



State of California

Federal Compliance Audit Report for the
Fiscal Year Ended June 30, 2020

February 2022

REPORT 2020-002





CALIFORNIA STATE AUDITOR

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February 25, 2022
2020-002

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 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, 2020. The State Auditor contracted with Macias Gini & O'Connell LLP (MGO) to perform this audit for fiscal year 2019–20.

This report concludes that the State did not materially comply with certain requirements for four of the 14 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,

A handwritten signature in black ink that reads "Michael Tilden". The signature is stylized with a large, flowing "M" and a long, sweeping underline.

MICHAEL S. TILDEN, CPA
Acting California State Auditor

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Auditor's Section

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Independent Auditor's Report on the Schedule of Expenditures of Federal Awards 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 (Schedule) of the State of California (State) for the fiscal year ended June 30, 2020, and the related notes to the Schedule (the financial statement).

Management's Responsibility

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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative 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 statement 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, 2020, 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'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 of the California Housing Finance Agency, a component unit of the State of California, which reported \$6.2 billion, \$2.8 billion, \$155.9 million, \$103.5 million, and \$50.2 million, respectively, in federal awards, which are not included in the Schedule for the fiscal year ended June 30, 2020. Our audit, described above, did not include the federal awards 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 State Revolving Fund, and the California Housing Finance Fund of 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 February 18, 2022, on our consideration of the State'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 solely 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 the effectiveness of the State's 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's internal control over financial reporting and compliance of the financial statement.



Sacramento, California
February 18, 2022



Certified
Public
Accountants

**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***

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 Administrative 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 (State) for the fiscal year ended June 30, 2020, and the related notes to the Schedule (the financial statement), and have issued our report thereon dated February 18, 2022. 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'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs as item 2020-001, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State'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 tests 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 item 2020-001.

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'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Sacramento, California
February 18, 2022



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 (State) 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's major federal programs for the fiscal year ended June 30, 2020. The State'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 of Expenditures of Federal Awards (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 State Water Resources Control Board Water Pollution Control Revolving Fund, the State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency, a component unit of the State of California, which reported \$6.2 billion, \$2.8 billion, \$155.9 million, \$103.5 million, and \$50.2 million, respectively, in federal awards, which are not included in the State's Schedule for the fiscal year ended June 30, 2020. Our audit, described below, did not include the federal awards of the University of California system, the California State University system, the State Water Resources Control Board Water Pollution Control Revolving Fund, the State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of 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 Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the 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'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 the audit requirements of the 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'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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the State'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 did not comply with requirements regarding the following:

Finding Number	CFDA Number	Federal Program Name or Cluster	Compliance Requirement(s)	State Administering Department
2020-002	10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Eligibility	Department of Public Health
2020-005	17.225	Unemployment Insurance	Eligibility	Economic Development Department
		COVID-19 Unemployment Insurance		
2020-006	17.225	COVID-19 Unemployment Insurance	Eligibility	Economic Development Department
2020-007	93.767	Children's Health Insurance Program	Activities Allowed or Unallowed	Department of Health Care Services
2020-007	93.778	Medical Assistance Program (Medicaid Cluster)	Activities Allowed or Unallowed	Department of Health Care Services
2020-008	93.767	Children's Health Insurance Program	Eligibility	Department of Health Care Services
2020-008	93.778	Medical Assistance Program (Medicaid Cluster)	Eligibility	Department of Health Care Services

Compliance with such requirements is necessary, in our opinion, for the State 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 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, 2020.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State 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, 2020.

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
2020-003	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	Subrecipient Monitoring	Department of Social Services
2020-004	17.225	Unemployment Insurance COVID-19 Unemployment Insurance	Eligibility	Economic Development Department
2020-011	93.558	Temporary Assistance for Needy Families	Subrecipient Monitoring	Department of Social Services
2020-012	93.767	Children's Health Insurance Program	Special Tests and Provisions	Department of Health Care Services
2020-012	93.778	Medical Assistance Program (Medicaid Cluster)	Special Tests and Provisions	Department of Health Care Services

The State's responses to the noncompliance findings identified in our audit are described in the accompanying management's response and corrective action plan. The State'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 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'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'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 have not been identified. However, as discussed below, we did identify 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 a 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 2020-002, 2020-005, 2020-006, 2020-007, 2020-008, and 2020-009 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 2020-003, 2020-004, 2020-010, 2020-011, and 2020-012 to be significant deficiencies.

The State's responses to the internal control over compliance findings identified in our audit are described in the accompanying management's response and corrective action plan. The State'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
February 18, 2022

Schedule of Findings and Questioned Costs

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**STATE OF CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditor’s Results

Financial Statements

Issued under a separate cover. Refer to California State Auditor’s 2020-001.1 report entitled *State of California: Internal Control and Compliance Audit Report for the Fiscal Year Ended June 30, 2020*.

Schedule of Expenditures of Federal Awards (Schedule)

Type of report the auditor issued on whether the Schedule audited was prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes

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 report issued on compliance for major federal programs:

Refer to the tables that follow

<u>Qualified CFDA Number</u>	<u>Federal Program or Cluster</u>
10.557	WIC Special Supplemental Nutrition Assistance Program for Women, Infants and Children
17.225	Unemployment Insurance
93.767	Children’s Health Insurance Program

Qualified	
<u>CFDA Number</u>	<u>Federal Program or Cluster</u>
	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

Unmodified	
<u>CFDA Number</u>	<u>Federal Program or Cluster</u>
	Supplemental Nutrition Assistance Program (SNAP) Cluster:
10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
	WIOA Cluster:
17.258	WIOA Adult Program
17.259	WIOA Youth Activities
17.278	WIOA Dislocated Worker Formula Grants
	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States
93.268	Immunization Cooperative Agreements
93.558	Temporary Assistance for Needy Families
93.568	Low-Income Home Energy Assistance
	Child Care and Development Fund (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
93.917	HIV Care Formula Grants
93.991	Preventive Health and Health Services Block Grant

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)?

Yes

Identification of major federal programs:

<u>CFDA Number</u>	<u>Federal Program or Cluster</u>
	Supplemental Nutrition Assistance Program (SNAP) Cluster:
10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.557	WIC Special Supplemental Nutrition Assistance Program for Women, Infants and Children
17.225	Unemployment Insurance
	WIOA Cluster:
17.258	WIOA Adult Program
17.259	WIOA Youth Activities
17.278	WIOA Dislocated Worker Formula Grants
	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States
93.268	Immunization Cooperative Agreements
93.558	Temporary Assistance for Needy Families
93.568	Low-Income Home Energy Assistance
	Child Care Development Fund (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
93.767	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
93.917	HIV Care Formula Grants
93.991	Preventive Health and Health Services Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$211,219,151

Auditee qualified as low-risk auditee? No

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Schedule of Expenditures of Federal Awards Finding

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**DEPARTMENT OF PUBLIC HEALTH and
EMPLOYMENT DEVELOPMENT DEPARTMENT**

Reference Number: 2020-001

Type of Finding: Significant Deficiency, Material Weakness and Instance of
Noncompliance

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 F - Audit Requirements. §200.510 Financial statements (2 CFR 200.510):

- (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 the federal award programs they administer.

Employment Development Department

Due to unprecedented impacts from the COVID-19 pandemic, the Employment Development Department (EDD) was unable to timely report to Finance through the Database with accurate and reliable federal cash basis expenditures for the federal award programs which it administers. The delay resulted in Finance being unable to compile and produce a complete and final approved Schedule until October 2021. Subsequently, in late December 2021 certain federal award program expenditures were updated by EDD, most notably the Unemployment Insurance (UI) program federal cash basis expenditures were reduced by \$2.58 billion related to potential fraudulent unemployment insurance claims payments.

Public Health

Prior to submission to Finance for compilation of the Schedule, Public Health needs to ensure that the information is complete and accurate.

During our testing of the Schedule, we noted that the HIV Care Formula Grants over-reported subrecipient expenditures by \$1,070,822, or approximately 5% of the corrected amount.

The error, which was subsequently corrected, is indicative of a lack of sufficient controls for ensuring the Schedule's completeness and accuracy prior to submission to Finance.

Cause

Employment Development Department

Given the substantial increase in claimants seeking assistance under the UI program (CFDA 17.225) for unemployment compensation associated with the Coronavirus Aid, Relief, and Economic Security (CARES) Act, EDD was overwhelmed with the overall administration of the UI program. Also, EDD was still encountering accounting and control issues stemming from the implementation of the Financial Information System for California (FISCal) which replaced the legacy Cost Accounting System (CAS).

Public Health

The AIDS Drug Assistance Program (ADAP) properly determined that these seven external parties were contractors instead of subrecipients. However, subrecipient expenditures submitted by the Accounting Unit for SEFA reporting did not reflect the results of that determination.

Effect

Employment Development Department

The difficulties that EDD encountered from the COVID-19 pandemic and continuing FISCal implementation issues, resulted in the late reporting and submission of final federal cash basis expenditures to Finance for the various federal award programs administered by EDD. The untimely submission limited and constrained Finance from compiling and producing a final complete and accurate Schedule.

Public Health

Public Health currently lacks a system of adequate communication and oversight controls to ensure that information submitted to Finance for preparation of the Schedule is complete and accurate. Accordingly, there is an increased risk for material errors that may exist in the Schedule, which may not be prevented or detected on a timely basis.

Questioned Costs

No questioned costs were identified.

Recommendation

Employment Development Department

On a go forward basis, EDD should evaluate its current process and controls related to its ability to properly account for, report, and timely submit complete and accurate federal award cash basis expenditures to the Database, which affords Finance the ability to timely compile and produce a final Schedule pursuant to the Uniform Guidance. If additional guidance and support is required by EDD, outreach to other State departments for assistance should occur.

Public Health

The HIV Care Formula Grants need to establish a more thorough internal review process to ensure the information submitted to Finance for compilation of the Schedule is complete and accurate.

Views of Responsible Officials and Corrective Action Plan

Employment Development Department

EDD agrees with this finding. EDD is currently behind with the completion of year-end processing resulting in the delayed submission of financial reports. Prior to transitioning to FISCAL in 2018-19, EDD in agreement with the Department of Finance (DOF) and the Department of FISCAL opted to transition a quarter late, in October 2018. This decision was made due to the uncertainty of federal reporting accuracy for the federal year which ended in September 2018, so that it would not impact the federal funding EDD receives to administer the Unemployment Insurance (UI) program. This decision had the downstream impact of over 30,000 catch up transactions that EDD accounting staff had to enter before it could complete 2018-19 financials. In addition, the complexities brought upon by the pandemic caused many issues for EDD as it relates to its financials which caused further delays. These issues continue to contribute to EDD being behind with its submission of financial reports.

EDD is currently working on fiscal year 2020-21 with a goal to submit year-end financials by June 30, 2022. While this is past the State's due dates for submitting year-end financials, EDD is in a better position than when compared to 2019-20. Steps and processes have been put in place and will continue to be refined from the lessons learned during 2019-20 to help make the 2020-21 year-end process run much smoother. For example, one of the major delays in completing year-end that took several months working with the auditors and control agencies, was around the accounting of the fraudulent benefit payments experienced in the pandemic UI programs which resulted in the need to amend multiple times the EDD's Generally Accepted Accounting Principle (GAAP) statements, as well as Finance's Database reporting. Since these fraudulent benefit payments extended into the 2020-21 fiscal year, and there is an agreed upon approach with the auditors and control agencies on how to account for these payments in EDD's GAAP statements, as well as the Database, this is one significant task that EDD will be able to complete without the need of spending several months on it like what occurred during fiscal year 2019-20.

In addition, EDD is working on restructuring the workload amongst the units and seeking to bring in additional resources to assist where needed. EDD is exploring different training options and will continue to seek guidance from the control agencies when questions/issues arise. Since EDD deferred transitioning into FISCAL by a quarter in 2018-19, the 2019-20 year was the first full fiscal year in the system and EDD has much more experience going into the 2020-21 year-end. Processes and procedures have been and continue to be updated to reflect the knowledge gained during this past year-end and audit season.

Public Health

Public Health's Office of AIDS (OA) agrees with the finding and is working to meet the auditor's recommendation. OA has already taken steps to remedy the issue by using its Support Branch to realign staff and responsibilities to allow for a greater focus on fiscal reporting. Additional staff have been trained and are focusing their efforts on fiscal reporting and monitoring in order to build greater capacity in this area. The increase of staffing resources will allow for a more thorough review of any and all reporting submissions. Lastly, this specific issue regarding the ADAP contractors will not reoccur as all of the contracts that were part of ADAP's Access, Adherence, and Navigation program ended on March 31, 2020. Additionally, the Administration Division's Accounting Section (Accounting) will coordinate with program centers to maintain a list of subrecipient names. Accounting will develop a template by using a standardized KK 12 FISCAL Detail History report to include controlled sets of questions for program centers to select transactions associated with federal subrecipient expenses. Upon completion of the template from programs, Accounting will review the data for accuracy against the list of subrecipients before the information is entered in the Database.

Schedule of Federal Award Findings and Questioned Costs

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U.S. DEPARTMENT OF AGRICULTURE

Reference Number:	2020-002
Category of Finding:	Eligibility
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:	WIC Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Federal Award Numbers and Years:	201918W100647; 2019 201919W100647; 2019 202020W100647, 2020 202019W100647, 2020 202020W500347, 2020

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 7 – Agriculture, Subtitle B - Regulations of the Department of Agriculture. Chapter II – Food and Nutrition Service, Department of Agriculture. Subchapter A – Child Nutrition Programs. Part 246 - Special Supplemental Nutrition Program for Women, Infants and Children, §246.7 - Certification of participants:

- (c) Eligibility criteria and basic certification procedures.

(1) To qualify for the Program, infants, children, and pregnant, postpartum, and breastfeeding women must:

- (i) Reside within the jurisdiction of the State (except for Indian State agencies). Indian State agencies may establish a similar requirement. All State agencies may determine a service area for any local agency, and may require that an applicant reside within the service area. However, the State agency may not use length of residency as an eligibility requirement.

- (ii) Meet the income criteria specified in paragraph (d) of this section.

- (iii) Meet the nutritional risk criteria specified in paragraph (e) of this section.

(2) (i) At certification, the State or local agency must require each applicant to present proof of residency (i.e., location or address where the applicant routinely lives or spends the night) and proof of identity. The State or local agency must also check the identity of participants, or in the case of infants or children, the identity of the parent or guardian, or proxies when issuing food, cash-value vouchers or food instruments. The State agency may authorize the certification of applicants when no proof of residency or identity exists (such as when an applicant or an applicant's parent is a victim of theft, loss, or disaster; a homeless individual; or a migrant farmworker). In these cases, the State or local agency must require the applicant to confirm in writing his/her residency or identity. Further, an individual residing in a remote Indian or Native village or an individual served by an Indian tribal organization and residing on a reservation or pueblo may establish proof of residency by providing the State agency their mailing address and the name of the remote Indian or Native village.

(e) Nutritional risk. To be certified as eligible for the Program, applicants who meet the Program's eligibility standards specified in paragraph (c) of this section must be determined to be at nutritional risk. ... Nutritional risk data shall be documented in the participant's file and shall be used to assess an applicant's nutritional status and risk; tailor the food package to address nutritional needs; design appropriate nutrition education, including breastfeeding promotion and support; and make referrals to health and social services for follow-up, as necessary and appropriate.

(1) Determination of nutritional risk.

(ii) Timing of nutritional risk data.

(A) Weight and height or length. Weight and height or length shall be measured not more than 60 days prior to certification for program participation.

(B) Hematological test for anemia.

(1) For pregnant, breastfeeding, and postpartum women, and child applicants, the hematological test for anemia shall be performed or obtained from referral sources at the time of certification or within 90 days of the date of certification. The hematological test for anemia may be deferred for up to 90 days from the time of certification for applicants who have at least one qualifying nutritional risk factor present at the time of certification. If no qualifying risk factor is identified, a hematological test for anemia must be performed or obtained from referral sources (with the exception of presumptively eligible pregnant women).

(2) Infants nine months of age and older (who have not already had a hematological test performed, between six and nine months of age, by a competent professional authority or obtained from referral sources), shall between nine and twelve months of age have a hematological test performed or obtained from referral sources. Such a test may be performed more than 90 days after the date of certification.

(3) For pregnant women, the hematological test for anemia shall be performed during their pregnancy. For persons certified as postpartum or breastfeeding women, the hematological test for anemia shall be performed after the termination of their pregnancy. For breastfeeding women who are 6-12 months postpartum, no additional blood test is necessary if a test was performed after the termination of their pregnancy. The participant or parent/guardian shall be informed of the test results when there is a finding of anemia, and notations reflecting the outcome of the tests shall be made in the participant's file. Nutrition education, food package tailoring, and referral services shall be provided to the participant or parent/guardian, as necessary and appropriate.

Condition

During the fiscal year ended June 30, 2020, the WIC Special Supplemental Food Program for Women, Infants, and Children (WIC) nutrition program implemented phase 1 of a new management information system known as the Women, Infants, and Children Web Information System Exchange (WIC WISE) in a two-phased approach to replace the WIC Management Information Systems (WIC-MIS).

A sample of 150 program participants included 60 participants whose data were maintained in WIC-MIS and 90 participants whose data were maintained in WIC WISE. Of the 90 participants in WIC WISE, 16 participants did not have proper documentation to support their eligibility:

- 7 participants did not have documentation to support basic certification procedures. The missing documentation included proof of identification, residency proof, and proof of presence.
- 9 participants did not have documentation to support their nutritional status and risk, including height and weight measurements and hematological tests.

Cause

The documentation of certification for the 16 participants was inaccessible or missing from the WIC WISE system. Existing internal controls did not prevent, or detect and correct, the occurrence of benefits being provided to potentially ineligible individuals.

Effect

Public Health did not have adequate oversight controls to ensure that the applicant's eligibility was properly reviewed and approved. Accordingly, there is an increased risk for the occurrence of benefits being provided to ineligible individuals, which may not be prevented or detected in a timely manner.

Questioned Costs

Known questioned costs of \$8,479 pertained to food vouchers issued to the 16 participants whose files did not contain all required documentation, and represented 18% of food vouchers issued to the 90 WIC WISE participants in the sample. Likely questioned costs cannot be determined because total food vouchers issued to participants whose data were maintained in WIC WISE cannot be readily determined.

Context

Total food vouchers disbursed to program participants during the fiscal year ended June 30, 2020, totaled \$459,847,935. All identified exceptions related to participants whose data were maintained in WIC WISE; however, the amount of food vouchers disbursed to participants whose data were maintained in WIC WISE was not readily determinable.

The sample was not a statistically valid sample.

Recommendation

Public Health should continue to monitor compliance with its policies to ensure enrollment workers follow the established guidelines and retain acceptable documentation to support eligibility determinations.

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:	2020-003
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	Department of Social Services (Social Services)
Federal Catalog Number:	10.561
Federal Program Title:	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
Federal Award Numbers and Years:	7CA400CA4; 2019-2020 7CA430CA4; 2019-2020 7CA430CA5; 2019-2020

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) and Subpart F - Audit Requirements. §200.521 Management decision (2 CFR 200.521):

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. Pass-through entity monitoring of the subrecipient must include:
 - (1) Reviewing financial and performance reports required by the pass-through entity.
 - (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the Subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
 - (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.
 - (4) The pass-through entity is responsible for resolving audit findings specifically related to the subaward and not responsible for resolving crosscutting findings.

2 CFR 200.521 Management decision:

- (c) As provided in § 200.331(d), the pass-through entity must be responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.
- (d) The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the Federal Audit Clearinghouse. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.

Condition

The Office of Audit Services (OAS) of Social Services facilitates the process for monitoring counties that meet the threshold set forth in §200.501 Audit Requirements. Completed subrecipient Single Audit reports received by OAS from the California State Controller's Office are sent to the responsible Social Services department to issue management decisions and follow-up with the subrecipient for any findings and corrective actions. We tested five out of thirty-eight Single Audit reports received by Social Services for the fiscal year and for four of the reviews tested, Social Services did not issue a management decision within six months of the subrecipients' single audit acceptance by the Federal Audit Clearinghouse.

Cause

Upon receipt of the subrecipient single audit reports, OAS did not communicate the reports to the respective program divisions within Social Services for the appropriate follow-up to commence and subsequently issue management decisions to the subrecipients.

Effect

By Social Services not issuing timely management decisions, subrecipient deficiencies could persist and Social Service's risk assessment process for determining the appropriate monitoring procedures may be insufficient in evaluating the subrecipients compliance with the laws and regulations of the federal program.

Questioned Costs

No questioned costs were identified.

Context

Disbursements to subrecipients for the Supplemental Nutrition Assistance Program for the fiscal year ended June 30, 2020, totaled \$865,679,959.

The sample was not a statistically valid sample.

Recommendation

Social Services should implement policies and procedures which provide assurance that management decisions are issued within six months after receipt of the subrecipients audit report.

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 LABOR

Reference Number:	2020-004
Category of Finding:	Eligibility
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	California Employment Development Department (EDD)
Federal Catalog Number:	17.225
Federal Program Title:	Unemployment Insurance COVID-19 – Unemployment Insurance
Federal Award Numbers and Years:	UI-32588-19-55-A-6; 2020 UI-34047-20-55-A-6; 2020 UI-34702-20-55-A-6; 2020

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).

U.S. Code, Title 15 - Commerce and Trade, Chapter 116 - Coronavirus Economic Stabilization (CARES Act), Subchapter II - Unemployment Insurance Provisions, §9023 - Emergency Increase in Unemployment Compensation Benefits

(b) Provisions of Agreement

- (1) Any agreement under this section shall provide that the State agency of the State will make payments of regular compensation to individuals in amounts and to the extent that they would be determined if the State law of the State were applied, with respect to any week for which the individual is (disregarding this section) otherwise entitled under the State law to receive regular compensation, as if such State law had been modified in a manner such that the amount of regular compensation (including dependents’ allowances) payable for any week shall be equal to—
 - (A) the amount determined under the State law (before the application of this paragraph), plus
 - (B) an additional amount equal to the amount specified in paragraph (3) (in this section referred to as “Federal Pandemic Unemployment Compensation”), plus
 - (C) an additional amount of \$100 (in this section referred to as “Mixed Earner Unemployment Compensation”) in any case in which the individual received at least \$5,000 of self-employment income (as defined in section 1402(b) of title 26) in the most recent taxable year ending prior to the individual’s application for regular compensation.

(f) Fraud and Overpayments

- (4) Any determination by a State agency under this section shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensation law, and only in that manner and to that extent.

Title 22 – Social Security, Division 1 - Employment Development Department, Subdivision 1 - Director of Employment Development, Division - 1 Unemployment and Disability Compensation, Part 1 - Unemployment Compensation, Chapter 5 - Unemployment Compensation Benefits, Article 1 – Eligibility and Disqualifications §1256

Eligibility and Disqualifications, §1256 California Code of Regulations:

- (a) An individual is disqualified for unemployment compensation benefits if the director finds that he or she left his or her most recent work voluntarily without good cause or that he or she has been discharged for misconduct connected with his or her most recent work.

Condition

The Unemployment Insurance Branch of EDD reviews unemployment insurance claims made by claimants for involuntary separation to ensure separations were for valid reasons under the Unemployment Insurance Code. Out of 60 unemployment insurance benefit payments tested, there were 2 claimants receiving benefits, whose reasons for involuntary separation indicated separation reasons were for voluntarily quitting without good cause and discharge for misconduct.

Cause

The adjudication process for potential eligibility issues, which includes work separation, was suspended by EDD to allow for additional internal bandwidth of its human resources for claims processing due to the significant increase in claims resulting from the COVID-19 pandemic during the 4th quarter of fiscal year 2019-20.

Effect

By EDD suspending the adjudication process for potential eligibility issues, there were benefit payments made to ineligible claimants.

Questioned Costs

Known questioned costs of \$8,929 for Unemployment Insurance program benefits and \$9,600 for Federal Pandemic Unemployment Compensation program of the COVID-19 Unemployment Insurance pertaining to the two claimants whose benefit payments were tested.

Context

Benefits paid to claimants under the Unemployment Insurance Program and the COVID-19 Unemployment Insurance Program for the fiscal year ended June 30, 2020, totaled \$13,186,536,299 and \$27,156,377,360, respectively.

The sample was not a statistically valid sample.

Recommendation

EDD should resume its adjudication process to support eligibility determinations and reduce the risk of unemployment insurance benefit payments being made to ineligible claimants.

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:	2020-005
Category of Finding:	Eligibility
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Employment Development Department (EDD)
Federal Catalog Number:	17.225
Federal Program Title:	Unemployment Insurance COVID-19 Unemployment Insurance
Federal Award Numbers and Years:	UI-32588-19-55-A-6; 2020 UI-34047-20-55-A-6; 2020 UI-34702-20-55-A-6; 2020

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:

- (c) 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).

U.S. Code, Title 15 - Commerce and Trade, Chapter 116 - Coronavirus Economic Stabilization (CARES Act), Subchapter II - Unemployment Insurance Provisions, §9023 - Emergency Increase in Unemployment Compensation Benefits

(b) Provisions of Agreement

(1) Federal Pandemic Unemployment Compensation

Any agreement under this section shall provide that the State agency of the State will make payments of regular compensation to individuals in amounts and to the extent that they would be determined if the State law of the State were applied, with respect to any week for which the individual is (disregarding this section) otherwise entitled under the State law to receive regular compensation, as if such State law had been modified in a manner such that the amount of regular compensation (including dependents’ allowances) payable for any week shall be equal to—

- (A) the amount determined under the State law (before the application of this paragraph), plus
- (B) an additional amount equal to the amount specified in paragraph (3) (in this section referred to as “Federal Pandemic Unemployment Compensation”), plus

(f) Fraud and Overpayments

(4) Review

Any determination by a State agency under this section shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensation law, and only in that manner and to that extent.

U.S. Code, Title 15 - Commerce and Trade, Chapter 116 - Coronavirus Economic Stabilization (CARES Act), Subchapter II - Unemployment Insurance Provisions, §9025 – Pandemic Emergency Unemployment Assistance

(e) Relationship between pandemic unemployment assistance and disaster unemployment assistance: Except as otherwise provided in this section or to the extent there is a conflict between this section and part 625 of title 20, Code of Federal Regulations, such part 625 shall apply to this section as if—

(1) the term “COVID–19 public health emergency” were substituted for the term “major disaster” each place it appears in such part 625; and

(2) the term “pandemic” were substituted for the term “disaster” each place it appears in such part 625.

Title 20 - Employees’ Benefits, Chapter V, Employment and Training Administration, Department of Labor, Part 625 - Disaster Unemployment Assistance, §625.14 Overpayments; disqualification for fraud:

(h) Provisions in the procedures of each State with respect to detection and prevention of fraudulent overpayments of DUA shall be, as a minimum, commensurate with the procedures adopted by the State with respect to regular compensation and consistent with the Secretary's “Standard for Fraud and Overpayment Detection,” Employment Security Manual, part V, sections 7510 et seq. (Appendix C of this part).

(i) Any individual who, with respect to a major disaster, makes or causes another to make a false statement or misrepresentation of a material fact, knowing it to be false, or knowingly fails or causes another to fail to disclose a material fact, in order to obtain for the individual or any other person a payment of DUA to which the individual or any other person is not entitled, shall be disqualified as follows:

(1) If the false statement, misrepresentation, or nondisclosure pertains to an initial application for DUA –

i. The individual making the false statement, misrepresentation, or nondisclosure shall be disqualified from the receipt of any DUA with respect to that major disaster; and

ii. If the false statement, misrepresentation, or nondisclosure was made on behalf of another individual, and was known to such other individual to be a false statement, misrepresentation, or nondisclosure, such other individual shall be disqualified from the receipt of any DUA with respect to that major disaster; and

(2) If the false statement, misrepresentation, or nondisclosure pertains to a week for which application for a payment of DUA is made –

i. The individual making the false statement, misrepresentation, or nondisclosure shall be disqualified from the receipt of DUA for that week and the first two compensable weeks in the Disaster Assistance Period that immediately follow that week, with respect to which the individual is otherwise entitled to a payment of DUA; and

- ii. If the false statement, misrepresentation, or nondisclosure was made on behalf of another individual, and was known to such other individual to be a false statement, misrepresentation, or nondisclosure, such other individual shall be disqualified from the receipt of DUA for that week and the first two compensable weeks in the Disaster Assistance Period that immediately follow that week, with respect to which the individual is otherwise entitled to a payment of DUA.

Condition

During the fiscal year ended June 30, 2020, in addition to the regular Unemployment Insurance (UI) program, EDD implemented the Pandemic Unemployment Assistance (PUA) program, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act for COVID-19 relief in unemployment compensation. Under the CARES Act, the PUA program was to be administered in accordance with the Disaster Unemployment Assistance (DUA) program under section 625 of Title 20, Code of Federal Regulations. Claimants eligible for PUA will also receive additional weekly benefits from the Federal Pandemic Unemployment Compensation (FPUC) program of \$600 up until July 31, 2020.

Out of 138 PUA benefit payments tested, there were 7 benefit payments to claimants determined to be potentially fraudulent.

- 2 claimants received benefits while being incarcerated.
- 5 claimants received benefits whose identity was not verified.

Data analysis was performed over benefit payments made during fiscal year 2019-20 in regards to multiple claimants using the same address, which resulted in 16,791 addresses with 5 or more claimants using the same address. The top 3 street addresses and top 3 PO Box addresses were selected for review. The top 3 street addresses were identified to be potentially fraudulent. Out of the top 3 PO Box addresses, 1 PO Box address was identified to be fraudulent.

Cause

Due to the COVID-19 pandemic, there was a significant increase in unemployment claims that overwhelmed EDD's staffing resources and current detection process. In addition, existing internal controls did not prevent, or detect and correct, instances of fraud for benefit payments.

Effect

EDD did not have adequate staffing resources and oversight controls to ensure that benefit payments were not being made to fraudulent claimants. Accordingly, benefit payments were made to fraudulent claimants or who were ineligible.

Questioned Costs

Questioned costs identified for the fiscal year ended June 30, 2020 were as follows:

- Claims associated with incarcerated individuals, questioned costs totaled \$8,532 for PUA and \$12,000 FPUC.
- Claims associated with insufficient identity verification, questioned costs totaled \$30,952 for PUA and \$35,400 FPUC.
- Claims associated with addresses subsequently reviewed, questioned costs totaled \$345,287 for PUA, \$1,443,952 for UI, and \$2,011,200 for FPUC.

Context

Benefits paid to claimants under the Unemployment Insurance program and the COVID-19 Unemployment Insurance program for the fiscal year ended June 30, 2020, totaled \$13,186,536,299 and \$27,156,377,360, respectively.

The sample was not a statistically valid sample.

Recommendation

EDD should look for ways to enhance its fraud prevention and detection efforts by utilizing other databases or State agencies to verify claimants' information, and increase the use of automation features and other analytical tools in an effort to reduce workload. In addition, EDD should implement policies and procedures to strengthen internal controls that might better prevent and detect fraudulent activities.

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:	2020-006
Category of Finding:	Eligibility
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Employment Development Department (EDD)
Federal Catalog Number:	17.225
Federal Program Title:	COVID-19 Unemployment Insurance
Federal Award Number and Year:	UI-34702-20-55-A-6; 2020

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:

- (2) 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).

U.S. Code, Title 15 - Commerce and Trade, Chapter 116 - Coronavirus Economic Stabilization (CARES Act), Subchapter II - Unemployment Insurance Provisions, §9023 - Emergency Increase in Unemployment Compensation Benefits

(b) Provisions of Agreement

(1) Federal Pandemic Unemployment Compensation

Any agreement under this section shall provide that the State agency of the State will make payments of regular compensation to individuals in amounts and to the extent that they would be determined if the State law of the State were applied, with respect to any week for which the individual is (disregarding this section) otherwise entitled under the State law to receive regular compensation, as if such State law had been modified in a manner such that the amount of regular compensation (including dependents’ allowances) payable for any week shall be equal to—

- (A) the amount determined under the State law (before the application of this paragraph), plus
- (B) an additional amount equal to the amount specified in paragraph (3) (in this section referred to as “Federal Pandemic Unemployment Compensation”), plus
- (C) an additional amount of \$100 (in this section referred to as “Mixed Earner Unemployment Compensation”) in any case in which the individual received at least \$5,000 of self-employment income (as defined in section 1402(b) of title 26) in the most recent taxable year ending prior to the individual’s application for regular compensation.

(f) Fraud and Overpayments

(4) Review

Any determination by a State agency under this section shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensation law, and only in that manner and to that extent.

U.S. Code, Title 15 - Commerce and Trade, Chapter 116 - Coronavirus Economic Stabilization (CARES Act), Subchapter II - Unemployment Insurance Provisions, §9025 - Pandemic Unemployment Assistance

- (3) Relationship between pandemic unemployment assistance and disaster unemployment assistance: Except as otherwise provided in this section or to the extent there is a conflict between this section and part 625 of title 20, Code of Federal Regulations, such part 625 shall apply to this section as if—
- a. the term “COVID–19 public health emergency” were substituted for the term “major disaster” each place it appears in such part 625; and
 - b. the term “pandemic” were substituted for the term “disaster” each place it appears in such part 625.

Title 20 - Employees’ Benefits, Chapter V, Employment and Training Administration, Department of Labor, Part 625 - Disaster Unemployment Assistance, §625.6 Weekly amount; jurisdictions; reductions

Eligibility and Disqualifications:

- (c) If the weekly amount computed under paragraph (a) of this section is less than 50 percent of the average weekly payment of regular compensation in the State, as provided quarterly by the Department, or, if the individual has insufficient wages from employment or insufficient or no net income from self-employment (which includes individuals falling within paragraphs (a)(3) and (b)(3) of § 625.5) in the applicable base period to compute a weekly amount under paragraph (a) of this section, the individual shall be determined entitled to a weekly amount equal to 50 percent of the average weekly payment of regular compensation in the State.
- (f) The State agency shall immediately determine, upon the filing of an initial application for DUA, a weekly amount under the provisions of paragraphs (a) through (d) of this section, as the case may be, based on the individual's statement of employment or self-employment preceding the individual's unemployment that was a direct result of the major disaster, and wages earned or paid for such employment or self-employment. An immediate determination of a weekly amount shall also be made where, in conjunction with the filing of an initial application for DUA, the individual submits documentation substantiating employment or self-employment and wages earned or paid for such employment or self-employment, or, in the absence of documentation, where any State agency records of employment or self-employment and wages earned or paid for such employment or self-employment, justify the determination of a weekly amount. An immediate determination shall also be made based on the individual's statement or in conjunction with the submittal of documentation in those cases where the individual was to commence employment or self-employment on or after the date the major disaster began but was prevented from doing so as a direct result of the disaster.
- (1) In the case of a weekly amount determined in accordance with paragraph (e) of this section, based only on the individual's statement of earnings, the individual shall furnish documentation to substantiate the employment or self-employment or wages earned from or paid for such employment or self-employment or documentation to support that the individual was to commence employment or self-employment on or after the date the major disaster began. In either case, documentation shall be submitted within 21 calendar days of the filing of the initial application for DUA.
 - (3) For purposes of a computation of a weekly amount under paragraph (a) of this section, if an individual submits documentation to substantiate employment or self-employment in accordance with paragraph (e)(1), but not documentation of wages earned or paid during the base period set forth in paragraph (a)(2) of this section, including those cases where the individual has not filed a tax return for the most recent tax year that has ended, the State agency

shall immediately re-determine the weekly amount of DUA payable to the individual in accordance with paragraph (b) of this section.

Condition

During the fiscal year ended June 30, 2020, EDD implemented the Pandemic Unemployment Assistance (PUA) program, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act for COVID-19 relief in unemployment compensation. Under the CARES Act Section 2102(h), the PUA program was to be administered in accordance with the Disaster Unemployment Assistance (DUA) program under section 625 of Title 20, Code of Federal Regulations (CFR) or to the extent there is a conflict between section 2102 and 20 CFR Part 625. The amount of PUA payable to an unemployed or unemployed self-employed individual for a week of total unemployment shall be the weekly amount of compensation the individual would have been paid as regular compensation, as computed under the provisions of the applicable State law for a week of total unemployment. The weekly amount determination is calculated using the wages reported by the claimant. Upon receipt of a PUA claim, EDD would verify wages reported to ensure accurate weekly benefit amounts under PUA. Claimants eligible for PUA will also receive additional weekly benefits from the Federal Pandemic Unemployment Compensation (FPUC) program of \$600 up until July 31, 2020.

Out of 138 PUA benefit payments tested, there were 68 benefit payments for which claimants did not have their wages verified.

Cause

EDD was not performing timely wage verifications of PUA claimants due to the significant increase in claims resulting from the COVID-19 pandemic beginning in the 4th quarter of fiscal year 2019-20.

Effect

EDD did not have adequate staffing and oversight controls to ensure that the claimant's wages were being properly and timely reviewed and approved. Accordingly, there was an increased risk for the occurrence of improper payments in benefits being provided to individuals, which was not prevented or detected.

Questioned Costs

PUA benefits paid to claimants whose wages were not verified totaled \$335,147 for the fiscal year ended June 30, 2020.

Context

Benefits paid to claimants under the COVID-19 Unemployment Insurance program for the fiscal year ended June 30, 2020, totaled \$27,156,377,360.

The sample was not a statistically valid sample.

Recommendation

EDD should continue to look for ways to enhance its capacity for performing eligibility reviews regarding wages and to increase automation features and other analytical tools in an effort to reduce the workload of its eligibility workers.

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:	2020-007
Category of Finding:	Activities Allowed or Unallowed
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:	2005CA5021; 2020 [includes COVID-19 FFCRA (HR6201/2020)] 1905CA5021; 2019 1805CA5021; 2018
Federal Catalog Number:	93.778
Federal Program Title:	Medical Assistance Program
Federal Award Numbers and Years:	2005CA5ADM; 2020 2005CA5MAP; 2020 [includes COVID-19 FFCRA (HR6201/2020)] 1905CA5ADM; 2019 1905CA5MAP; 2019

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).

California 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 yearend cost reports by December 31 following the close of the fiscal year.

§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

Fifteen of 56 contractor counties of Short-Doyle funding were tested and six had not submitted their cost reports by the December 31 due date. One of the six contractor counties had not submitted its cost reports for fiscal years 2017-18 (more than 22 months late) and 2018-19 (more than 10 months late) and five of the six contractor counties had not submitted their cost reports for fiscal year 2018-19. Four of those five contractor counties have subsequently submitted their cost reports for fiscal year 2018-19.

Although the Mental Health Division of Health Care Services did take the required action of notifying the six contractor counties in writing within 30 days of the noncompliance, it has not taken any additional action necessary to ensure contract and performance compliance.

The cost reports are the basis for the allocation of payments made to contractor counties providing mental health services to eligible beneficiaries and serve to provide the Mental Health Division with fiscal oversight for contract and performance compliance.

Identification as a Repeat Finding

Finding 2019-003 was reported in the immediate prior year.

Cause

The Mental Health Division did not take additional action for significantly late annual cost reports because its monitoring and follow-up process does not go beyond emailing the delinquent subrecipients every 30 days.

Effect

Delays in reviewing cost reports do not comply with the objective of timely and effective contract monitoring. Inaccurate or untimely cost reports could result in under/over funding each contractor county and increases the risk of statewide noncompliance with contract requirements.

Questioned Costs

Questioned costs were not determinable.

Context

For the fiscal year ended June 30, 2020, disbursements of Short-Doyle funding from the Medical Assistance Program to the six noncompliant contractor counties totaled \$917,071,626, the 15 tested contractor counties totaled \$1,450,497,919, and all 56 contractor counties totaled \$1,902,380,732.

For the fiscal year ended June 30, 2020, disbursements of Short-Doyle funding from the Children's Health Insurance Program to the six noncompliant contractor counties totaled \$119,901,661, the 15 tested contractor counties totaled \$188,712,085, and all 56 contractor counties totaled \$233,896,921.

The sample was not a statistically valid sample.

Recommendation

Health Care Services should develop and follow policies and procedures to take additional action for significantly late annual cost reports. These policies and procedures should include imposing sanctions, including, but not limited to, fines, penalties, the withholding of payments, probationary or corrective actions, or any other actions deemed necessary to promptly ensure contract and performance compliance.

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:	2020-008
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:	93.767
Federal Program Title:	Children's Health Insurance Program
Federal Award Numbers and Years:	2005CA5021; 2020 [includes COVID-19 FFCRA (HR6201/2020)] 1905CA5021; 2019 1805CA5021; 2018
Federal Catalog Number:	93.778
Federal Program Title:	Medical Assistance Program
Federal Award Numbers and Years:	2005CA5ADM; 2020 2005CA5MAP; 2020 [includes COVID-19 FFCRA (HR6201/2020)] 1905CA5ADM; 2019 1905CA5MAP; 2019

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:

- (d) 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):

- (e) *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.
- (f) *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.

Subchapter D - State Children's Health Insurance Program (SCHIPs), Part 457 - Allotments and Grants to States, Subpart C - State Plan Requirements: Eligibility, Screening, Applications, and Enrollment:

§ 457.343 Periodic renewal of CHIP eligibility (42 CFR 457.343):

The renewal procedures described in §435.916 of this chapter apply equally to the State in administering a separate CHIP, except that the State shall verify information needed to renew CHIP eligibility in accordance with §457.380 of this subpart, shall provide notice regarding the State's determination of renewed eligibility or termination in accordance with §457.340(e) of this subpart and shall comply with the requirements set forth in §457.350 of this subpart for screening individuals for other insurance affordability programs and transmitting such individuals' electronic account and other relevant information to the appropriate program.

Condition

Out of 100 Medical Assistance Program (Medi-Cal) beneficiaries tested, there were 12 beneficiaries with instances in which redeterminations had not been performed within a year (42 CFR 435.916).

Out of 60 Children's Health Insurance Program (CHIP) beneficiaries tested, there were five beneficiaries with instances in which redeterminations had not been performed within a year (42 CFR 457.343).

Through subawards, Health Care Services has delegated performance of eligibility determinations to California county welfare agencies that collect and record this information in their respective eligibility systems (collectively known as the Statewide Automated Welfare System [SAWS]) and the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS), which transmit eligibility data to the Health Care Services' Medi-Cal Eligibility Data System (MEDS). Health Care Services then pays: (1) managed care plans monthly to provide eligible services for beneficiaries (Managed Care); (2) medical providers for services provided directly to beneficiaries (Fee for Service), and (3) the U.S. Centers for Medicare and Medicaid Services (CMS) for Medicare premiums (Premiums).

Supplemental Information to Provide Additional Perspective on the Condition

In addition to the above exceptions noted during this audit, in February 2018, the U.S. Department of Health and Human Services Office of Inspector General (OIG) issued a report titled "California Made Medicaid Payments on Behalf of Newly Eligible Beneficiaries Who Did Not Meet Federal and State Requirements." The OIG sampled 150 beneficiaries and found California made Medicaid payments on behalf of 112 eligible beneficiaries. However, for the remaining 38 beneficiaries, California made payments on behalf of ineligible and potentially ineligible beneficiaries. On the basis of the OIG's sample results, they estimated that California made Medi-Cal payments of \$738.2 million (\$628.8 million Federal share) on behalf of 366,078 ineligible beneficiaries and \$416.5 million (\$402.4 million Federal share) on behalf of 79,055 potentially ineligible beneficiaries. These deficiencies occurred because, at the time, California's eligibility systems lacked the necessary system functionality and county welfare agencies' eligibility caseworkers made errors.

In October 2018, the California State Auditor (CSA) issued a report titled “Department of Health Care Services: It Paid Billions in Questionable Medi-Cal Premiums and Claims Because It Failed to Follow Up on Eligibility Discrepancies.” This report presents the results of CSA’s high risk audit concerning \$4 billion (includes both Federal and State funding) in questionable Medi-Cal payments that Health Care Services made from 2014 through 2017 because it failed to ensure that counties resolved discrepancies between SAWS/CalHEERS and MEDS.

Both of these reports came to the attention of the United States Senate Committee on Homeland Security and Governmental Affairs, which requested CMS’ plans to address the findings noted in these reports. CMS conducted a review of California’s Medicaid beneficiary eligibility system to assess the accuracy of eligibility determinations and Federal Medical Assistance Percentage (FMAP) claiming. One of the primary objectives of this review was to compare review findings to similar reviews conducted in the past by the OIG to ensure the identified findings have been addressed. However, due to the Coronavirus Disease of 2019 (COVID-19), the release of the draft report of the review has been delayed.

It should also be noted that due to COVID-19, the Secretary of Health and Human Services declared a Public Health Emergency (PHE) that was effective January 27, 2020. On March 13, 2020, the President of the United States of America declared a National Emergency, retroactive to March 1, 2020, due to COVID-19. As a result of the President’s declaration, CMS issued a federal directive granting states an exception for meeting the periodic renewal requirements for cases that were up for redetermination as of March 1, 2020 through the end of the PHE. This exemption prevents states from denying or terminating eligibility or reducing benefits to Medi-Cal and CHIP beneficiaries during the PHE unless the beneficiary dies, no longer is a state resident, is a non-MAGI Medi-Cal individual moving from a non-Long-Term Care (LTC) aid code into a LTC aid code, or voluntarily discontinues their eligibility. After the month in which the PHE is declared over, states will be given an ample period of time to complete all renewals and redeterminations. As a result of COVID-19, the periodic renewal requirements were not tested for the last four months of the fiscal year ended June 30, 2020.

Identification as a Repeat Finding

Finding 2019-005 was reported in the immediate prior year.

Cause

Existing internal controls did not prevent, or detect and correct, instances of untimely redeterminations and instances of benefits provided to ineligible beneficiaries for the following reasons.

- There was a decrease in the eligibility exceptions from the prior year (decline of 15 and 4 exceptions for Medicaid and CHIP, respectively). Enhancements made to the functionality of CalHEERS that increased the use of automation features, and increased monitoring and collaboration with county welfare agencies were the main causes for the decline in the number of exceptions. The increased use of automation features reduced the risk of human errors as well as decreased the workload on eligibility caseworkers allowing them to perform application and eligibility redeterminations in a timely manner. Also, Health Care Services had established new procedures to monitor whether county welfare agencies were effectively managing this increased workload to ensure eligibility caseworkers were appropriately applying the eligibility procedures and documentation requirements. Since 2017, Health Care Services resumed performing focus reviews on select county welfare agencies that were suspended during the early stages of health care reform implementation. Through this effort, Health Care Services is working collaboratively with county partners to identify areas of weaknesses that contribute to delays in renewal processing time. In some instances, counties are required to submit a corrective action plan to Health Care Services that describes implementation of additional business processes/quality control mechanisms that are anticipated to increase both the accuracy and timeliness of renewals.

- The MEDS alert functionality is used to communicate information to county welfare agencies on changes in beneficiary circumstance, i.e., exceeding the age threshold for the assigned aid category, and discrepancies between eligibility systems, and MEDS. MEDS alerts will be triggered for various reasons that include:
 - Problems encountered in processing updates submitted by county welfare agencies;
 - Problems encountered in processing updates generated as a result of a reconciliation of county welfare agencies records with MEDS records;
 - Updates submitted by other entities that impact beneficiaries' eligibility or require action by county welfare agencies; and
 - Upcoming changes in a beneficiaries' status that will require action by county welfare agencies.

Health Care Services did not have an established process for monitoring the county welfare agencies' progress in addressing these alerts. To address this, Health Care Services implemented a quality control pilot on June 25, 2019 to monitor MEDS alerts processing activities in the six counties that were responsible for over 85% of the discrepancies found in CSA's October 2018 report previously mentioned to be able to quickly identify county welfare agencies that are not resolving MEDS, to identify the cause of these alerts, and work with counties to develop and implement best practices that are effective in reducing the number of new alerts, and efficiently reducing the number of unresolved alerts.

In addition, Health Care Services has represented that MEDS also has the functionality to alert county welfare agencies when eligibility redeterminations are required or overdue. However, currently Health Care Services is working to refine this functionality to effectively be used to identify overdue renewals.

Effect

Two of the 12 Medi-Cal beneficiaries with eligibility redetermination exceptions were determined to be ineligible and benefits were ultimately discontinued; however, since those redeterminations were late, they received ineligible benefits between the date they should have been discontinued and the date they were actually discontinued. Another beneficiary was determined to be ineligible and benefits were not discontinued during the fiscal year; therefore, they received ineligible benefits from the date they should have been discontinued. The remaining nine beneficiaries were determined to be eligible.

One of the five CHIP beneficiaries with eligibility redetermination exceptions was determined to be ineligible and benefits were not discontinued during the fiscal year; therefore, they received ineligible benefits from the date they should have been discontinued. The remaining four beneficiaries were determined to be eligible.

Questioned Costs

Benefits paid to Medi-Cal beneficiaries after they were determined to be ineligible totaled \$9,967 (\$5,178 Managed Care, \$4,789 Fee for Service, and \$0 Premiums) for the fiscal year ended June 30, 2020.

Benefits paid to the CHIP beneficiary after the beneficiary was determined to be ineligible totaled \$617 (\$617 Managed Care and \$0 Fee for Service) for the fiscal year ended June 30, 2020.

Context

A total of \$161,516 (\$25,935 Managed Care, \$133,263 Fee for Service, and \$2,318 Premiums) was disbursed during the fiscal year ended June 30, 2020 on behalf of the 12 Medi-Cal beneficiaries with eligibility exceptions, and a total of \$14,337 (\$9,548 Managed Care, \$4,789 Fee for Service, and \$0

Premiums) was disbursed during the fiscal year ended June 30, 2020 on behalf of the three beneficiaries later determined to be ineligible.

Total benefits paid on behalf of the 100 Medi-Cal beneficiaries tested were \$432,554 (\$213,065 Managed Care, \$211,022 Fee for Service, and \$8,467 Premiums).

The 100 tested Medi-Cal beneficiaries were selected from ten of California's 58 counties.

The total federal Medi-Cal benefits paid on behalf of approximately 11.4 million beneficiaries for the fiscal year ended June 30, 2020 was \$46,261,934,366 (\$29,738,474,418 Managed Care, \$14,881,770,120 Fee for Service, and \$1,641,689,828 Premiums).

A total of \$5,587 (\$4,954 Managed Care and \$633 Fee for Service) was disbursed during the fiscal year ended June 30, 2020 on behalf of the five CHIP beneficiaries with eligibility redetermination exceptions and a total of \$1,208 (\$1,208 Managed Care and \$0 Fee for Service) was disbursed during the fiscal year ended June 30, 2020 on behalf of the one beneficiary later determined to be ineligible.

Total benefits paid on behalf of the 60 CHIP beneficiaries tested were \$129,947 (\$24,452 Managed Care and \$105,495 Fee for Service).

The 60 tested CHIP beneficiaries were selected from ten of California's 58 counties.

The total federal CHIP benefits paid on behalf of approximately 1.5 million beneficiaries for the fiscal year ended June 30, 2020 was \$2,594,624,735 (\$1,968,269,210 Managed Care and \$626,355,525 Fee for Service).

The samples were not statistically valid samples.

Recommendation

Health Care Services should continue looking for ways to enhance the functionality of CalHEERS for application and eligibility redetermination for those individuals who are eligible on a MAGI-basis and to increase the use of automation features in an effort to reduce workload for eligibility caseworkers. In addition, Health Care Services should continue its practice of conducting regular focus reviews on county welfare agencies to identify factors contributing to the delays and errors in the redetermination process such as misinterpretations of policies, systems issues, business practices, etc., and then work with county welfare agencies to provide appropriate training and/or creating corrective action plans.

Health Care Services should continue with the quality control process used to monitor all critical and urgent level MEDS alerts to be able to quickly identify county welfare agencies that are not resolving MEDS alerts in a timely manner. Health Care Services should continue its efforts to incorporate into the MEDS alert functionality the ability to alert county welfare agencies when eligibility redeterminations are required or overdue. Health Care Services should then work directly with those county welfare agencies that are not performing eligibility redeterminations in a timely manner and who may not be correctly verifying eligibility through training and site visits to implement policies and procedures to improve their compliance status.

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: 2020-009
Category of Finding: Eligibility
Type of Finding: Material Weakness

State Administering Department: California Department of Public Health (Public Health)
Federal Catalog Number: 93.917
Federal Program Title: HIV Care Formula Grants (HIV)
Federal Award Numbers and Years: 5 X07HA12778-11; 2020
2 X08HA28020-05; 2019

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 XXIV - HIV Health Care Services Program. Part B - Care Grant Program. Subpart I - General Grant Provisions. Section 300ff-26 - Provision of Treatments:

- (a) In general

A State shall use a portion of the amounts provided under a grant awarded under section 300ff-21 of this title to establish a program under section 300ff-22(b)(3)(B) of this title to provide therapeutics to treat HIV/AIDS or prevent the serious deterioration of health arising from HIV/AIDS in eligible individuals, including measures for the prevention and treatment of opportunistic infections.

- (b) Eligible individual

To be eligible to receive assistance from a State under this section an individual shall:

- (1) Have a medical diagnosis of HIV/AIDS; and
- (2) Be a low-income individual, as defined by the State.

California State AIDS Drug Assistance Program Guidelines March 2017 and December 2018:

(1.1) AIDS Drug Assistance Program (ADAP) Eligibility Criteria:

To be eligible for the ADAP program, a client must:

- Have a positive HIV/AIDS diagnosis.
- Be at least 18 years old.
- Be a resident of California.
- Have an annual Modified Adjusted Gross Income (MAGI) that does not exceed 500 percent Federal Poverty Level (FPL) based on household size and income.

- Not be fully covered by Medi-Cal or any other third-party payers (an entity that reimburses and manages health care expenses such as private insurance or governmental agencies, employers, etc.).

Health Resources and Services Administration (HRSA) Policy Clarification Notice (PCN) 13-02 (Revised 5/1/2019):

For both initial/annual and six-month recertification procedures, eligibility determinations may be performed simultaneously with testing and treatment. Recipients and subrecipients assume the risk of recouping any HRSA RWHAP funds utilized for clients ultimately determined to be ineligible, and instead charge an alternate payment source, or otherwise ensure that funds are returned to the HRSA RWHAP program.

HRSA PCN 15-04 (Revised 1/11/2019):

The RWHAP legislation requires that rebates collected on ADAP medication purchases be applied to the RWHAP Part B Program with a priority, but not a requirement, that the rebates be placed back into ADAP. Although ADAP rebates are neither program income nor refunds, they are subject to the same regulatory provision regarding expenditure. These rebates must be used for the statutorily permitted purposes under the RWHAP Part B Program, which are limited to core medical services including ADAP, support services, clinical quality management, and administrative expenses (including planning and evaluation) as part of a comprehensive system of care for low-income individuals living with HIV.

Condition

Out of 60 individuals reviewed, 11 individuals did not submit all required documentation, including medical reports to support a positive HIV/AIDS diagnosis or income documentation to verify their annual MAGI did not exceed 500 percent Federal Poverty Level based on household size and income. Three of these individuals were placed on a temporary access period without meeting the necessary eligibility requirements. Pharmaceutical rebate funds were utilized during the temporary access and extension periods for all 11 individuals.

Identification as a Repeat Finding

Finding 2019-006 was reported in the immediate prior year.

Cause

Existing internal controls did not prevent, or detect and correct, the occurrence of benefits being provided to ineligible individuals.

Effect

Public Health did not have adequate oversight controls to ensure that the applicant's eligibility was properly reviewed and approved. Accordingly, there is an increased risk for the occurrence of benefits being provided to ineligible individuals, which may not be prevented or detected in a timely manner.

Questioned Costs

Questioned costs were not determinable because benefit costs are not tracked by individual participants.

Context

Pharmacy benefits management services are provided by a contractor who received administrative fees and reimbursements for prescription drug costs to program participants. Payments to the contractor totaled \$116,013,571 for approximately 30,000 program participants for the fiscal year ended June 30, 2020. Based on the budget in the contract, the contractor's administrative fees and other charges are estimated to be \$657,876 annually. As such, net prescription drug costs are approximately \$115,355,695 for the fiscal year ended June 30, 2020.

The sample was not a statistically valid sample.

Recommendation

The ADAP Branch should continue to monitor compliance with its policies to ensure enrollment workers and secondary reviews of ADAP applications follow the established guidelines and retain acceptable documentation to support eligibility determinations. Applications that have been granted an eligibility exception (i.e., Temporary Access Period, Medi-Cal Eligibility Exception Request, or Eligibility Exception Request) should be reviewed in a timely manner to ensure clients who do not provide the required documentation within the approved extension period are disenrolled 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.

Reference Number:	2020-010
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency
State Administering Department:	Department of Social Services (Social Services)
Federal Catalog Number:	93.558
Federal Program Title:	Temporary Assistance for Needy Families
Federal Award Numbers and Years:	1901CATANF; 2019 2001CATANF; 2020

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:

- (b) 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 B - Regulations Relating to Public Welfare, Chapter II - Office of Family Assistance, Administration for Children and families, Part 261 - Ensuring that Recipients Work, Subpart F - How Do We Ensure the Accuracy of Work Participation Information?, §261.62: What must a State do to verify the accuracy of its work participation information?

For work participation information:

- (a) To ensure accuracy in the reporting of work activities by work-eligible individuals on the TANF Data Report and, if applicable, the SSP-MOE Data Report, each State must:
 1. Establish and employ procedures for determining whether its work activities may count for participation rate purposes;
 2. Establish and employ procedures for determining how to count and verify reported hours of work;
 3. Establish and employ procedures for identifying who is a work-eligible individual;
 4. Establish and employ internal controls to ensure compliance with the procedures; and
 5. Submit to the Secretary for approval the State's Work Verification Plan in accordance with paragraph (b) of this section.
 - c. Reviewing financial and performance reports required by the pass-through entity.
 - d. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the Subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
 - e. Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

Condition

A component of the Department of Social Services (Social Services) process for monitoring the county welfare departments, or subrecipients, is conducting on-site reviews of active case files to ensure the accuracy of data used by the subrecipients for determining the work participation rates in accordance with the State's Work Verification Plan. We tested three out of twenty-one on-site reviews conducted by the Performance Monitoring and Research Bureau (Bureau) and noted there were no internal controls in place to support that the Bureau performed the necessary follow-up procedures regarding the identified deficiencies from the on-site monitoring reviews and whether appropriate corrective action was taken by the subrecipients.

Cause

Current monitoring procedures primarily focus on reviewing the accuracy of work participation rates reported by the subrecipients and providing on-site training and technical assistance. The Bureau does not have an established written process and procedures requiring specific corrective action be taken by the subrecipients concerning the identified deficiencies and substantiating whether the appropriate corrective action was taken.

Effect

If there is no required corrective action and follow-up procedures performed by the Bureau to ensure identified deficiencies are remediated, the deficiencies could persist and there is no assurance that the subrecipients work participation rates are accurate and Social Services could be out of compliance with its HHS-approved Work Verification Plan.

Questioned Costs

No questioned costs were identified.

Context

Disbursements to subrecipients for the Temporary Assistance for Needy Families program for the fiscal year ended June 30, 2020 totaled \$2,352,323,659.

The sample was not a statistically valid sample.

Recommendation

The Bureau should strengthen existing policies and procedures, which should require specific corrective action be taken by the subrecipients for any identified deficiencies concerning work participation rate data. Such corrective action should be communicated directly to the subrecipients via the Bureau's established Review Findings Report. Furthermore, the Bureau should establish a formal process for following-up with the subrecipients to verify whether corrective action was implemented.

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: 2020-011
Category of Finding: Subrecipient Monitoring
Type of Finding: Significant Deficiency and Instance of Noncompliance

State Administering Department: Department of Social Services (Social Services)
Federal Catalog Number: 93.558
Federal Program Title: Temporary Assistance for Needy Families
Federal Award Number and Year: 1901CATANF; 2019
2001CATANF; 2020

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:

- (c) 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) and Subpart F – Audit Requirements sections §200.521 (2 CFR 200.521):

2 CFR 200.331 All pass-through entities must:

- (4) 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. Pass-through entity monitoring of the subrecipient must include:
 - a. Reviewing financial and performance reports required by the pass-through entity.
 - b. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the Subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
 - c. Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.
 - d. The pass-through entity is responsible for resolving audit findings specifically related to the subaward and not responsible for resolving crosscutting findings.

2 CFR 200.521 Management decision:

- (5) As provided in § 200.331(d), the pass-through entity must be responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.
- (6) The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the Federal Audit Clearinghouse. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.

Condition

The Office of Audit Services (OAS) of the Social Services facilitates the process for monitoring counties that meet the threshold set forth in §200.501 Audit Requirements. Completed subrecipient Single Audit reports received by OAS from the California State Controller's Office are sent to the responsible Social Services division to issue management decisions and follow-up with the subrecipient for any findings and corrective actions. We tested five out of thirty-eight subrecipient single audit reports received by Social Services for the fiscal year, and for four of the single audit reports tested, Social Services did not issue a management decision within six months of the subrecipients single audit acceptance by the Federal Audit Clearinghouse.

Cause

Upon receipt of the subrecipient single audit reports, OAS did not communicate the reports to the respective program divisions within Social Services for the appropriate follow-up to commence and subsequent issuance of management decisions to the subrecipients.

Effect

By Social Services not issuing timely management decisions, subrecipient deficiencies could persist and Social Services' risk assessment process for determining the appropriate monitoring procedures may be insufficient in evaluating the subrecipients compliance with the laws and regulations of the federal program.

Questioned Costs

No questioned costs were identified.

Context

Disbursements to subrecipients for the Temporary Assistance for Needy Families program for the fiscal year ended June 30, 2020, totaled \$2,352,323,659.

Recommendation

Social Services should implement policies and procedures which provide assurance that management decisions are issued within six months after receipt of the subrecipients audit report.

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:	2020-012
Category of Finding:	Special Tests and Provisions – Refunding of Federal Share of Medicaid/CHIP Overpayments to Providers
Type of Finding:	Significant Deficiency and 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:	2005CA5021; 2020 [includes COVID-19 FFCRA (HR6201/2020)] 1905CA5021; 2019 1805CA5021; 2018
Federal Catalog Number:	93.778
Federal Program Title	Medical Assistance Program
Federal Award Numbers and Years:	2005CA5ADM; 2020 2005CA5MAP; 2020 [includes COVID-19 FFCRA (HR6201/2020)] 1905CA5ADM; 2019 1905CA5MAP; 2019

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 433 - State Fiscal Administration, Subpart F - Refunding of Federal Share of Medicaid Overpayments to Providers:

§433.300 Basis (42 CFR 433.300). This subpart implements:

Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

§433.320 Procedures for refunds to CMS (42 CFR 433.320):

(a) Basic requirements:

- (1) The agency must refund the Federal share of overpayments that are subject to recovery to CMS through a credit on its Quarterly Statement of Expenditures (Form CMS-64).
- (2) The agency must credit CMS with the Federal share of overpayments subject to recovery on the earlier of –
 - (i) The Form CMS-64 submission due to CMS for the quarter in which the State recovers the overpayment from the provider; or
 - (ii) The Form CMS-64 due to CMS for the quarter in which the 1-year period following discovery, established in accordance with §433.316, ends.
- (3) A credit on the Form CMS-64 must be made whether or not the overpayment has been recovered by the State from the provider.
- (4) If the State does not refund the Federal share of such overpayment as indicated in paragraph (a)(2) of this section, the State will be liable for interest on the amount equal to the Federal share of the non-recovered, non-refunded overpayment amount. Interest during this period will be at the Current Value of Funds Rate (CVFR), and will accrue beginning on the day after the end of the 1-year period following discovery until the last day of the quarter for which the State submits a CMS-64 report refunding the Federal share of the overpayment.

Subchapter D - State Children's Health Insurance Programs (SCHIPs), Part 457 - Allotments and Grants to States, Subpart F - Payment to States:

§457.628 Other applicable Federal regulations (42 CFR 457.628):

Other regulations applicable to CHIP programs include the following:

- (a) HHS regulations in §§433.312 through 433.322 of this chapter (related to Overpayments) apply to State's CHIP programs in the same manner as they apply to State's Medicaid programs.

Note that while for the Medical Assistance Program, the overpayments of the federal share must be refunded to the Centers for Medicare & Medicaid Services (CMS) via Form CMS-64 Summary, Line 9C1 - Fraud, Waste & Abuse Amounts, for the Children's Health Insurance Program, the overpayments of the federal share must be refunded to CMS via Form CMS-21 Summary, Line 4 - Adjustments Decreasing Claims - Collections.

Condition

There was a difference of \$51,947,058 between the overpayment report (MCC-R-032) of \$152,314,213 that was provided for this audit and the CMS-64 report of \$100,367,155 submitted for the second quarter of the 2019-20 fiscal year (42 CFR 433.320).

All 15 CHIP overpayments tested did not reflect the correct federal share (Federal Financial Participation or FFP rate). (42 CFR 433.320 via 42 CFR 457.628).

Cause

The difference between the MCC-R-032 report and the CMS-64 report for the second quarter of the 2019-20 fiscal year was due to Health Care Services using the amounts from an MCC-R-032 report that had been pulled prematurely, which resulted in the underreporting of FFP. After the auditors brought this discrepancy to its attention, the Third Party Liability and Recovery Division (TPLRD) corrected the issue by submitting an adjustment to account for the difference, based on the finalized report for the quarter. The existing internal controls did not prevent, or detect and correct, instances of reporting the incorrect total overpayment for the quarter.

The incorrect FFP rate being applied to the Children's Health Insurance Program (CHIP) overpayments was due to Health Care Services Claims Processing Accounts Receivable (AR) System's inability to distinguish between CHIP and Medical Assistance Program (Medicaid) overpayments. When Audits and Investigations (A&I) identifies an overpayment, they do not distinguish between the two programs. A&I then sends an Action Notice (AN) and the findings of overpayments to the Fiscal Intermediary (FI) to establish an AR on the system with a copy to TPLRD for collection purposes. Once the FI establishes an AR for an overpayment, the overpayment is recorded in the California Omnibus Budget Reconciliation Act of 1985 (COBRA) system (a department-developed application) and is automatically assigned the Medicaid FFP rate in effect upon AR creation. Due to system limitations (at the time), the COBRA system automatically assigns the Medicaid FFP rate in effect at AR creation for all overpayments and cannot assign a CHIP FFP rate to a CHIP overpayment. As such, all types of overpayments will utilize the Medicaid FFP rate. The existing controls did not prevent, or detect and correct instances of utilizing the correct FFP rate to differentiate between Medical Assistance Program and Children's Health Insurance Program overpayments.

Effect

Inaccurate reporting on the CMS-64 report and using incorrect CHIP FFP rates resulted in under/over funding and noncompliance with refunding the Federal share of Medicaid and CHIP overpayments.

Questioned Costs

Overpayments were underreported on the CMS-64 reports for the 2019-20 fiscal year for both Medicaid and CHIP by a total of \$51,947,058. Using the Medicaid FFP rate of 50% since the overpayments were all reported on the Medicaid CMS-64, questioned costs would be \$25,973,529. However, Health Care Services does not have a process in place that identifies the overpayments between the Medicaid and CHIP programs, and therefore, are not able to determine how much of the overpayments were for CHIP, which had a higher FFP rate of 76.5% during the second quarter.

Overpayments utilizing the incorrect CHIP FFP rate resulted in known questioned costs of \$26,719 for the 2019-20 fiscal year.

Context

Expenditures for the 2019-20 fiscal year totaled \$61,561,477,130 for Medicaid and \$2,958,448,448 for CHIP.

The \$26,719 known questioned costs for using the incorrect CHIP FFP rate resulted from a total of \$60,770 for the fifteen CHIP samples tested. In addition, a total of \$487,727,920 in overpayments were reported for the 2019-20 fiscal year that applied the Medicaid FFP rate even though a portion of that total was for CHIP.

Recommendation

Health Care Services should have a process in place to ensure the reports are not pulled prematurely so that the correct amounts are reported on the CMS-64.

Health Care Services should update the system to assign the appropriate FFP rate for each overpayment. With this implementation, CHIP overpayments can be appropriately identified with the correct FFP rate and reported on the CMS-21.

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

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**Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020**

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STATE OF CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

California State Auditor Report 2020-002 63
February 2022

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		\$ 178,413	\$ -
Plant and Animal Disease, Pest Control, and Animal Care	10.025		45,096,132	17,406,477
Federal-State Marketing Improvement Program	10.156		64,674	-
Inspection Grading and Standardization	10.162		776	-
Market Protection and Promotion	10.163		3,022,205	-
Specialty Crop Block Grant Program - Farm Bill	10.170		20,185,681	4,198,240
Organic Certification Cost Share Programs	10.171		2,167,443	-
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178		6,301,564	231,307
<i>Trade Mitigation Program Eligible Recipient Agency Operational Funds (Noncash)</i>	10.178		129,955,150	-
Total Trade Mitigation Program Eligible Recipient Agency Operational Funds			136,256,714	231,307
Food Insecurity Nutrition Incentive Grants Program	10.331		1,968,992	1,958,203
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475		90,176	-
Meat, Poultry, and Egg Products Inspection	10.477		23,210	-
CACFP Meal Service Training Grants	10.534		121,133	-
Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) Data and Technical Assistance Grants	10.537		385,306	-
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		781,118,013	277,053,956
Child and Adult Care Food Program	10.558		455,260,675	450,251,613
State Administrative Expenses for Child Nutrition	10.560		32,419,397	-
WIC Farmers' Market Nutrition Program (FMNP)	10.572		2,790,183	48,019
Farm to School Grant Program	10.575		13,201	-
Senior Farmers Market Nutrition Program	10.576		681,537	-
WIC Grants to States (WGS)	10.578		17,930,058	-
Child Nutrition Discretionary Grants Limited Availability	10.579		3,304,474	3,029,194
Fresh Fruit and Vegetable Program	10.582		10,990,318	10,654,304
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	10.596		2,605,978	2,604,182
Cooperative Forestry Assistance	10.664		8,438,345	2,081,315
Urban and Community Forestry Program	10.675		845,499	731,431
Forest Legacy Program	10.676		6,876,337	3,450
Forest Stewardship Program	10.678		96,557	89,254
Forest Health Protection	10.680		414,204	253,896
Good Neighbor Authority	10.691		499,710	265,569
Watershed Restoration and Enhancement Agreement Authority	10.693		110,616	-
Partnership Agreements	10.699		180,043	-
Total Excluding Clusters			1,534,136,000	770,860,410
Child Nutrition Cluster				
School Breakfast Program	10.553		433,518,076	433,518,076
COVID-19 - School Breakfast Program	10.553		96,977,238	96,977,238
Total School Breakfast Program			530,495,314	530,495,314
National School Lunch Program	10.555		1,071,226,238	1,071,226,238
COVID-19 - National School Lunch Program	10.555		389,263,532	389,263,532
<i>National School Lunch Program (Noncash)</i>	10.555		192,695,149	-
Total National School Lunch Program			1,653,184,919	1,460,489,770
Special Milk Program for Children	10.556		197,927	197,927
Summer Food Service Program for Children	10.559		25,284,459	24,162,912
COVID-19 - Summer Food Service Program for Children	10.559		44,789,453	44,789,453
Total Summer Food Service Program for Children			70,073,912	68,952,365
Total Child Nutrition Cluster			2,253,952,072	2,060,135,376
Food Distribution Cluster				
Commodity Supplemental Food Program	10.565		8,138,840	8,013,063
<i>Commodity Supplemental Food Program (Noncash)</i>	10.565		24,596,849	-
Total Commodity Supplemental Food Program			32,735,689	8,013,063
Emergency Food Assistance Program (Administrative Costs)	10.568		20,702,188	20,298,489
COVID-19 - Emergency Food Assistance Program (Administrative Costs)	10.568		79,393	-
Total Emergency Food Assistance Program (Administrative Costs)			20,781,581	20,298,489
Emergency Food Assistance Program (Food Commodities)	10.569		225,000	29,815
<i>Emergency Food Assistance Program (Food Commodities - Noncash)</i>	10.569		75,986,538	-
Total Emergency Food Assistance Program (Food Commodities)			76,211,538	29,815
Total Food Distribution Cluster			129,728,808	28,341,367

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
Forest Service Schools and Roads Cluster				
Schools and Roads - Grants to States	10.665		26,161,766	26,161,766
Total Forest Service Schools and Roads Cluster			26,161,766	26,161,766
Research and Development Cluster				
Plant and Animal Disease, Pest Control, and Animal Care	10.025		119,356	-
Specialty Crop Block Grant Program - Farm Bill	10.170		1,291,738	1,291,738
Total Research and Development Cluster			1,411,094	1,291,738
SNAP Cluster				
Supplemental Nutrition Assistance Program (Noncash)	10.551		8,097,846,043	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		1,023,219,925	865,679,959
Total SNAP Cluster			9,121,065,968	865,679,959
Total U.S. Department of Agriculture			13,066,455,708	3,752,470,616
U.S. Department of Commerce				
Coastal Zone Management Administration Awards	11.419		2,676,740	-
Coastal Zone Management Estuarine Research Reserves	11.420		1,179,488	714,915
Unallied Management Projects	11.454		428,562	-
Meteorological and Hydrologic Modernization Development	11.467		890,895	-
Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478		305,955	275,826
State and Local Implementation Grant Program	11.549		318,818	-
Total Excluding Clusters			5,800,458	990,741
Research and Development Cluster				
Interjurisdictional Fisheries Act of 1986	11.407		187,694	-
Coastal Zone Management Estuarine Research Reserves	11.420		69,629	69,629
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438		15,169,364	12,597,723
Unallied Science Program	11.472		759,737	450,539
Total Research and Development Cluster			16,186,424	13,117,891
Total U.S. Department of Commerce			21,986,882	14,108,632
U.S. Department of Defense				
Payments to States in Lieu of Real Estate Taxes	12.112		199,677	199,677
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		11,126,918	-
Basic and Applied Scientific Research	12.300		51,807	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401		91,189,989	-
COVID-19 - National Guard Military Operations and Maintenance (O&M) Projects	12.401		19,972	-
Total National Guard Military Operations and Maintenance (O&M) Projects			91,209,961	-
National Guard ChalleNGe Program	12.404		23,781,553	-
COVID-19 - National Guard ChalleNGe Program	12.404		17,132	-
Total National Guard ChalleNGe Program			23,798,685	-
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610		280,492	280,492
Economic Adjustment Assistance for State Governments	12.617		3,482,677	3,152,364
Legacy Resource Management Program	12.632		21	-
Air Force Defense Research Sciences Program	12.800		4,494	-
Total Excluding Clusters			130,154,732	3,632,533
Research and Development Cluster				
Other - U.S. Department of Defense	12.U01		1,288,284	8,812
Total Research and Development Cluster			1,288,284	8,812
Total U.S. Department of Defense			131,443,016	3,641,345
U.S. Department of Housing and Urban Development				
Manufactured Home Dispute Resolution	14.171		221,391	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		22,016,654	17,860,446
Emergency Solutions Grant Program	14.231		6,962,175	6,160,754
Home Investment Partnerships Program	14.239		16,859,139	13,788,625
Housing Opportunities for Persons with AIDS	14.241		3,554,007	3,444,792
Housing Trust Fund	14.275		1,050,883	-
Equal Opportunity in Housing	14.400		2,851,071	-
COVID-19 - Equal Opportunity in Housing	14.400		313,764	-
Total Equal Opportunity in Housing Program			3,164,835	-
Total Excluding Clusters			53,829,084	41,254,617

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
CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster				
National Disaster Resilience Competition	14.272		8,868,796	8,082,214
Total CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster			8,868,796	8,082,214
Total U.S. Department of Housing and Urban Development			62,697,880	49,336,831
U.S. Department of the Interior				
Southern Nevada Public Land Management	15.235		859,662	-
Environmental Quality and Protection	15.236		44,090	-
Wildlife Resource Management	15.247		15,157	-
Federal Oil and Gas Royalty Management State and Tribal Coordination	15.427		1,065,050	-
Geothermal Resources	15.434		3,445,370	3,445,370
Minerals Leasing Act	15.437		36,326,718	36,326,718
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508		117,865	-
Central Valley Project Improvement Act, Title XXXIV	15.512		2,684,298	-
Fish and Wildlife Coordination Act	15.517		77,676	-
Recreation Resources Management	15.524		2,817,754	-
Central Valley, Trinity River Division, Trinity River Fish and Wildlife Management	15.532		73,371	-
California Water Security and Environmental Enhancement	15.533		99,303	19,337
Lake Tahoe Regional Wetlands Development	15.543		25,402	-
San Joaquin River Restoration	15.555		1,156,203	32,199
SECURE Water Act - Research Agreements	15.560		24,554	-
Fish and Wildlife Management Assistance	15.608		287,229	143,226
Coastal Wetlands Planning, Protection and Restoration	15.614		767,781	749,996
Cooperative Endangered Species Conservation Fund	15.615		9,037,930	212,175
Clean Vessel Act	15.616		1,323,659	611,695
Sportfishing and Boating Safety Act	15.622		261,078	261,078
North American Wetlands Conservation Fund	15.623		468,119	468,119
Coastal	15.630		15,499	-
State Wildlife Grants	15.634		41,568	-
Central Valley Project Improvement Act (CVPIA)	15.648		504,647	8,645
Endangered Species Recovery Implementation	15.657		94,159	-
Earthquake Hazards Program Assistance	15.807		26,891	-
U.S. Geological Survey_ Research and Data Collection	15.808		17,194	-
National Cooperative Geologic Mapping	15.810		100,952	-
National Geological and Geophysical Data Preservation	15.814		968	-
Historic Preservation Fund Grants-In-Aid	15.904		1,551,015	81,359
Outdoor Recreation Acquisition, Development and Planning	15.916		5,687,442	5,239,533
National Maritime Heritage Grants	15.925		565,501	556,455
ARRA - Redwood National Park Cooperative Management with the State of California	15.937		86,846	-
Natural Resource Stewardship	15.944		147,769	-
Other - U.S. Department of the Interior	15.U02		3,843,254	-
Total Excluding Clusters			73,661,974	48,155,905
Fish and Wildlife Cluster				
Sport Fish Restoration	15.605		7,000,922	-
Wildlife Restoration and Basic Hunter Education	15.611		9,262,528	-
Enhanced Hunter Education and Safety	15.626		223,273	-
Total Fish and Wildlife Cluster			16,486,723	-
Research and Development Cluster				
Wildlife Resource Management	15.247		36,411	10,459
Central Valley Improvement Act, Title XXXIV	15.512		3,016,392	-
Fish and Wildlife Coordination Act	15.517		9,856	-
San Luis Unit, Central Valley	15.527		17,039	-
Central Valley, Trinity River Division, Trinity River Fish and Wildlife Management	15.532		686,084	-
Sport Fish Restoration	15.605		13,801,067	279,913
Fish and Wildlife Management Assistance	15.608		74,296	47,695
Wildlife Restoration and Basic Hunter Education	15.611		21,900,672	1,161,206
Cooperative Endangered Species Conservation Fund	15.615		2,572,950	2,572,950
Landowner Incentive	15.633		208,027	208,027
State Wildlife Grants	15.634		2,534,058	871,085
Endangered Species Conservation - Recovery Implementation Funds	15.657		57,891	-
Endangered Species Recovery Implementation	15.670		303,979	-
Total Research and Development Cluster			45,218,722	5,151,335
Total U.S. Department of the Interior			135,367,419	53,307,240

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
U.S. Department of Justice				
Law Enforcement Assistance Narcotics and Dangerous Drugs Laboratory Analysis	16.001		167,860	-
Sexual Assault Services Formula Program	16.017		1,148,794	1,148,794
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034		8,663	-
Services for Trafficking Victims	16.320		434,148	366,370
Antiterrorism Emergency Reserve	16.321		5,894,692	92,481
Juvenile Justice and Delinquency Prevention	16.540		2,764,351	2,136,389
National Criminal History Improvement Program (NCHIP)	16.554		1,415,803	-
Crime Victim Assistance	16.575		265,490,920	255,660,825
Crime Victim Compensation	16.576		16,126,588	-
Crime Victim Assistance/Discretionary Grants	16.582		46,227	46,227
Violence Against Women Formula Grants	16.588		14,608,250	13,876,011
Residential Substance Abuse Treatment for State Prisoners	16.593		913,295	842,408
State Criminal Alien Assistance Program	16.606		120,697,583	-
Project Safe Neighborhoods	16.609		162,148	162,148
Regional Information Sharing Systems				
<i>Pass-Through from Western States Information Network</i>	16.610	2018-RS-CX-0004	1,870,776	-
Public Safety Partnership and Community Policing Grants	16.710		636,296	-
Special Data Collections and Statistical Studies	16.734		376,736	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		7,563,182	6,878,413
DNA Backlog Reduction Program	16.741		1,431,930	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		2,216,364	2,125,557
Edward Byrne Memorial Competitive Grant Program	16.751		317,229	317,229
Economic, High-Tech, and Cyber Crime Prevention	16.752		2,950	-
Harold Rogers Prescription Drug Monitoring Program	16.754		126,841	-
John R. Justice Prosecutors and Defenders Incentive Act	16.816		114,006	-
Postconviction Testing of DNA Evidence	16.820		495,948	480,367
Justice Reinvestment Initiative	16.827		92,812	-
STOP School Violence	16.839		306,931	-
Equitable Sharing Program	16.922		11,284,608	-
Other - U.S. Department of Justice	16.U03		544,216	-
Total U.S. Department of Justice			457,260,147	284,133,219
U.S. Department of Labor				
Labor Force Statistics	17.002		6,674,402	-
Compensation and Working Conditions	17.005		1,086,390	-
Unemployment Insurance	17.225		13,697,752,061	-
COVID-19 - Unemployment Insurance	17.225		27,156,377,360	-
Total Unemployment Insurance			40,854,129,421	-
Senior Community Service Employment Program	17.235		6,377,628	6,069,906
Trade Adjustment Assistance	17.245		7,083,008	-
Work Opportunity Tax Credit Program (WOTC)	17.271		2,630,472	-
Temporary Labor Certification for Foreign Workers	17.273		1,510,290	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277		23,636,734	22,101,159
Apprenticeship USA Grants	17.285		2,064,671	-
Hurricanes and Wildfire of 2017 Supplemental - National Dislocated Worker Grants	17.286		4,745,014	4,744,815
Occupational Safety and Health State Program	17.503		37,704,230	-
Consultation Agreements	17.504		7,549,648	-
Mine Health and Safety Grants	17.600		493,884	-
Disability Employment Policy Development	17.720		872,113	-
Total Excluding Clusters			40,956,557,905	32,915,880
Employment Service Cluster				
Employment Service/Wagner-Peyser Funded Activities	17.207		76,937,144	2,323,974
Jobs for Veterans State Grants	17.801		14,711,996	-
Total Employment Service Cluster			91,649,140	2,323,974
WIOA Cluster				
WIOA Adult Program	17.258		95,279,171	92,404,077
WIOA Youth Activities	17.259		126,762,708	111,571,582
WIOA Dislocated Worker Formula Grants	17.278		152,440,982	133,903,946
Total WIOA Cluster			374,482,861	337,879,605
Total U.S. Department of Labor			41,422,689,906	373,119,459

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 Transportation				
Airport Improvement Program	20.106		190,316	-
Highway Research and Development Program	20.200		313,984	-
Highway Training and Education	20.215		263,232	-
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237		900,363	-
Commercial Driver's License Program Implementation Grant	20.232		21,836	-
Fuel Tax Evasion-Intergovernmental Enforcement Effort	20.240		28,213	-
Capital Assistance to States - Intercity Passenger Rail Service	20.317		652,562	652,562
ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319		(522,402)	-
High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319		2,166,383	2,166,357
Total High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants			<u>1,643,981</u>	<u>2,166,357</u>
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		73,658,598	73,658,598
Formula Grants for Rural Areas and Tribal Transit Program	20.509		24,721,002	22,919,672
Paul S. Sarbanes Transit in the Parks	20.520		56,570	-
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528		3,352,915	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		33,202,895	21,796,536
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614		781,786	-
Pipeline Safety Program State Base Grant	20.700		7,943,863	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		1,334,125	176,248
PHMSA Pipeline Safety Underground Natural Gas Storage Unit	20.725		1,351,494	-
Total Excluding Clusters			<u>150,417,735</u>	<u>121,369,973</u>
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205		4,458,548,195	1,330,016,736
Recreational Trails Program	20.219		2,178,321	1,922,808
Total Highway Planning and Construction Cluster			<u>4,460,726,516</u>	<u>1,331,939,544</u>
FMCSA Cluster				
Motor Carrier Safety Assistance Program	20.218		16,842,778	-
Total FMCSA Cluster			<u>16,842,778</u>	<u>-</u>
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		19,331,669	18,185,239
Total Transit Services Programs Cluster			<u>19,331,669</u>	<u>18,185,239</u>
Federal Transit Cluster				
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526		3,311,034	3,311,034
Total Federal Transit Cluster			<u>3,311,034</u>	<u>3,311,034</u>
Highway Safety Cluster				
State and Community Highway Safety	20.600		26,234,616	16,377,094
National Priority Safety Programs	20.616		22,007,387	12,661,959
Total Highway Safety Cluster			<u>48,242,003</u>	<u>29,039,053</u>
Research and Development Cluster				
Highway Planning and Construction	20.205		3,450,481	-
State and Community Highway Safety	20.600		53,707	-
Total Research and Development Cluster			<u>3,504,188</u>	<u>-</u>
Total U.S. Department of Transportation			<u>4,702,375,923</u>	<u>1,503,844,843</u>
U.S. Department of the Treasury				
Equitable Sharing	21.016		1,022,535	-
Total U.S. Department of the Treasury			<u>1,022,535</u>	<u>-</u>
Equal Employment Opportunity Commission				
Other - Equal Opportunity Employment Commission	30.U04		2,342,720	-
Total Equal Employment Opportunity Commission			<u>2,342,720</u>	<u>-</u>

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
General Services Administration				
Donation of Federal Surplus Personal Property (Noncash)	39.003		22,393,982	-
Total General Services Administration			22,393,982	-
National Endowment for the Arts				
Promotion of the Arts Partnership Agreements	45.025		1,331,600	100,000
Grants to States	45.310		13,597,224	9,139,568
Total National Endowment for the Arts			14,928,824	9,239,568
Small Business Administration				
State Trade Expansion	59.061		534,415	504,155
Total Small Business Administration			534,415	504,155
U.S. Department of Veterans Affairs				
Burial Expenses Allowance for Veterans	64.101		591,395	-
Veterans Housing Guaranteed and Insured Loans	64.114		199,117,544	-
All-Volunteer Force Educational Assistance	64.124		723,655	-
Total U.S. Department of Veterans Affairs			200,432,594	-
Environmental Protection Agency				
Air Pollution Control Program Support	66.001		7,192,188	107,311
State Indoor Radon Grants	66.032		155,591	-
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		1,151,255	-
State Clean Diesel Grant Program	66.040		520,479	-
The San Francisco Bay Water Quality Improvement Fund	66.126		4,366	-
Congressionally Mandated Projects	66.202		30,282	21,217
Multipurpose Grants to States and Tribes	66.204		24,693	24,991
Water Pollution Control State, Interstate, and Tribal Program Support	66.419		13,095,636	4,687,949
State Public Water System Supervision	66.432		6,250,000	-
State Underground Water Source Protection	66.433		337,942	-
Water Quality Management Planning	66.454		943,175	135,200
Nonpoint Source Implementation Grants	66.460		7,875,233	4,422,751
Regional Wetland Program Development Grants	66.461		130,635	127,100
Beach Monitoring and Notification Program Implementation Grants	66.472		424,502	377,000
Performance Partnership Grants	66.605		1,263,984	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608		65,749	-
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707		424,429	-
Pollution Prevention Grants Program	66.708		3,505	-
Hazardous Waste Management State Program Support	66.801		7,511,218	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		964,054	-
Underground Storage Tank Prevention, Detection and Compliance Program	66.804		170,000	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805		2,150,000	-
State and Tribal Response Program Grants	66.817		832,941	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		786,299	400,000
Total Excluding Clusters			52,308,156	10,303,519
Research and Development Cluster				
Regional Wetland Program Development Grants	66.461		72,176	68,641
Total Research and Development Cluster			72,176	68,641
Total Environmental Protection Agency			52,380,332	10,372,160

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 Energy				
State Energy Program	81.041		3,300,720	-
Weatherization Assistance for Low-Income Persons	81.042		11,688,958	10,413,344
Nuclear Legacy Cleanup Program	81.065		1,190,443	-
Environmental Remediation and Waste Processing and Disposal	81.104		375,475	-
Long-Term Surveillance and Maintenance	81.136		33,166	-
Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214		43,535	-
Sustainable Energy for Homes and Business	81.U05		178,578	-
Total U.S. Department of Energy			16,810,875	10,413,344
U.S. Department of Education				
Adult Education - Basic Grants to States	84.002		103,246,901	99,538,930
Title I Grants to Local Educational Agencies	84.010		1,961,058,347	1,961,058,347
Migrant Education State Grant Program	84.011		93,413,002	87,796,483
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		3,065,153	3,030,527
Career and Technical Education -- Basic Grants to States	84.048		117,888,405	115,102,955
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		337,489,444	-
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177		3,369,993	3,055,156
Special Education-Grants for Infants and Families	84.181		74,810,230	-
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187		2,031,442	-
Education for Homeless Children and Youth	84.196		8,328,653	8,266,949
Charter Schools	84.282		16,197,022	15,294,703
Twenty-First Century Community Learning Centers	84.287		143,137,791	143,067,618
Special Education - State Personnel Development	84.323		2,486,919	2,486,919
Rural Education	84.358		6,195,506	6,140,970
English Language Acquisition State Grants	84.365		130,778,401	129,778,987
Mathematics and Science Partnerships	84.366		1,657,505	1,574,000
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367		234,079,700	233,444,911
Grants for State Assessments and Related Activities	84.369		40,137,007	23,607,768
Comprehensive Literacy Development	84.371		54,925	54,925
School Improvement Grants	84.377		55,362,162	53,390,979
Promoting Readiness of Minors in Supplemental Security Income	84.418		2,466,631	-
Disability Innovation Fund (DIF)	84.421		1,448,501	-
Student Support and Academic Enrichment Program	84.424		103,260,400	102,673,818
Disaster Recovery Assistance for Education	84.938		27,399,774	27,304,727
Total Excluding Clusters			3,469,363,814	3,016,669,672
Special Education Cluster (IDEA)				
Special Education Grants to States	84.027		1,240,951,458	1,240,951,458
Special Education Preschool Grants	84.173		39,767,027	37,748,908
Total Special Education Cluster (IDEA)			1,280,718,485	1,278,700,366
Total U.S. Department of Education			4,750,082,299	4,295,370,038
U.S. Election Assistance Commission				
Help America Vote Act Requirements Payments	90.401		5,692,724	-
2018 HAVA Election Security Grants	90.404		1,080,364	-
Total U.S. Election Assistance Commission			6,773,088	-

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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		279	-
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		545,964	545,964
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042		1,944,993	1,811,222
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043		3,424,696	3,424,696
National Family Caregiver Support, Title III, Part E	93.052		24,400,985	23,641,483
Public Health Emergency Preparedness	93.069		44,400,692	32,068,365
Environmental Public Health and Emergency Response	93.070		840,920	82,211
Medicare Enrollment Assistance Program	93.071		1,823,268	1,697,733
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		45,862	-
Guardianship Assistance	93.090		75,631,566	75,357,096
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		7,496,403	5,826,103
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094		3	-
Food and Drug Administration Research	93.103		2,768,666	252,391
Maternal and Child Health Federal Consolidated Programs	93.110		260,903	18,533
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		9,946,071	5,225,772
Preventative Medicine Residency	93.117		805,458	-
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118		253,321	-
Emergency Medical Services for Children	93.127		131,762	-
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130		564,000	-
Injury Prevention and Control Research and State and Community Based Programs	93.136		7,411,765	3,086,341
Projects for Assistance in Transition from Homelessness (PATH)	93.150		7,797,534	7,598,586
Grants to States for Loan Repayment	93.165		1,020,000	-
Traumatic Brain Injury State Demonstration Grant Program	93.234		127,805	-
Grants to States to Support Oral Health Workforce Activities	93.236		447,605	-
State Capacity Building	93.240		625,995	-
State Rural Hospital Flexibility Program	93.241		522,125	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		3,195,779	2,653,925
Early Hearing Detection and Intervention	93.251		115,678	79,102
Immunization Cooperative Agreements	93.268		35,720,402	13,530,458
<i>Immunization Cooperative Agreements (Noncash)</i>	93.268		<i>468,386,833</i>	<i>-</i>
Total Immunization Cooperative Agreements			504,107,235	13,530,458
Viral Hepatitis Prevention and Control	93.270		246,510	8,663
Small Rural Hospital Improvement Grant Program	93.301		443,147	-
PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health Funds (PPHF)	93.305		2,055,131	35,885
State Health Insurance Assistance Program	93.324		3,757,608	3,003,907
Behavioral Risk Factor Surveillance System	93.336		35,377	-
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354		2,198,891	40,000
COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354		41,864,371	41,136,931
Total Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response			44,063,262	41,176,931

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
Flexible Funding Model - Infrastructure Development and Maintenance for State Manufactured Food Regulatory Programs	93.367		1,006,369	-
ACL Independent Living State Grants	93.369		2,756,107	2,506,392
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426		2,857,184	-
Every Student Succeeds Act/Preschool Development Grants	93.434		7,440,484	6,875,251
State Physical Activity and Nutrition (SPAN)	93.439		702,237	137,387
Food Safety and Security Monitoring Project	93.448		247,270	-
ACL Assistive Technology	93.464		1,619,014	-
Preventing Maternal Deaths: Supporting Maternal Mortality Review Committees	93.478		98,407	-
Pregnancy Assistance Fund Program	93.500		1,124,936	882,430
Promoting Safe and Stable Families	93.556		36,105,273	33,208,839
Temporary Assistance for Needy Families	93.558		3,418,775,128	2,352,323,659
Child Support Enforcement	93.563		696,008,876	541,780,414
Child Support Enforcement Research	93.564		446,089	446,089
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566		33,250,671	15,668,869
Low-Income Home Energy Assistance	93.568		197,991,217	185,603,695
Community Services Block Grant	93.569		66,250,183	61,859,315
Refugee and Entrant Assistance Discretionary Grants	93.576		235,780	228,985
U.S. Repatriation	93.579		52,122	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.584		390,135	119,718
State Court Improvement Program	93.586		2,030,486	-
Community-Based Child Abuse Prevention Grants	93.590		3,663,659	1,941,521
Grants to States for Access and Visitation Programs	93.597		807,168	-
Chafee Education and Training Vouchers Program (ETV)	93.599		4,400,865	-
Head Start	93.600		6,595,179	2,831,702
Adoption and Legal Guardianship Incentive Payments	93.603		6,080,047	3,339,769
Developmental Disabilities Basic Support and Advocacy Grants	93.630		7,423,000	-
Support for Ombudsman and Beneficiary Counseling Programs for States Participating in Financial Alignment Model Demonstrations for Dually Eligible Individuals	93.634		1,375,181	252,333
Children's Justice Grants to States	93.643		1,571,758	1,413,249
Adult Medicaid Quality: Improving Maternal and Infant Health Outcomes in Medicaid and CHIP	93.644		21,697	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645		28,958,581	28,656,877
Foster Care Title IV-E	93.658		1,227,150,282	1,099,467,280
Adoption Assistance	93.659		615,485,509	595,960,482
Social Services Block Grant	93.667		496,567,646	227,929,667
Child Abuse and Neglect State Grants	93.669		5,640,902	111,937
Child Abuse and Neglect Discretionary Activities	93.670		276,467	-
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		8,395,956	8,070,703
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674		16,910,477	15,011,551
State Public Health Approaches for Ensuring Quitline Capacity - Funded in part by Prevention and Public Health Funds (PPHF)	93.735		1,561,458	901,156
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738		617,151	39,182
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		347,792	-
Elder Abuse Prevention Interventions Program	93.747		188,094	-
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke	93.757		(41,919)	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758		4,712	-
Children's Health Insurance Program	93.767		2,923,211,807	7,805,070
COVID-19 - Children's Health Insurance Program	93.767		35,236,641	-
Total Children's Health Insurance Program			2,958,448,448	7,805,070

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
Opioid STR	93.788		137,059,636	1,427,432
Money Follows the Person Rebalancing Demonstration	93.791		572,131	-
Organized Approaches to Increase Colorectal Cancer Screening	93.800		758,287	531,983
Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	93.810		875,882	-
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817		982,313	790,566
Maternal, Infant and Early Childhood Home Visiting Grant	93.870		26,574,129	22,125,694
The Reduction of Issuer Burden Through Technology Grant Program and the Health Insurance Enforcement and Consumer Protections Grant Program	93.881		230,976	-
National Bioterrorism Hospital Preparedness Program	93.889		19,915,587	13,743,016
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898		10,974,474	140,862
Grants to States for Operation of State Offices of Rural Health	93.913		247,357	-
HIV Care Formula Grants	93.917		149,301,342	23,668,110
HIV Prevention Activities Health Department Based	93.940		19,525,010	7,195,745
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		1,016,585	250,522
Assistance Programs for Chronic Disease Prevention and Control	93.945		43,137	-
Tuberculosis Demonstration, Research, Public and Professional Education	93.947		100,034	100,034
Block Grants for Community Mental Health Services	93.958		92,208,149	90,343,428
Block Grants for Prevention and Treatment of Substance Abuse	93.959		186,116,719	168,490,785
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977		7,329,864	1,733,786
Mental Health Disaster Assistance and Emergency Mental Health	93.982		6,952,150	6,768,187
Preventive Health and Health Services Block Grant	93.991		10,725,603	1,238,434
Maternal and Child Health Services Block Grant to the States	93.994		53,002,736	26,034,972
Other - U.S. Department of Health and Human Services	93.U06		48,608,151	-
Total Excluding Clusters			11,386,216,698	5,781,082,445
Aging Cluster				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		51,400,030	48,074,173
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045		86,225,698	84,012,478
COVID-19 - Special Programs for the Aging, Title III Part C, Nutrition Services	93.045		24,431,016	24,431,016
Total Special Programs for the Aging, Title III Part C, Nutrition Services			110,656,714	108,443,494
Nutrition Services Incentive Program	93.053		15,295,859	15,295,859
Total Aging Cluster			177,352,603	171,813,526
CCDF Cluster				
Child Care and Development Block Grant	93.575		491,919,830	439,198,423
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		263,201,072	247,595,783
Total CCDF Cluster			755,120,902	686,794,206
Medicaid Cluster				
State Medicaid Fraud Control Units	93.775		33,914,668	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777		52,713,300	7,739,179
Medical Assistance Program	93.778		60,545,958,811	1,686,658,880
COVID-19 - Medical Assistance Program	93.778		1,012,368,131	-
Total Medical Assistance Program			61,558,326,942	1,686,658,880
Total Medicaid Cluster			61,644,954,910	1,694,398,059
Research and Development Cluster				
Food and Drug Administration Research	93.103		23,851	-
Total Research and Development Cluster			23,851	-
Total U.S. Department of Health and Human Services			73,963,668,964	8,334,088,236
Corporation for National and Community Service				
State Commissions	94.003		165,324	-
AmeriCorps	94.006		25,634,225	24,884,482
Training and Technical Assistance	94.009		287,320	-
Volunteers in Service to America				
Pass-Through from KUPU	94.013	825068047	7,263	-
Volunteer Generation Fund	94.021		157,213	-
Total Excluding Clusters			26,251,345	24,884,482
Foster Grandparent/Senior Companion Cluster				
Foster Grandparent Program	94.011		1,664,709	-
Total Foster Grandparent/Senior Companion Cluster			1,664,709	-
Total Corporation for National and Community Service			27,916,054	24,884,482

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
Executive Office of the President				
High Intensity Drug Trafficking Areas Program				
<i>Pass-Through from CV HIDTA/LA Police Chief's Association/Sacramento City</i>	95.001	G18CV0002A	6,975	-
<i>Pass-Through from INCH/LA Police Chief's Association/Riverside County</i>	95.001	G19LA0007A	91,777	-
<i>Pass-Through from LA Clear/LA Police Chief's Association of Monrovia</i>	95.001	G18LA0006A	125,279	-
<i>Pass-Through from LA Clear/LA Police Chief's Association of Monrovia</i>	95.001	G19LA0006A	1,203,027	-
<i>Pass-Through from San Diego Imperial HIDTA</i>	95.001	G19SC0001A	402,902	-
Total Executive Office of the President			1,829,960	-
Social Security Administration				
Disability Insurance/SSI Cluster				
Social Security Disability Insurance	96.001		220,480,746	-
Total Social Security Administration			220,480,746	-
U.S. Department of Homeland Security				
Non-Profit Security Program	97.008		1,305,689	1,305,689
Boating Safety Financial Assistance	97.012		4,325,679	2,160,017
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023		840,744	-
Flood Mitigation Assistance	97.029		1,278,136	1,252,562
Crisis Counseling	97.032		468,047	468,047
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		996,028,682	974,897,722
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		264,235,111	162,661,489
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			1,260,263,793	1,137,559,211
Hazard Mitigation Grant	97.039		34,291,818	26,337,241
National Dam Safety Program	97.041		79,931	-
Emergency Management Performance Grants	97.042		26,014,540	13,022,589
State Fire Training Systems Grants	97.043		11,385	-
Cooperating Technical Partners	97.045		135,799	-
Fire Management Assistance Grant	97.046		34,840,130	34,041,990
Pre-Disaster Mitigation	97.047		2,615,327	2,438,315
Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050		897,541	-
Homeland Security Grant Program	97.067		160,033,708	128,302,718
Earthquake Consortium	97.082		265,248	245,196
Disaster Assistance Projects	97.088		3,213,886	-
Severe Repetitive Loss Program	97.110		(1)	(1)
Other - Department of Homeland Security	97.U07		11,366	-
Total U.S. Department of Homeland Security			1,530,892,766	1,347,133,574
Total Expenditures of Federal Awards			\$ 140,812,767,035	\$ 20,065,967,742

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Notes to the Schedule of Expenditures of Federal Awards

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**STATE OF CALIFORNIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020, 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 State Revolving Fund, and the California Housing Finance Fund of 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.” Expenditures funded by the Coronavirus Aid, Relief, and Economic Security (CARES) Act are denoted by the prefix COVID-19 in the federal program title.

The State’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 of the California Housing Finance Agency, a component unit of the State. As noted above, the Schedule presents only a portion of the State’s operations. The Schedule is not intended to and does not present the financial position, changes in net position/fund balance, or cash flows of the State.

2. BASIS OF ACCOUNTING

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

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

3. CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)

The CFDA numbers and federal program titles listed in the Schedule were obtained from the federal funding agency, the pass-through grantor, or the CFDA for the audit period covered.

The CFDA is a five-digit number. The first two digits represent the federal funding agency and the last three digits identify the specific federal program. If a CFDA number is unknown or unavailable, the two digit number identifying the federal funding agency is used along with a “U” followed by a two digit number (e.g. U01, U02, etc.).

4. 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 food and nutritional purchase assistance, commodities, vaccines, or federal excess property. Noncash awards received by the State are included in the Schedule. Noncash awards for the fiscal year ended June 30, 2020, are as follows:

Federal Catalog Number	Federal Program Title	Noncash Awards for the Fiscal Year Ended June 30, 2020
10.178	Trade Mitigation Program Eligible Recipient Agency Operational Funds	\$ 129,955,150
10.551	Supplemental Nutrition Assistance Program	8,097,846,043
10.555	National School Lunch Program	192,695,149
10.565	Commodity Supplemental Food Program	24,596,849
10.569	Emergency Food Assistance Program (Food Commodities)	75,986,538
39.003	Donation of Federal Surplus Personal Property	22,393,982
93.268	Immunization Cooperative Agreements	468,386,833
	Total	\$ 9,011,860,544

5. LOANS, LOAN GUARANTEES OUTSTANDING, AND INSURANCE IN EFFECT

Loans and loan guarantees outstanding, and insurance in effect at June 30, 2020, are summarized in the schedule below.

Federal Catalog Number	Federal Program Title	Loan Guarantees Outstanding for the Fiscal Year Ended June 30, 2020	Insurance In Effect as of June 30, 2020
64.114	Veterans Housing Guaranteed and Insured Loans	\$ -	\$ 199,117,544
81.041	State Energy Program	1,011,978	-
	Total	\$ 1,011,978	\$ 199,117,544

6. PASS-THROUGH AWARDS

The State receives the majority of its federal assistance directly from the federal awarding agencies. Federal awards received by the State from a pass-through entity are included in the Schedule and are italicized.

7. SUBRECIPIENTS

The State awards federal funds to non-federal entities (subrecipients) to assist with the implementation and administration of federal programs. Subrecipients are monitored by the State to ensure federal funds are expended in accordance with authorized laws, regulations, and the provisions of contracts or grant agreements. Amounts provided to subrecipients from each federal program are included in a separate column in the Schedule.

8. 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 expenditure basis as explained in Note 2.

9. INDIRECT COST RATE

The majority of State entities claim indirect costs in accordance with a federally approved indirect cost rate plan. State entities that utilize the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance are as follows:

- Governor's Office of Planning and Research
- California Tahoe Conservancy
- California Sierra Nevada Conservancy
- California Emergency Medical Services Authority
- California Department of Veterans Affairs

The Governor's Office of Planning and Research, the California Tahoe Conservancy, and the California Department of Veterans Affairs also administer other federal programs that utilize other indirect cost rate methodologies.

10. DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)

The State is the recipient of federally donated Personal Protective Equipment (PPE). The fair market value of the PPE at the time of receipt was \$11.3 million.

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Summary Schedule of Prior Audit Findings
Prepared by Department of Finance

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Reference Number: **2019-001**

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

Audit Finding: Significant Deficiency and Instance of Noncompliance. During the transition from the California State Accounting and Reporting System (CalSTARS) to the Financial Information System for California (FI\$Cal), remaining encumbrance balances from CalSTARS were converted to prior year encumbrance reversals. These transactions were included as negative balances in the expenditure reports used to report federal expenditures, which resulted in the understatement of expenditures in the Immunization Cooperative Agreements program (CDFA 93.268) \$211,247 and the HIV Care Formula Grants (CDFA 93.917) of \$22,224,797.

Public Health should establish a more thorough internal review and communication process to ensure the information submitted to Finance for compilation of the Schedule is complete and accurate.

Status of Corrective Action: Partially Corrected. Public Health has already trained staff on procedures for the Schedule of Expenditures of Federal Awards (Schedule) reporting to ensure the Schedule is complete and accurate. Fiscal year 2018-19 was Public Health's first year of FI\$Cal implementation, and since that time, Public Health has benefited from lessons learned. Public Health does not anticipate this issue will arise in the future as the encumbrance reversal cited was implemented in connection with a one-time migration of CalSTARS data to FI\$Cal. Additionally, Public Health has established communication protocols to enhance the review process moving forward.

Refer to finding 2020-001 regarding the cause for a recurrence and the planned corrective action.

Reference Number: **2019-002**

Federal Program: 20.205

State Administering Department: California Department of Transportation (Transportation)

Audit Finding: Special Tests and Provisions - Quality Assurance. At the completion of a construction project, the resident engineer reviews all quality assurance documents within the project records and certifies all materials and workmanship for the project and the required specifications on the final materials certification form for submission to the Federal Highway Administration. Per Transportation's policies and procedures, this form is required to be retained within the permanent project records. For 3 of 25 projects sampled, Transportation could not locate the final materials certificate within the project records.

Transportation's current document retention is paper based. The transition of project files from active storage location to completed and archived file storage resulted in the misplacement of required quality assurance project documentation.

Transportation should develop a more robust file storage process, as well as consider an electronic storage method for key required permanent project records, which would provide for permanent project records to be available as requested.

Status of Corrective Action: Fully Corrected. Transportation has procured and implemented the Falcon electronic document management system (Falcon DMS). In June 2021, Transportation issued Construction Procedures Directive (CPD) 21-11, requiring all project records for construction projects awarded on or after July 1, 2021, to be stored electronically in FalconDMS.

Reference Number: **2019-003**

Federal Program: 93.767
93.778

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

Audit Finding: Activities Allowed or Unallowed. Twenty-one of 56 contractor counties of Short-Doyle funding were tested and seven had not submitted their cost reports by the December 31 due date. One of the seven contractor counties had not submitted its cost report for fiscal year 2016-17 (more than 22 months late) and fiscal year 2017-18 (more than 10 months late) and six of the seven contractor counties had not submitted their cost reports for fiscal year 2017-18 (more than 10 months late).

Although the Mental Health Division of Health Care Services took the required action of notifying the seven contractor counties in writing within 30 days of the noncompliance, it has not taken any additional action necessary to ensure contract and performance compliance.

Health Care Services should develop and follow policies and procedures to take additional action for significantly late annual cost reports. These policies and procedures should include imposing sanctions, including, but not limited to, fines, penalties, the withholding of payments, probationary or corrective actions, or any other actions deemed necessary to promptly ensure contract and performance compliance.

Status of Corrective Action: Partially Corrected – repeat finding – refer to 2020-007. Health Care Services is still reviewing its draft policy and procedure to impose sanctions, fines and penalties on mental health plans that submit late cost reports. Health Care Services review of its draft

policy and procedures were delayed as a result of responding to the impacts of the coronavirus disease 2019 (COVID-19) pandemic on the behavioral health delivery system. Health Care Services expects to finish its review and implement the policy and procedure by October 31, 2022.

Reference Number: **2019-004**

Federal Program: 93.991

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

Audit Finding: Allowable Costs/Costs Principles. During the fiscal year ended June 30, 2019, the conversion to FISCAL led to errors in the FISCAL Cost Allocation tables through which the Statewide Cost Allocation Plan (SWCAP) table was set up to calculate indirect costs as of the year-to-date amounts. This resulted in compounding charges. Public Health detected the error and made adjustments to the charges. However, the adjusted indirect costs still exceeded the maximum amounts as determined using the federally-approved negotiated indirect cost rates by \$496,563.

Public Health should contact the funding agency to determine any corrective action necessary to rectify the identified errors.

Status of Corrective Action: Fully Corrected. Starting in fiscal year 2019-20, Public Health has revised and loaded updated cost allocation tables into FISCAL that align with United States Department of Agriculture (USDA)-approved Indirect Cost Rate (ICR) and SWCAP levels. Public Health provided fiscal year 2019-20 financial data to the auditor demonstrating the indirect costs now align with approved indirect cost rates, which was validated. On a monthly basis, Public Health will continue to monitor and confirm the indirect charges align with approved levels. After fiscal year 2019-20 year-end close was complete, Public Health's Accounting Section provided a final indirect charges report to the Administration Division's Deputy Director and the Director's Office with the final fiscal year 2019-20 indirect costs by program and fund to confirm the charges are within the approved USDA ICR and SWCAP levels.

Reference Number:	2019-005
Federal Program:	93.767 93.778
State Administering Department:	California Department of Health Care Services (Health Care Services)
Audit Finding:	<p><u>Eligibility.</u> Out of 135 Medical Assistance Program (Medi-Cal) and Children’s Health Insurance programs beneficiaries tested, 36 beneficiaries had eligibility exceptions. Additionally, in 2018 reports from the U.S. Department of Health and Human Services, Office of Inspector General, and California State Auditor highlighted payments made to ineligible and potentially ineligible beneficiaries.</p> <p>Health Care Services should continue its practice of performing regular focus reviews on county welfare agencies to identify factors contributing to the delays and errors in the redetermination process, such as misinterpretations of policies, systems issues, business practices, etc., and then work with county welfare agencies to provide appropriate training and/or creating corrective action plans.</p> <p>Health Care Services should continue with the pilot quality control process used to monitor all critical and urgent level Medi-Cal Eligibility Data System (MEDS) alerts to be able to quickly identify county welfare agencies not resolving MEDS alerts in a timely manner. Health Care Services should continue its efforts to incorporate into the MEDS alert functionality the ability to alert county welfare agencies when eligibility redeterminations are required or overdue. Health Care Services should then work with those county welfare agencies that are not performing eligibility redeterminations in a timely manner and who may not be correctly verifying eligibility through training and site visits to implement policies and procedures to improve their compliance status.</p>
Status of Corrective Action:	<p><u>Remains Uncorrected – repeat finding – refer to 2020-008.</u> DHCS performs site visits/focus reviews on counties to identify factors (training issues, misinterpretation of policy, systems issues, and business practices) contributing to delays/error in renewal processing. Depending on the outcome of each review, counties may be required to submit a CAP. The CAP must include:</p> <ol style="list-style-type: none"> 1. A timeframe for the development and implementation of policies/procedures to address the issues identified. 2. How the policies/procedures, once implemented, will reduce similar occurrences in future renewals.

DHCS allots the county six months after the date the CAP is implemented to demonstrate improvement, and will follow up with the county on a regular basis to affirm the policies/procedures implemented are effective. If sufficient improvement is not seen, counties will be required to amend the CAP. DHCS will then perform a subsequent review within a year after the original review.

DHCS continues to conduct regular focused reviews of counties to ensure eligibility determinations are performed in accordance with federal/state regulations. Through the course of the reviews DHCS staff confirm the following:

- The appropriate documents (manual and/or electronic) were received prior to the completion of the eligibility determination.
- All required data elements were electronically/manually verified prior to the completion of eligibility determinations.
- Eligibility systems are updated with current information, and used appropriately in eligibility determinations.
- Applicant information is correctly entered into eligibility systems (data entry errors).
- Eligibility determinations are performed for only individuals who request an evaluation for eligibility to health insurance programs.
- All documents used in the eligibility information are:
 - o Appropriately retained in the case file.
 - o Received in the last 12 months.
 - o Used appropriately in the eligibility determination.
 - o Confirms eligibility to the assigned aid category.

The reviews are used to identify:

- Error trends attributed to caseworker actions.
- Errors trends related to systems issues.
- Gaps in policy which need further clarification/guidance.

Upon implementation of the Focus Review Monitoring program, DHCS selected counties based on the population size. Counties with the highest population were reviewed first, since high population counties are responsible for the majority of determinations made statewide. DHCS plans to review each county on a biennial basis once an initial review is performed in all 58 counties.

DHCS completed a focus review for the following counties: Alameda, Calaveras, Colusa, Contra Costa, El Dorado, Fresno, Kern, Kings, Lake, Los Angeles, Madera, Marin, Mendocino, Merced, Monterey, Napa, Orange, Placer, Plumas, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, San

Joaquin, San Luis Obispo, Santa Barbara, Santa Clara, Shasta, Siskiyou, Solano, Sonoma, Stanislaus, Sutter, Tulare, Tuolumne, Ventura, Yuba, and Yolo.

DHCS reviewed the 39 counties listed above and planned to review the remaining 19 counties listed below by December 31, 2020.

Alpine, Amador, Butte, Del Norte, Glenn, Humboldt, Imperial, Inyo, Lassen, Mariposa, Modoc, Mono, Nevada, San Benito, San Mateo, Santa Cruz, Sierra, Tehama, and Trinity.

Due to the COVID-19 pandemic, DHCS temporarily suspended the 2020 site visits and focus reviews. DHCS will resume efforts upon termination of the COVID-19 pandemic. DHCS also plans to enhance its county oversight, monitoring, and accountability.

DHCS is working to develop two new MEDS alerts which will be used to notify counties of past due renewals and track the number of months since the last renewal. The alerts will be used by DHCS' quality control staff to monitor overdue renewals and quickly identify counties accruing a high volume of alerts. DHCS will work with counties to implement processes/procedures to reduce the number of renewals processed in excess of federal/state timeframes.

Reference Number:	2019-006
Federal Program:	93.917
State Administering Department:	California Department of Public Health (Public Health)
Audit Finding:	<u>Eligibility.</u> Out of 60 individuals reviewed, 6 individuals did not submit all required documentation, including medical reports to support a positive HIV/AIDS diagnosis or income documentation to verify their annual Modified Adjusted Gross Income did not exceed 500 percent of the Federal Poverty Level based on household size and income. These individuals were placed on a temporary access period without meeting the necessary eligibility requirements. This practice was unallowable prior to the revised Policy Clarification Notice (PCN) 13-02 in May 2019, and was acceptable after the release of the PCN if Public Health used a funding source other than the Ryan White HIV/AIDS Program for individuals ultimately determined to be ineligible.

In December 2018, the Aids Drug Assistance Program (ADAP) guidelines were updated to include a secondary review of ADAP applications that requires a review of specified eligibility criteria. The ADAP Branch should continue to monitor compliance with its policies to ensure enrollment workers follow the established guidelines and retain acceptable

documentation to support eligibility determinations.

Status of Corrective Action:

Partially Corrected. The Office of AIDS (OA) communicated a process change that was initiated prior to the commencement of fiscal year 2017-18 that would enable OA to flag expenditures incurred while clients were on a Temporary Access Period (TAP), giving OA the ability to charge separate funding other than federal funds. This process was fully implemented in July 2019. In order to ensure that TAPs are paid from a separate fund source, TAP reports are run for the specified billing period to verify the total TAP costs. OA then ensures these costs are coded separately prior to invoice submission to Public Health's Accounting Section.

Refer to finding 2020-009 regarding the cause for the recurrence and the planned corrective action.

Reference Number:

2019-007

Federal Program:

93.658

State Administering Department:

California Department of Social Services (Social Services)

Audit Finding:

Subrecipient Monitoring. Due to a misinterpretation of the requirement, the Funding and Eligibility Unit has not yet developed and documented a formal risk assessment process to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward to determine the frequency and extent of the monitoring activities to be performed.

The Funding and Eligibility Unit should develop and document a formal process for performing risk assessments over all its subrecipients in order to determine the frequency and extent of such monitoring activities to be performed that is commensurate with the identified risk for each subrecipient. Further, the Funding and Eligibility Unit should retain evidence that the policies and procedures were implemented to evaluate the subrecipient's risk of noncompliance.

Status of Corrective Action:

Partially Corrected. In response to the finding, the Funding and Eligibility Unit in the Foster Care Audits and Rates Branch has strengthened its county monitoring procedures and has developed a corrective action plan that includes developing a formal risk assessment process that examines the following risk factors:

- Number of foster children
- Number of errors/findings from previous reviews
- Date of last review (within the last 3 – 5 years)
- Results from internal audits, program monitoring, and technical assistance
- Review of findings from the Judicial Review

and Technical Assistance Court Project
quarterly reports

A risk assessment tool will be used to prioritize the selection of counties for the annual reviews. The corrective action plan also includes the activities to revise the written monitoring procedures, develop and conduct training for the counties and monitoring staff on the new procedures and how the risk assessment tool will be implemented.

Reference Number: **2019-008**

Federal Program: 93.268

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

Audit Finding: Special Tests and Provisions. The Immunization Branch of Public Health has about 3,700 enrolled and active Vaccines for Children (VFC) providers located in the State of California. For the period from July 1, 2018 to June 30, 2019, 214 active providers were overdue for a visit as required by the Center for Disease Control and Prevention, representing approximately 6 percent of the program's total enrolled and active VFC providers. In addition, 819 of 1,249 outstanding follow-up actions for the same period were overdue.

The Immunization Branch of Public Health misinterpreted the visit frequency requirement such that a provider should be visited within 2 calendar years of the last compliance visit date. However, the Center for Disease Control and Prevention's timeframe requirement is within 24 months from the date of the last compliance visit. The Immunization Branch of Public Health also experienced a staff shortage in Southern California where approximately 70 percent of these overdue providers were located.

The Immunization Branch of Public Health should develop a plan to perform the VFC Compliance Site Visits, including any follow-up actions, within the required timeframe.

Status of Corrective Action: Fully Corrected. At the time of the initial findings, 214 active providers were overdue. As of November 2020, only 1 provider from the original list has not received a compliance visit. The last remaining visit of the initial 214 was scheduled for March 2020, but was postponed due to the COVID-19 pandemic. The visit was not performed before March 2020 because the provider account was placed on hold due to fraud and abuse allegations. In regard to the 1,249 outstanding follow-up actions from the same time period, all follow-up actions have been completed.

Reference Number: **2019-009**

Federal Program: 93.778

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

Audit Finding: Special Tests and Provisions. The California Medicaid Management Information System Division (CA-MMIS) uses a service organization/fiscal intermediary to perform many fiscal components of the administration of the program. CA-MMIS obtained from the fiscal intermediary an independent service auditor's Service Organization Control (SOC) report on the suitability of the design and operating effectiveness of controls for the period July 1, 2015 to June 30, 2016. The report included a number of exceptions, three of which were significant enough to warrant the service auditor to modify its opinion on controls.

CA-MMIS continued to monitor the fiscal intermediary's efforts to implement required corrective actions to resolve the exceptions. However, the fiscal intermediary has demonstrated its inability to implement the required corrective actions.

Since the fiscal intermediary has not been effective in implementing CA-MMIS corrective actions required to resolve exceptions noted for general controls over logical access to systems, programs and data, CA-MMIS should evaluate the continued risks associated with these exceptions and consider further actions permitted under its contract to remediate the exceptions or consider alternative service providers.

Status of Corrective Action: Fully Corrected. Adoption of the new service management framework and assumption of operations to the new IBM contract occurred October 1, 2019. Some Health Care Services owned access control activities have started. Further improvements, such as automated workflows, will evolve over time as Health Care Services develops its IT Service Management operating model.

Reference Number:	2018-001	Partially Corrected – refer to finding 2020-001
	2018-004	Partially Corrected – refer to finding 2020-007
	2018-007	Partially Corrected – refer to finding 2020-008
	2018-008	Partially Corrected – refer to finding 2020-009
	2018-009	Fully Corrected

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Department of Finance Response Letter

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Gavin Newsom ■ Governor

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Transmitted via e-mail

February 18, 2022

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500 Capitol Mall, Suite 2200
Sacramento, CA 95814

Thank you for the opportunity to respond to the federal compliance audit report for the fiscal year ended June 30, 2020. 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. California is committed to ensuring all its state entities implement effective accounting, reporting, and operational practices. State entities with findings and recommendations provided responses 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 remind state entities of their responsibility for implementing corrective actions.

We appreciate MGO's efforts in completing the Single Audit for the State. If you have any questions concerning this letter, please contact Cheryl L. McCormick, Chief, Office of State Audits and Evaluations, at (916) 322-2985.

Sincerely,

KEELY MARTIN BOSLER
Director

Enclosure

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Management's Response and Corrective Action Plan

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**STATE OF CALIFORNIA
MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Reference No. 2020-002:

The Women, Infants, and Children Division (WIC) of the California Department of Public Health (Public Health) agrees that the WIC WISE system does not currently store eligibility history that should be included in the "Cert History Report". Currently, the initial eligibility data is overwritten when subsequent eligibility information is keyed into WIC WISE.

WIC WISE does include preventative internal stops or check points that do not allow ineligible individuals to be certified and issued benefits (e.g., over income, not a CA resident, no nutrition risk factor, etc.). User acceptance testing vetted these items prior to system implementation.

The certification history condition will be remediated via a system Defect Correction to WIC WISE. WIC has entered Defect Correction #6972 in Team Foundation Services (TFS), the tracking system used to capture system changes and defects. This correction will be included in a future release, which is targeted for late 2022. The defect supports a system change to ensure initial eligibility information is retained when subsequent eligibility information is entered into WIC WISE.

Estimated Implementation Date: December 2022

Contact: William Welch, Assistant Division Chief, Operations
Women, Infants, and Children Division
California Department of Public Health

Reference No. 2020-003:

The Office of Audit Services (OAS) at the California Department of Social Services (Social Services) concurs with the finding. Although the OAS has multiple levels of review in place to enhance controls for the Single Audit Report (SAR) review process, appropriate first line supervisory review of Management Decision Letter (MDL) memos and MDL forms sent to the affected program area did not always occur. As a result, there were due date discrepancies between the MDL memo and MDL forms, which caused the delays. Additionally, the coronavirus outbreak and program area management and staff turnover also contributed to the overdue MDLs. However, in January 2021, OAS hired a Certified Public Accountant to supervise the SAR coordination function. The new supervisor updated the SAR procedures to ensure the due date on the MDL memo and MDL form is accurate and monitoring of the due date occurs.

Estimated Implementation Date: January 2021

Contact: Debbie Richardson, Chief
Office of Audit Services
California Department of Social Services

Reference No. 2020-004:

From the beginning of the pandemic in March 2020 through mid-January 2021, the Employment Development Department (EDD) was forced to suspend the adjudication of most potential eligibility issues due to the historic number of claims filed during the pandemic, limited trained staffing resources, and the need to ensure timely filing of claims and payment of benefits to the extent possible.

The EDD resumed adjudicating all potential eligibility issues as of January 2021. We are also currently adjudicating the potential eligibility issues not adjudicated prior to January 2021, have brought on a vendor to assist with this workload, and expect to complete that effort no later than September 2022.

Estimated Implementation Date: January 2021

Contact: Diane Underwood, Division Chief
Unemployment Insurance Branch
California Employment Development Department

Reference No. 2020-005:

As with all other states nationwide, the EDD experienced an increase in fraudulent activity during the pandemic, especially related to the new federal Pandemic Unemployment Assistance (PUA) program. In addition to employing the fraud detection activities the EDD already had in place, which included but were not limited to cross-matches with Social Security Administration data and Department of Motor Vehicle records, as well as regular queries to identify claims containing known indicators of potential fraud, the EDD has taken action to implement additional measures to identify potential fraudulent activity not already being detected in order to stop individuals committing fraud from being paid unemployment benefits.

To enhance the measures the EDD already had in place when the pandemic started, during the years 2020 and 2021, the EDD implemented the following major fraud prevention measures, which have enabled the EDD to detect further instances of fraud and stop those individuals from being paid benefits.

<u>Fraud Prevention Measure</u>	<u>Implementation Date</u>
Implementation of a cross-match to detect multiple claims filed using the same address.	September 2020
Implementation of ID.me, which requires claimants to verify their identity with ID.me before they can submit a UI claim application online.	October 2020
Implementation of an inmate cross-match with the California Department of Corrections and Rehabilitation to detect incarcerated individuals.	November 2020
Utilization of the Thomson Reuters (TR) identity proofing and authentication platform to conduct a fraud analysis of all unemployment claims, which helps identify both identity and non-identity fraud.	December 2020

Furthermore, the EDD continues to work in concert with a state-led task force comprised of state and local agencies in an effort to support unemployment fraud investigation, and, with the Governor's Office appointment of a Fraud Special Counsel that brings former U.S. Attorney and federal prosecutor experience. Additionally, the EDD Investigation Division is directly involved in hundreds of joint criminal

investigations with local, state and federal law enforcement entities in an ongoing effort to identify and prosecute the individuals who participated in fraud schemes during the pandemic. Moving forward, the EDD will continue to look for ways to enhance our detection and prevention tools in order to protect against fraud in the unemployment program.

Estimated Implementation Date: September 2020

Contact: Diane Underwood, Division Chief
Unemployment Insurance Branch
California Employment Development Department

Reference No. 2020-006:

Since the beginning of the pandemic in March 2020, the EDD has continued to face many challenges in processing unemployment claims workloads given the historic number of claims filed, which were beyond even the worst of recessions, as well as the limited trained staffing resources to work these workloads. The EDD has been increasing our capacity to process these workloads and prioritizing our workloads with the primary focus being on ensuring that timely payments of benefits are being made to the extent possible. The workloads include those associated with the regular Unemployment Insurance (UI) claims, as well as the multiple federal pandemic programs, including the Pandemic Unemployment Assistance (PUA) program. The PUA income verification workload is one such workload.

In November 2020, the EDD implemented programming to perform an automated cross-match of the EDD wage records and records available from the Franchise Tax Board to assist in verifying the income of PUA claimants who received a weekly benefit amount greater than the minimum \$167 available in California. The EDD uses this automation to the extent possible to verify income to support the increase in claimants' weekly benefit amount and limit the amount of staffing resources required to process this work. For the claims that the EDD cannot verify through this automated cross-match process, the claimants were required to submit documents to substantiate their income, which must be reviewed by staff. The EDD has continued to prioritize the review of these documents among the other workloads that need to be completed and expects to begin the processing of these documents in March 2022.

Estimated Implementation Date: November 2020

Contact: Diane Underwood, Division Chief
Unemployment Insurance Branch
California Employment Development Department

Reference No. 2020-007:

Health Care Services agrees with the recommendation and is developing the draft policy and procedure to impose sanctions, fines, and penalties on mental health plans which submit late cost reports. While much of the documentation is completed, Health Care Services is strategizing how to best operationalize the comprehensive sanction policies including sanctions for network adequacy and contract compliance. As such, Health Care Services plans to include the specific sanction policy in the contract compliance sanctions policy, which is anticipated to be released by October 31, 2022.

Estimated Implementation Date: October 31, 2022

Contact: Wendy Griffe, Chief
Internal Audits
California Department of Health Care Services

Reference No. 2020-008:

Health Care Services agrees with the recommendation. Health Care Services performs focus reviews on counties to identify factors (training issues, misinterpretation of policy, systems issues, and business practices) contributing to delays/error in renewal processing. Depending on the outcome of each review, counties may be required to submit a corrective action plan (CAP).

The CAP must include:

1. A timeframe for the development and implementation of policies/procedures to address the issues identified.
2. How the policies/procedures, once implemented, will reduce similar occurrences in future renewals.

Health Care Services allots the county six months after the date the CAP is implemented to demonstrate improvement, and follows up with the county on a regular basis to affirm the policies/procedures implemented are effective. If sufficient improvement is not seen, counties will be required to amend the CAP. Health Care Services then performs a subsequent review within a year after the original review.

Health Care Services continues to conduct regular focused reviews of counties to ensure eligibility determinations are performed in accordance with federal/state regulations. Through the course of the reviews Health Care Services staff confirm the following:

- The appropriate documents (manual and/or electronic) were received prior to the completion of the eligibility determinations.
- All required data elements were electronically/manually verified prior to the completion of eligibility determinations.
- Eligibility systems are updated with current information, and used appropriately in eligibility determinations.
- Applicant information is correctly entered into eligibility systems (data entry errors).
- Eligibility determinations are performed for only individuals who request an evaluation for eligibility to health insurance programs.
- All documents used in the eligibility information are:
 - o Appropriately retained in the case file.
 - o Received in the last 12 months.
 - o Used appropriately in the eligibility determination.
 - o Confirms eligibility to the assigned aid category.

The reviews are used to identify:

- Error trends attributed to caseworker actions.
- Errors trends related to systems issues.
- Gaps in policy that need further clarification/guidance.

Upon implementation of the Focus Review Monitoring program, which was developed in response to external audit findings to identify business and operational issues at the county level that contribute to issues with eligibility determinations, Health Care Services selected counties based on the population size. Counties with the highest population were reviewed first, since high-population counties are responsible for the majority of determinations made statewide. Health Care Services plans to review each county on a biennial basis once an initial review is performed in all 58 counties.

Health Care Services completed a focus review for the following counties:

Alameda, Calaveras, Colusa, Contra Costa, El Dorado, Fresno, Kern, Kings, Lake, Los Angeles, Madera, Marin, Mendocino, Merced, Monterey, Napa, Orange, Placer, Plumas, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, San Joaquin, San Luis Obispo, Santa Barbara, Santa Clara, Shasta, Siskiyou, Solano, Sonoma, Stanislaus, Sutter, Tulare, Tuolumne, Ventura, Yuba, and Yolo.

Health Care Services had reviewed the 39 counties listed above and had planned to review the remaining 19 counties listed below by December 31, 2020:

Alpine, Amador, Butte, Del Norte, Glenn, Humboldt, Imperial, Inyo, Lassen, Mariposa, Modoc, Mono, Nevada, San Benito, San Mateo, Santa Cruz, Sierra, Tehama, and Trinity.

Due to the COVID-19 pandemic, Health Care Services temporarily suspended the 2020 site visits and focus reviews. Health Care Services will resume efforts upon termination of the COVID-19 pandemic.

Health Care Services is working to develop two new MEDS alerts, which will be used to notify counties of past due renewals and track the number of months since the last renewal. The alerts will be used by Health Care Services' quality control staff to monitor overdue renewals and quickly identify counties accruing a high volume of alerts. Health Care Services will work with counties to implement processes/procedures to reduce the number of renewals processed in excess of federal/state timeframes.

Please note, due to the public health emergency, Health Care Services suspended this effort through December 31, 2022.

Health Care Services continues to work with its business partners to enhance CalHEERS functionality on an as-needed basis, and add additional features to increase automation of the Medi-Cal eligibility application and renewal process, to the extent possible.

Estimated Implementation Date: December 31, 2022

Contact: Wendy Griffe, Chief
Internal Audits
California Department of Health Care Services

Reference No. 2020-009:

The California Department of Public Health, Office of AIDS (OA) is in agreement with the finding. The OA will work to continue monitoring compliance with established policies to ensure enrollment workers and secondary reviews of the AIDS Drug Assistance Program (ADAP) applications follow the guidelines, and retain acceptable documentation to support eligibility determinations. Additionally, ADAP Eligibility and ADAP Fiscal Forecasting, Evaluation, & Monitoring Section (AFFEM) will work with Public Health's surveillance system development contractor to implement the necessary reporting mechanism to identify ADAP clients who receive eligibility extensions to ensure that a more in-depth analysis of eligibility can be determined.

Estimated Implementation Date: June 2022

Contact: Sharisse Kemp, Assistant Division Chief
Office of AIDS
California Department of Public Health

Reference No. 2020-010:

In response to the compliance audit finding regarding Social Services' monitoring of the Temporary Assistance for Needy Families (TANF), known as the CalWORKs program in California, Work Participation Rate (WPR) data, the following actions were taken to establish a formal corrective action plan for subrecipients:

- 1) As of October 2018, case file review procedure questions were updated to include questions subrecipient counties are required to complete that document what changes were made since the county's last review to address inaccuracies. Moving forward, this procedure will now include questions specifically related to employment and workforce supports implemented by counties that are intended to better support clients enrolled in the CalWORKs program.
- 2) All County Letter (ACL) 20-59 "*Temporary Assistance For Needy Families And Work Incentive Nutritional Supplement Validation Review Corrective Action Plans*" was released informing case review agencies that beginning with their federal fiscal year (FFY) 2020 reviews (conducted October 2021-July 2022), a corrective action plan will be submitted to Social Services to address any findings listed in the subrecipient county's final report of findings. For each finding, the case review agency shall describe the corrective actions the case review agency will take and the date the corrective actions will be implemented.
- 3) Instructions sent to the case review agencies before a review, were updated to include information regarding the corrective action plan and what is required if the review resulted in findings.

Also, effective July 2021, counties have launched the CalWORKs Outcomes and Accountability Review (Cal-OAR) process. Cal-OAR is a local, data-driven program management system that facilitates continuous improvement of county CalWORKs programs, including workforce participation and employment program components, by collecting, analyzing, and disseminating outcomes and best practices. As required by Welfare and Institutions Code (WIC) 11523, Cal-OAR consists of three core components: performance indicators, a county CalWORKs self-assessment (Cal-CSA), and a CalWORKs system improvement plan (Cal-SIP). The Cal-OAR continuous quality improvement (Cal-CQI) process (which includes the Cal-CSA and Cal-SIP) will take place over five-year cycles.

Subrecipient county corrective actions may include adding information to a form used by a county to track participation hours, ensuring contact information is included in case files, modifying county processes to ensure documentation supports reported activity hours and training new and current staff on the appropriate ways to collect and report activity hours. Social Services issues corrective action plans to counties through the Final Report of Findings and will ensure actions are taken by counties during the following review year, per county review calendars which land on either a two or three-year cycle.

Estimated Implementation Date: July 2021

Contact: Jennifer Hernandez, Deputy Director
Family Engagement & Empowerment Division
California Department of Social Services

Reference No. 2020-011:

The Office of Audit Services (OAS) at the California Department of Social Services (Social Services) concurs with the finding. Although the OAS has multiple levels of review in place to enhance controls for the Single Audit Report (SAR) review process, appropriate first line supervisory review of Management Decision Letter (MDL) memos and MDL forms sent to the affected program area did not always occur. As a result, there were due date discrepancies between the MDL memo and MDL forms, which caused the delays. Additionally, the coronavirus outbreak and program area management and staff turnover also contributed to the overdue MDLs. However, in January 2021, OAS hired a Certified Public Accountant to supervise the SAR coordination function. The new supervisor updated the SAR procedures to ensure the due date on the MDL memo and MDL form is accurate and monitoring of the due date occurs.

Estimated Implementation Date: January 2021

Contact: Debbie Richardson, Chief
Office of Audit Services
California Department of Social Services

Reference No. 2020-012:

Health Care Services agrees with the recommendation. To ensure reports are not pulled prematurely so the correct amounts are reported in the CMS-64, Health Care Services confirmed when the California Omnibus Budget Reconciliation Act of 1985 (COBRA) reports are finalized each month, and created a calendar to display the earliest date COBRA reports can be pulled each month. In addition, Health Care Services pulls the finalized COBRA reports and reports the overpayment amounts for Centers for Medicare & Medicaid Services (CMS) reporting.

Effective, September 1, 2021, System Development Notice (SDN) 20039 made updates to the Claims Processing Accounts Receivable System, requiring the Fiscal Intermediary (FI) to record the Federal Financial Participation (FFP) rate including the Budget Program (i.e., Medicaid Assistance Program vs. Children's Health Insurance Program) for each overpayment account receivable set up after the effective date. The FFP rate and Budget Program information for each overpayment is provided on the Action Notices to the FI. The SDN also made updates to the COBRA system to enable the system to receive the FFP rate and Budget Program information for each overpayment set up by the FI and updated COBRA reports, thereby allowing Health Care Services to report the correct FFP rate for overpayments on the CMS-64 and CMS-21.

Estimated Implementation Date: September 1, 2021

Contact: Wendy Griffe, Chief
Internal Audits
California Department of Health Care Services