these revisions, the Legislature approved an additional 144 surveyor positions for the Center, as well as approved an augmentation to the LAC contract that supported an additional 22 surveyor positions for LAC.

Each year the Center re-evaluates its workload and the positions needed to meet required activities. As the Center determines a need for additional positions, it will use the established Budget Change Process to seek Administration and Legislative approval.

Implementation Date: July 1, 2015

Contact: Scott Vivona, Assistant Deputy Director
Center for Health Care Quality
California Department of Public Health

Reference No. 2016-030:

Health Care Services agrees with the finding and recommendation.

Health Care Services intends to collaborate with Conduent as to the best way to manage the remediation of these findings. Remediation tasks may be managed via a corrective action plan (CAP), Plan of Action and Milestones (POAM) or other mechanism suitable to meet control objectives. Health Care Services plans to execute formal correspondence (FI Letter) by March 2017 and request Conduent to respond within ten (10) business days addressing the following:

1. Plan of action tasks to remediate above control objectives
2. Timeline-based schedule
3. Success criteria defined
4. Owner and point of contact

If Conduent's response is acceptable, Health Care Services will provide oversight and monitor remediation tasks to completion. An unacceptable response will result in further collaboration efforts between Health Care Services and Conduent. Noncompliance may be subject to withholds of the Monthly Security Invoice.

Estimated Implementation Date: March 2017

Contact: Sarah Hollister, External Audit Manager
Audits & Investigations – Internal Audits
California Department of Health Care Services