COUNTY OF SANTA BARBARA, CALIFORNIA

Single Audit Reports

June 30, 2006

(With Independent Auditors' Report Thereon)

COUNTY OF SANTA BARBARA, CALIFORNIA

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Board of Supervisors
County of Santa Barbara, California:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Santa Barbara, California (the County) as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon, dated August 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

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

KPMG LLP

August 10, 2006

KPMG LLP
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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Honorable Board of Supervisors
County of Santa Barbara, California:

Compliance

We have audited the compliance of the County of Santa Barbara, California (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget* (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

We were unable to obtain sufficient documentation supporting the compliance of the County with its Temporary Assistance for Needy Families Program (CFDA No. 93.558), its Food Stamps Cluster (CFDA Nos. 10.551 and 10.561), its Medicaid Cluster (CFDA No. 93.778), and its Foster Care – Title IV-E Program (CFDA No. 93.658) regarding allowable costs and activities and reporting, nor were we able to satisfy ourselves as to the County's compliance with those requirements by other auditing procedures.

We were unable to obtain sufficient documentation supporting the compliance of the County with its Child Support Enforcement Program (CFDA No. 93.563) regarding special tests and provisions, nor were we able to satisfy ourselves as to the County's compliance with those requirements by other auditing procedures.

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As described in item 06-02 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs and activities that are applicable to its Child Support Enforcement Program (CFDA No. 93.563). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

As described in items 06-02 and 06-19 through 06-22 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs and activities, eligibility, and earmarking that are applicable to its Workforce Investment Act Cluster (CFDA No. 17.258, 17.259, and 17.260). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

As described in items 06-01, 06-02, and 06-10 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs and activities, reporting, and special tests and provisions that are applicable to its Food Stamps Cluster (CFDA Nos. 10.551 and 10.561). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

As described in items 06-01, 06-02, and 06-14 through 06-18 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs and activities, eligibility, reporting, and special tests and provisions that are applicable to its Temporary Assistance for Needy Families Program (CFDA No. 93.558). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

As described in items 06-01, 06-02, 06-11, and 06-12 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs and activities, eligibility, and reporting that are applicable to its Foster Care – Title IV-E Program (CFDA No. 93.658). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

As described in items 06-01 through 06-08 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs and activities, eligibility, and reporting that are applicable to its Medicaid Cluster (CFDA No. 93.778). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the four preceding paragraphs, the County did not comply in all material respects, with the requirements referred to above that are applicable to it Food Stamps Cluster (CFDA Nos. 10.551 and 10.561), its Temporary Assistance for Needy Families Program (CFDA No. 93.558), its Foster Care – Title IV-E Program (CFDA No. 93.658) and its Medicaid Cluster (CFDA No. 93.778). Also, in our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the County's compliance with the requirements of the Temporary Assistance for Needy Families Program (CFDA No. 93.558), Food Stamps Cluster (CFDA Nos. 10.551 and 10.561), Medicaid Cluster (CFDA No. 93.778), and Foster Care – Title IV-E Program (CFDA No. 93.658) regarding allowable costs and activities and reporting and the requirements of the Child Support Enforcement Program (CFDA No. 93.563) regarding special tests and provisions, and except for the noncompliance described in the six preceding paragraphs, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended June 30, 2006. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 06-09, 06-13, and 06-23 through 06-25.

Internal Control over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 06-01, 06-02, 06-03, 06-04, 06-05, 06-08, 06-10, 06-11, 06-14, 06-16, 06-17, 06-18, 06-19, 06-20, 06-21, and 06-22.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 06-02, 06-03, 06-04, 06-11, and 06-18 to be material weaknesses.

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

KPMG LLP

October 29, 2007

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Costa Mesa, CA 92626-7651

Report on Supplementary Information – Schedule of Expenditures of Federal Awards

The Honorable Board of Supervisors
County of Santa Barbara, California:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Santa Barbara, California (the County) as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon, dated August 10, 2006.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the County Board of Supervisors and management of the County as well as the County's federal awarding agencies and pass-through entities who have previously received the financial statements of the County as of and for the year ended June 30, 2006, and our unqualified opinions thereon, for use in evaluating those financial statements and is not intended to be and should not be used for any other purpose.

KPMG LLP

August 10, 2006

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Federal grantor/pass-through grantor/program title	Catalogue of Federal Domestic Assistance number	Contract number	Expenditures
U.S. Department of Agriculture:			
Direct program:			
Cooperative Forestry Assistance	10.664	02-LE-11051360-032	$ 40,000
Passed through California Department of Food and Agriculture:			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-0388	136,537
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-0451	8,598
			145,135
Inspection Grading and Standardization	10.162	05-0337	1,297
Passed through California Department of Health Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	05-45796	2,035,668
Total U.S. Department of Agriculture			2,222,100
U.S. Department of Agriculture – Child Nutrition Cluster:			
Passed through California Department of Education:			
School Breakfast Program	10.553	42-10421-4232815-01	106,446
National School Lunch Program	10.555	42-10421-4232815-01	170,516
Total U.S. Department of Agriculture – Child Nutrition Cluster			276,962
U.S. Department of Agriculture – Food Stamps Cluster:			
Passed through California Department of Health Services:			
State Administrative Matching Grants for Food Stamps Program	10.561	03-75377	17,400
Passed through California Department of Social Services:			
Food Stamps	10.551	Santa Barbara	21,078,294
State Administrative Matching Grants for Food Stamps Program	10.561	Santa Barbara	3,611,375
Total U.S. Department of Agriculture – Food Stamps Cluster (1)			24,707,069
U.S. Department of Commerce:			
Direct program:			
Coastal Zone Management Administration Awards	11.419	NA170Z2073	94,931
Total U.S. Department of Commerce			94,931
U.S. Department of Education:			
Passed through Santa Barbara School District – Grades K – 12:			
Safe and Drug-Free Schools and Communities – National Programs	84.184	PV 042932	224,383
Passed through California Department of Alcohol and Drug Programs:			
Safe and Drug-Free Schools and Communities – State Grants	84.186	SDF 03-16	149,942
Total U.S. Department of Education			374,325
U.S. Department of Health and Human Services:			
Direct program:			
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00193	370,688
Passed through California Department of Alcohol and Drug Programs:			
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243	NNA42	383,287
Block Grants for Prevention and Treatment of Substance Abuse	93.959	NNA42	2,760,944
Passed through California Department of Health Services:			
Public Health and Social Services Emergency Fund	93.003	Santa Barbara	183,900
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	Santa Barbara	61,328
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	Santa Barbara	113,270
			174,598
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	04-35380 HIV 04-42	128,688
Immunization Grants	93.268	06-55200	86,264
Immunization Grants	93.268	06-55247	221,006
			307,270

(Continued)

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Federal grantor/pass-through grantor/program title	Catalogue of Federal Domestic Assistance number	Contract number	Expenditures
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	01-16411-A02	$ 8,590
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	Santa Barbara	813,792
			822,382
HIV Care Formula Grants	93.917	03-75929-A02	131,572
HIV Prevention Activities – Health Department Based	93.940	04-35380 EIP 04-42	59,886
Maternal and Child Health Services Block Grant to the States	93.994	200542	1,433,150
Preventative Health and Health Services Block Grant	93.991	04-35460	208,288
Preventative Health and Health Services Block Grant	93.991	95-6002833	4,371
			212,659
Passed through California Department of Mental Health:			
Block Grants for Community Mental Health Services	93.958	SCC42	202,640
Passed through California Department of Social Services:			
Promoting Safe and Stable Families	93.556	Santa Barbara	373,320
Temporary Assistance For Needy Families (1)	93.558	Santa Barbara	26,733,992
Child Support Enforcement (1)	93.563	Santa Barbara (County 42)	6,056,295
Refugee and Entrant Assistance – State Administered Programs	93.566	Santa Barbara	93,684
Chafee Education and Training Vouchers Programs (ETV)	93.599	Santa Barbara	950
Child Welfare Services – State Grants	93.645	Santa Barbara	183,987
Foster Care – Title IV-E (1)	93.658	Santa Barbara	9,581,363
Adoption Assistance	93.659	Santa Barbara	1,320,497
Chafee Foster Care Independent Living	93.674	Santa Barbara	162,641
Social Services Block Grant	93.667	Santa Barbara	263,804
Total U.S. Department of Health and Human Services			51,942,197
U.S. Department of Health and Human Services – Aging Cluster:			
Passed through Central Coast Commission for Senior Citizens:			
Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	93.044	45530A	14,399
Total U.S. Department of Health and Human Services – Aging Cluster			14,399
U.S. Department of Health and Human Services – Consolidated Health Centers Cluster:			
Direct program:			
Consolidated Health Centers (Health Care for the Homeless)	93.224	H80CS00046	444,720
Total U.S. Department of Health and Human Services – Consolidated Health Centers Cluster			444,720
U.S. Department of Health and Human Services – Medicaid Cluster:			
Passed through California Department of Aging:			
Medical Assistance Program – Multipurpose Senior Services Program	93.778	MS-0506-15	399,965
Passed through California Department of Health Services:			
Medical Assistance Program	93.778	03-75090	1,032,865
Passed through California Department of Mental Health:			
Medical Assistance Program – Administration	93.778	42-4450	3,715,567
Passed through California Department of Social Services:			
Medical Assistance Program – Administration	93.778	Santa Barbara	8,997,077
Medical Assistance Program – In-Home Support Services (Administration)	93.778	Santa Barbara	936,040
Medical Assistance Program – In-Home Support Services	93.778	Santa Barbara	1,117,745
Medical Assistance Program – Adult Protective Services	93.778	Santa Barbara	631,870
Medical Assistance Program – Public Authority	93.778	Santa Barbara	785,771
Medical Assistance Program – CalWIN	93.778	Santa Barbara	927,460
Total U.S. Department of Health and Human Services – Medicaid Cluster (1)			18,544,360

(Continued)

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Federal grantor/pass-through grantor/program title	Catalogue of Federal Domestic Assistance number	Contract number	Expenditures
U.S. Department of Homeland Security:			
Direct Program:			
Assistance to Firefighters Grant	97.044	EMW-2004-FG-11620	$ 9,106
Passed through Governor's Office of Emergency Services:			
Public Assistance Grants	97.036	OES ID#083-00000	687,577
Hazard Mitigation Grant	97.039	HMPG 1505-43-17	4,500
Hazard Mitigation Grant	97.039	HMPG 1505-43-18	4,005
Hazard Mitigation Grant	97.039	HMPG 1505-43-19	15,000
			23,505
Emergency Management Performance Grants	97.042	2005-15	84,592
Citizen Corps Grant	97.053	2004-45,OES#083-00000	30,458
Law Enforcement Terrorism Prevention Program	97.074	2004-45,OES#083-00000	192,326
State Homeland Security Program	97.073	2003-35,OES#083-00000	4,016
State Homeland Security Program	97.073	2004-45,OES#083-00000	704,213
			708,229
Total U.S. Department of Homeland Security			1,735,793
U.S. Department of Housing and Urban Development:			
Direct Program:			
Supportive Housing Program	14.235	CA16B403-002	76,084
Supportive Housing Program	14.235	CA16B403-004	17,050
Supportive Housing Program	14.235	CA16B403-010	160,586
Supportive Housing Program	14.235	CA16B503-002	115,634
			369,354
HOME Investment Partnerships Program	14.239	M00-DC060554	166,489
HOME Investment Partnerships Program	14.239	M01-DC060554	504
HOME Investment Partnerships Program	14.239	M02-DC060554	488,464
HOME Investment Partnerships Program	14.239	M03-DC060554	278,781
HOME Investment Partnerships Program	14.239	M04-DC060554	406,322
HOME Investment Partnerships Program	14.239	M05-DC060554	176,219
			1,516,779
Passed through California Department of Health Services:			
Housing Opportunities for Persons with AIDS	14.241	04-35622	115,114
Housing Opportunities for Persons with AIDS	14.241	05-45920	43,267
			158,381
Passed through California Department of Housing and Community Development:			
Community Development Block Grants/State's Program	14.228	00-EDBG-759	236,425
Community Development Block Grants/State's Program	14.228	02-EDBG-889	7,634
Community Development Block Grants/State's Program	14.228	03-EDBG-916	78,000
Community Development Block Grants/State's Program	14.228	03-PTAA-0032	28,791
			350,850
Total U.S. Department of Housing and Urban Development			2,395,364
U.S. Department of Housing and Urban Development – CDBG – Entitlement and (HUD Administered) Small Cities Cluster:			
Passed through City of Santa Maria:			
Community Development Block Grants/Entitlement Grants	14.218	Santa Barbara	12,000
Total U.S. Department of Housing and Urban Development – CDBG – Entitlement and (HUD Administered) Small Cities Cluster			12,000

(Continued)

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Federal grantor/pass-through grantor/program title	Catalogue of Federal Domestic Assistance number	Contract number	Expenditures
U.S. Department of Justice:			
Direct program:			
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	15.590	2003-WE-BX-0046	$ 34,071
Local Law Enforcement Block Grant	16.592	2003-LB-BX-2437	28,619
Local Law Enforcement Block Grant	16.592	2004-LB-BX-2437	2,742
			31,361
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005DJBX1254	87,501
State Criminal Alien Assistance Program	16.606	2006-F2316-CA-AP	380,622
Passed through California Board of Corrections:			
Juvenile Accountability Incentive Block Grants	16.523	BDC# 126-05	37,581
Passed through State Office of Criminal Justice & Planning (OCJP):			
Byrne Formula Grant Program	16.579	2006-39	25,000
Passed through State Office of Emergency Services (OES):			
Crime Victim Assistance	16.575	EA 05 06 0420	63,680
Crime Victim Assistance	16.575	VW 05 24 0420	110,902
			174,582
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC05160420	238,884
Violence Against Women Formula Grants	16.588	VV 05 01 0420	52,500
Total U.S. Department of Justice			1,062,102
U.S. Department of Labor – Workforce Investment Act (WIA) Cluster:			
Passed through California Employment Development Department:			
WIA Adult Program	17.258	R485309	548,009
WIA Adult Program	17.258	R588755, R588757	466,869
WIA Adult Program	17.258	R692506	373,549
WIA Youth Activities	17.259	R588755	523,079
WIA Youth Activities	17.259	R692506	355,536
WIA Dislocated Workers	17.260	R588755	219,483
WIA Dislocated Workers	17.260	R692506	517,219
Total U.S. Department of Labor – Workforce Investment Act Cluster (1)			3,003,744
U.S. Department of the Interior:			
Direct program:			
Fish and Wildlife Management Assistance	15.608	11440-03-J006	19,231
Fish and Wildlife Management Assistance	15.608	2003-0086-028	1,500
			20,731
Water Reclamation and Reuse Program	15.504	05FG2100004	20,576
North American Wetlands Conservation Fund	15.623	CA-N181	4,368
Total U.S. Department of the Interior			45,675
U.S. Department of Transportation:			
Direct program:			
Air Transportation Centers of Excellence	20.109	DTFA 08-01-C-21535	13,008
Air Transportation Centers of Excellence	20.109	DTFA 08-03-C-21657	172,362
Air Transportation Centers of Excellence	20.109	DTFA 08-04-C-21746	121,656
Air Transportation Centers of Excellence	20.109	DTFA 08-05-C-21879	806,293
Air Transportation Centers of Excellence	20.109	DTFA 08-06-C-22029	6,993
			1,120,312
Total U.S. Department of Transportation			1,120,312

(Continued)

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Federal grantor/pass-through grantor/program title	Catalogue of Federal Domestic Assistance number	Contract number	Expenditures
U.S. Department of Transportation – Highway Planning and Construction Cluster:			
Passed through California Department of Transportation:			
Highway Planning and Construction	20.205	05-0591/M040-M	$ 16,980
Highway Planning and Construction	20.205	05-5951/M012	280
Highway Planning and Construction	20.205	05-5951/M015	4,842
Highway Planning and Construction	20.205	05-5951/M020	86,219
Highway Planning and Construction	20.205	05-5951/M023 Rev 1	3,114
Highway Planning and Construction	20.205	05-5951/M030	1,027,869
Highway Planning and Construction	20.205	05-5951/M033	88,493
Highway Planning and Construction	20.205	05-5951/M038	105,741
Highway Planning and Construction	20.205	05-5951/M039	2,562
Highway Planning and Construction	20.205	05-5951/M041	10,742
Highway Planning and Construction	20.205	05-5951/M044	553,130
Highway Planning and Construction	20.205	05-5951/M046	296,458
Highway Planning and Construction	20.205	05-5951/M048	93,578
Highway Planning and Construction	20.205	05-5951/M066	34,929
Highway Planning and Construction	20.205	05-5951/M067	44,302
Highway Planning and Construction	20.205	05-5951/M082 Rev 1	515,060
Total U.S. Department of Transportation – Highway Planning and Construction Cluster			2,884,299
U.S. Department of Transportation – Highway Safety Cluster:			
Passed through California Office of Traffic Safety:			
State and Community Highway Safety	20.600	AL0680	9,186
Total U.S. Department of Transportation – Highway Safety Cluster			9,186
U.S. Elections Assistance Commission:			
Passed through California Secretary of State:			
Help America Vote Act Requirement Payments	90.401	05GR301042	475,504
Help America Vote Act Requirement Payments	90.401	05GREAID42	12,637
			488,141
Total U.S. Elections Assistance Commission			488,141
U.S. Environmental Protection Agency:			
Passed through California Department of Health Services:			
Beach Monitoring and Notification Program Implementation Grants	66.472	05-45940	25,000
Passed through State Water Resources Control Board:			
State and Tribal Underground Storage Tanks Program	66.804	05-017-250-0	136,485
Total U.S. Environmental Protection Agency			161,485
Total expenditures of federal awards			$ 111,539,164

(1) Denotes a major federal financial assistance program.

See accompanying notes to schedule of expenditures of federal awards and independent auditors' report on supplementary information – schedule of expenditures of federal awards.

(1) General

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the County of Santa Barbara, California (the County). The County's reporting entity is defined in note 1 of the notes to the County's basic financial statements. All financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies to the County is included in the accompanying schedule.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified-accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds, which is described in note 1 of the notes to the County's financial statements.

(3) Relationship to Comprehensive Annual Financial Report

Amounts reported in the accompanying schedule of expenditures of federal awards agree, in all material respect, to amounts reported within the County's comprehensive annual financial report.

(4) Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule of expenditures of federal awards agree, in all material respects, with the amounts reported in related federal financial reports.

(5) Amounts Provided to Subrecipients

In management's opinion, disclosure of amounts provided to subrecipients from each federal program is not practical.

(6) Disclosures for State Grants

Grant revenues and expenditures by category for the fiscal year ended June 30, 2006 are as follows:

(a) Office of Emergency Services Grant – Statutory Rape Prosecution Program (Grant No. VB05030420)

Revenues	$	62,638
Expenditures:		
Personal services	$	61,768
Operating expenditures		600
Total expenditures	$	62,368

(b) Department of Justice Grant – Spousal Abuser Prosecution Program (Grant No. 05SA12C029)

Revenues:		
State match	$	66,523
County match		13,305
Total revenues	$	79,828
Expenditures:		
Personal services	$	79,828
Total expenditures	$	79,828

COUNTY OF SANTA BARBARA, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

(1) Summary of Auditors' Results

Financial Statements

(a) The type of report issued on the financial statements: **Unqualified opinions**.

(b) Reportable conditions in internal control that were disclosed by the audit of the financial statements: **None reported**.

Material weaknesses: **None**.

(c) Noncompliance, which is material to the financial statements: **None**.

Federal Awards

(d) Reportable conditions in internal control over major programs: **Yes. See items 06-01, 06-02, 06-03, 06-04, 06-05, 06-08, 06-10, 06-11, 06-14, 06-16, 06-17, 06-18, 06-19, 06-20, 06-21, and 06-22.**

Material weaknesses: **Yes. See items 06-02, 06-03, 06-04, 06-11, and 06-18.**

(e) The type of report issued on compliance for major programs:

1. Food Stamps Cluster – **Adverse opinion**
2. Temporary Assistance for Needy Families – **Adverse opinion**
3. Child Support Enforcement Program – **Qualified opinion**
4. Foster Care – Title IV-E Program – **Adverse opinion**
5. Medicaid Cluster – **Adverse opinion**
6. Workforce Investment Act Cluster – **Qualified opinion**

(f) Any audit findings, which are required to be reported under Section 510(a) of OMB Circular A-133: **Yes. See items 06-01 through 06-25.**

(g) Major programs:

- U.S. Department of Agriculture
  - Food Stamps Cluster (CFDA Nos. 10.551 and 10.561)
- U.S. Department of Health and Human Services
  - Temporary Assistance for Needy Families (CFDA No. 93.558)
  - Child Support Enforcement Program (CFDA No. 93.563)
  - Foster Care – Title IV-E Program (CFDA No. 93.658)
  - Medicaid Cluster (CFDA No. 93.778)

- U.S. Department of Labor
  - Workforce Investment Act Cluster (CFDA Nos. 17.258, 17.259, and 17.260)

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$3,000,000.**

(i) Low-risk auditee determination under Section 530 of OMB Circular A-133: **No. The County is considered a high-risk auditee.**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None.

(3) Findings and Recommendations Relating to Federal Awards

06-01

Program:	Temporary Assistance for Needy Families, Food Stamps Cluster, Medicaid Cluster, Foster Care – Title IV-E Program
CFDA No.:	93.558, 10.551, 10.561, 93.778 and 93.658
Federal Agencies:	U.S. Department of Health and Human Services, U.S. Department of Labor, and U.S. Department of Agriculture
Passed Through:	California Department of Social Services, and California Department of Health Services
Award Numbers:	Temporary Assistance for Needy Families: Santa Barbara Food Stamps Cluster: Santa Barbara Medicaid Cluster: Santa Barbara Foster Care – Title IV-E Program: Santa Barbara
Award Year:	Fiscal year 2005/06
Compliance Requirements:	Allowable Costs and Activities and Reporting
Questioned Costs:	Unknown

Criteria

The State of California requires that the County submit the County Expense Claim (CEC) for program administrative costs to the State of California on a quarterly basis for reimbursement. The CEC must be submitted within 30 days after quarter-end.

Condition Found

The County submits the CEC for program administrative costs to the State of California on a quarterly basis for reimbursement. Caseworkers participate in a time study program whereby their time is tracked through a random moment sampling (RMS) process. The results are then compiled into a time study summary report that is used to allocate the payroll expenditures to the various federal programs in the CEC. We noted that there is no process in place to reconcile the caseworkers' timesheets to the RMS results in order to verify the accuracy of the time study report. Additionally, the CEC is reviewed by management personnel (i.e. Cost Analyst and Chief Fiscal Officer). However, management's review is not formally documented.

We also noted the CEC prepared for the quarter ended June 30, 2006 was submitted 3 days after the required due date.

Effect

Lack of evidenced review of the CEC could lead to potential inaccurate data in the CEC.

Recommendation

We recommend that management's review of the quarterly CEC is formally documented as evidenced by the reviewers' signatures. This will help ensure that the amounts claimed for reimbursement for each of the federal programs included in the CEC are accurate.

Views of Responsible Officials

This was also a finding on the fiscal year FY 2003/04 and FY 2004/05 single audits. These audits were still in progress during FY 2005/06. At that time, our fiscal group instituted a formal procedure for reviewing and documenting the review of the CEC. Those procedures were put into practice during FY 2005/06 starting with the December 2005 claim. The County Department of Social Services (DSS) is unable to reconcile caseworkers' timesheets to the RMS results as the RMS methodology doesn't account for all hours reported in the timesheet. The State of California approved the use of RMS as an acceptable methodology for claiming purposes.

In July 2006, the DSS Chief Financial Officer Terrie Concellos contacted the California State Department of Social Services with notification that the final 2006 CEC would be late as we needed to confirm correct coding for a new program. The CEC was submitted and accepted by the state on August 3, 2006 – three business days after the official due date of July 31, 2006. The state accepted our late filing with no objections. Verifying the correct coding prior to submitting the CEC prevented the need to file an amended CEC. Amending the CEC is time consuming for both the County DSS to prepare and the state to process. It is preferable to always have the CEC complete and submitted by the official due date. When this is not possible, it is preferable to communicate with the state, and submit a claim that while slightly delayed, is correct and that will not later need to be amended.

06-02

Program:	Temporary Assistance for Needy Families, Food Stamps Cluster, Medicaid Cluster, Foster Care – Title IV-E Program, Child Support Enforcement Program, Workforce Investment Act Cluster
CFDA No.:	10.551, 10.561, 93.778, 93.563, 93.658, 17.258, 17.259, 17.260, 93.558
Federal Agencies:	U.S. Department of Health and Human Services, U.S. Department of Labor, and U.S. Department of Agriculture
Passed Through:	California Department of Social Services, California Employment Development Department, and California Department of Health Services
Award Numbers:	Temporary Assistance for Needy Families: Santa Barbara Food Stamps Cluster: Santa Barbara Medicaid Cluster: Santa Barbara Foster Care – Title IV-E Program: Santa Barbara Child Support Enforcement Program: Santa Barbara (County 42) Workforce Investment Act Cluster: R485309, R588755, R588757, R692506
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Allowable Costs and Activities
Questioned Costs:	Unknown

Criteria

The State of California requires that grant funds are to be used for allowable costs and activities in accordance with the *March 2006 OMB Circular A-133 Compliance Supplement*, which requires that the pass-through entity establish control systems to ensure costs are for an allowable activity and are properly coded.

Condition Found

In performing allowable costs and activities testwork for administrative costs, we noted that the employee must authorize the timesheet prior to being submitted for supervisor approval.

Of the 30 County Department of Social Services timesheets selected for testwork, we noted the following:

- 8 timesheets were not properly authorized by the employee.
- 2 timesheets were not properly approved by a supervisor.

Of the 30 County Department of Child Support Services timesheets selected for testwork, we noted the following:

- 1 timesheet was not properly authorized by the employee and was not properly approved by a supervisor.
- 2 timesheets were not properly authorized by the employee.
- 2 timesheets were not properly approved by a supervisor.

Additionally, we also noted that an individual department's payroll clerk and supervisor have the ability to modify an employee's timesheet without the employee's authorization.

Effect

Payroll expenditures charged to administrative grant program costs may be inaccurate.

Recommendation

We recommend that the County establish formal policies and procedures with regards to payroll processes and ensure that such policies and procedures are formally documented and strictly adhered to by County personnel. This will help ensure the accuracy of payroll expenditures and related supporting documentation.

Views of Responsible Officials

We concur with the findings. In response to these and previous findings, we have implemented an Exception Reporting System. This system allows staff to monitor the timesheets that have not yet been signed by the employee or their supervisor. Since implementing this system in November 2006, the County's timesheet exception rate has decreased dramatically. We have and are continuing to train staff on the use of the Exception Reporting System.

We are also working towards replacing our current timesheet system in the future to allow additional controls for timesheet approvals.

06-03

Program:	Medicaid Cluster
CFDA No.:	93.778
Federal Agency:	U.S. Department of Health and Human Services
Passed Through:	California Department of Health Services
Award Numbers:	Medical Assistance Program – Administration: Santa Barbara
Award Year:	Fiscal year 2005/06

Compliance Requirement: Eligibility

Questioned Costs: $0

Criteria

The *March 2006 OMB Circular A-133 Compliance Supplement* requirements for eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements.

Condition Found

The County has established procedures to ensure that the individual meets the financial and categorical requirements, which includes the following:

- Obtaining a written application, MC 210 "Statement of Facts", signed under penalty of perjury by the applicant.
- Verification of an applicant's information reported on the MC 210 Statement of Facts, including identity, social security number, residency, monthly expenses, as well as pregnancy, if necessary.
- Verification of an applicant's income eligibility using the Income and Eligibility Verification System (IEVS). If the applicant is employed, a pay stub is required to verify income.
- Verification of an applicant's supplemental security income eligibility by obtaining a Medi-Cal Eligibility Data System (MEDS) report, if the applicant is applying for the Qualified Medicare Beneficiary (QMB) program.

Of the 30 case files selected for eligibility testwork, we noted the following:

a) 1 case file that did not contain a signed SAWS1.

b) 3 case files contained a SAWS1 that was signed by the eligibility worker in place of the applicant's signature.

c) 8 case files contained a MC 210 Statement of Facts, which did not contain an eligibility worker's signature evidencing review.

d) 3 case files did not contain the required IEVS reports.

e) 4 case files indicated the IEVS report was not reviewed by the eligibility worker in a reasonable amount of time.

f) 1 case file indicated the MC 210 Statement of Facts was not reviewed by the eligibility worker in a reasonable amount of time.

g) 1 case file that did not contain a SAWS1.

h) 1 case file did not contain evidence supporting the MC 210 Statement of Facts.

Additionally, we noted that the County has a formal procedure in place whereby program supervisors are required to review at least two case determinations (including both initial determinations and redeterminations) per month per eligibility worker. However, we noted that this is not currently being performed.

Effect

Participant data may not be accurate in the participant file or the system, which could lead to initial and continuation eligibility errors, inaccurate benefit calculations, and benefit overpayments.

Recommendation

We recommend that the County establish formal policies and procedures regarding initial and ongoing eligibility determination, required documentation, and maintenance of participant file and ensure that such policies and procedures are formally documented and strictly adhered to by County personnel. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

Views of Responsible Officials

We concur with the findings, except the one on the 3 case files containing the SAWS1 with worker signature in lieu of the client. The All County Welfare Director Letter (ACWDL) 00-42 states that County employees taking the request are responsible for completing the SAWS1 on behalf of the client to protect the date of application (i.e. maintaining record of the actual date of the client's application, which is used in the determination of benefits). The County does have established policies, procedures, and business processes in regards to eligibility determinations, documentation, and case maintenance. The findings and corrective action plan and applicable policies will be reviewed with supervisors at our County-wide program meeting on June 20, 2007.

Supervisors are currently doing targeted case reviews. It will be recommended that targeted case reviews continue based on the audit findings. As case review worksheets are received, the Program Analyst will review for any errors identified and the findings will be reviewed semiannually at program meetings.

06-04

Program:	Medicaid Cluster
CFDA No.:	93.778
Federal Agency:	U.S. Department of Health and Human Services
Passed Through:	California Department of Health Services
Award Number:	Medical Assistance Program – Administration: Santa Barbara; Medical Assistance Program – In-Home Support Services (IHSS) (Administration): Santa Barbara
Award Year:	Fiscal year 2005/06

Compliance Requirement: Eligibility

Questioned Costs: $0

Criteria

The *March 2006 OMB Circular A-133 Compliance Supplement* requirements for eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements. Such requirements include performing eligibility redetermination at least every 12 months with respect to changes in circumstances.

Condition Found

Medical Assistance Program – Administration

Of the 30 case files selected for eligibility testwork, we noted 8 case files whereby the redetermination was not performed within the specified 12-month timeframe.

Medical Assistance Program – IHSS Administration

Of the 30 case files selected for eligibility testwork, we noted 3 case files whereby the redetermination was not performed within the specified 12-month timeframe.

Additionally, we noted that the County has a formal procedure in place whereby program supervisors are required to review at least two case determinations (including both initial determinations and redeterminations) per month per eligibility worker. However, we noted that this is not currently being performed.

Effect

Participant data may not be current in the case file or the system, which could lead to initial and continuation eligibility errors and ineligible individuals receiving benefits.

Recommendation

We recommend that the County establish formal policies and procedures regarding initial and ongoing eligibility determination, required documentation, and maintenance of participant file and ensure that such policies and procedures are formally documented and strictly adhered to by County personnel. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

Views of Responsible Officials

We concur with the findings. The County does have established policies, procedures, and business processes in regards to eligibility determinations, documentation, and case maintenance. The findings and corrective action plan and applicable policies will be reviewed with supervisors at our County-wide program meeting June 20, 2007.

Supervisors are currently doing targeted case reviews. It will be recommended that targeted case reviews continue based on the audit findings. As case review worksheets are received, the Program Analyst will review for any errors identified and the findings will be reviewed semiannually at program meetings.

For the three overdue redetermination findings under IHSS Administration, we concur with the findings. The department acknowledges that some redeterminations were not completed within the mandated time frames. The County has preexisting policies and procedures regarding an initial ongoing eligibility determination, required documentation, maintenance of participant files, and continues its efforts to ensure these policies are adhered. IHSS is currently understaffed to meet the increasing workload demands of the IHSS program. The state IHSS administrative allocation appears inadequate to meet staffing needs, and is under a state-wide review. Additionally, seven of the eleven IHSS social workers have been with the department for 14 months or less; they will become more efficient with experience. Such staffing turnover is unprecedented for the IHSS program and a trend that the department hopes to avoid in the future. Quality Assurance staff and IHSS supervisors will continue monitoring Case Management Information and Payroll System reports to ensure timely face-to-face reassessments. The department shall continue to strive to complete timely redeterminations within the capacity of current staffing levels. The administrative allocation will be reviewed to ensure we are maximizing staffing levels.

06-05

Program:	Medicaid Cluster
CFDA No.:	93.778
Federal Agency:	U.S. Department of Health and Human Services
Passed Through:	California Department of Health Services
Award Number:	Medical Assistance Program – IHSS (Administration) Santa Barbara
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Eligibility
Questioned Costs:	$0

Criteria

The *March 2006 OMB Circular A-133 Compliance Supplement* requirements for eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements.

Condition Found

As part of determining eligibility, the County social worker (SW) is required to:

- Obtain a SOC 295 application and determine the application is signed by the applicant. Eligibility worker is to document review by signing the SOC 295.

- Verify supplemental security income (SSI) eligibility by obtaining a MEDS report and maintaining it in the applicant's file.
- Conduct a face-to-face interview with the participant.
- Complete a SOC 332 "Recipient/Employer Responsibility Checklist", which establishes each party's responsibilities and must be signed by the SW and the participant.
- Communicate to the participant his/her responsibilities regarding change in circumstance requirements and must obtain form W-186 "Notice of Reporting Responsibilities" signed by the participant.
- Document the participant's needs on a chronological sheet.

Of the 30 case files selected for eligibility testwork, we noted the following:

a) 1 case file that contained a SOC 295 that was not signed by the applicant or the social worker.

b) 1 case file that did not contain a MEDS report.

c) 2 case files that did not contain a Financial Eligibility Form.

d) 1 case file that did not contain evidence of a face-to-face interview with the client within the required timeframe.

e) 1 case file that did not contain a SOC 332.

f) 4 case files that did not contain a SOC 332 with a social worker signature.

g) 1 case file that did not contain a SOC 332 signed by the beneficiary.

Effect

Lack of supporting documentation for eligibility determinations could lead to ineligible individuals receiving benefits.

Recommendation

We recommend that the County establish formal policies and procedures regarding initial and ongoing eligibility determination, required documentation, and maintenance of participant file and ensure that such policies and procedures are formally documented and strictly adhered to by County personnel. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

Views of Responsible Officials

a) We concur with the finding. The SOC 295 was not signed by the applicant or the social worker. The department will continue to remind staff to sign a SOC 295 when it is required. IHSS Quality Assurance will continue monitoring for the SOC 295 to be completed and signed when required.

b) and c) We concur with the finding. Please note that all Medi-Cal computations are now performed by Medi-Cal Eligibility Workers; therefore, a MEDS screen print should be on file for all recipients, not just SSI. Current policies and procedures require that MEDS screens be printed on all IHSS cases at the time of intake and redetermination; staff will be reminded of this policy.

d) We concur with the finding. The client's hospitalization during this period was a mitigating factor.

e) We concur with the finding. Based on the low number of exceptions (one), the missing SOC 332 appears to be an anomaly and not a standard practice. In order to avoid this exception, social workers will be reminded to include a SOC 332 in all cases and Quality Assurance staff will continue monitoring cases for forms compliance.

f) and g) We concur with the finding. Quality Assurance staff and IHSS supervisors will continue reviewing cases for required signatures and taking corrective action. Note that the California Department of Social Services has recognized the difficulty of obtaining the dual signatures of the IHSS recipient and provider, and is considering changing the format of the SOC 332. The administrative allocation will be reviewed to ensure we are maximizing staffing levels.

06-06

Program:	Medicaid Cluster
CFDA No.:	93.778
Federal Agency:	U.S. Department of Health and Human Services
Passed Through:	California Department of Health Services
Award Number:	Medical Assistance Program – IHSS (Administration): Santa Barbara
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Eligibility
Questioned Costs:	$0

Criteria

The *March 2006 OMB Circular A-133 Compliance Supplement* requirements for eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements.

Condition Found

The County has established procedures to conduct quarterly in-home reviews of a participant's needs. The County contracts with a third-party provider, Addus Healthcare Inc. (Addus), to perform such reviews. The

reviews must be formally documented on an IHSS Home Visit Report, which is signed by the reviewer (Addus representative) and the participant.

Of the 30 case files selected for eligibility testwork, we noted that 5 case files did not contain the required quarterly IHSS Home Visit Report.

Effect

By not properly assessing and documenting the needs of participants, the incorrect level or type of service may be provided.

Recommendation

We recommend the County establish formal procedures to ensure that the third-party provider is strictly adhering to the County's policies and procedures, as set forth in the contract between the County and the provider, in determining the needs of all participants.

Views of Responsible Officials

We concur with the findings that five cases did not contain the required quarterly IHSS Home Visit Reports. Accordingly, IHSS has changed the procedure for obtaining and retaining these reports. The contract with Addus has been renewed effective July 2007 through June 2008. The new contract was modified to require the contractor to send these reports directly to IHSS management.

06-07

Program:	Medicaid Cluster
CFDA No.:	93.778
Federal Agency:	U.S. Department of Health and Human Services
Passed Through:	California Department of Health Services
Award Number:	Medical Assistance Program – IHSS (Administration): Santa Barbara
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Eligibility
Questioned Costs:	$132.00

Criteria

The *March 2006 OMB Circular A-133 Compliance Supplement* requirements for eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements.

Condition Found

The County has established policies and procedures which requires individual providers to submit timecards indicating the time of service provided to the participant. The timecard must be signed by both the provider and participant and maintained in the participant's case file.

Of the 30 case files selected for eligibility testwork, we noted 2 case files whereby the timecard was signed by the provider on behalf of the participant. We noted no supporting documentation in the case file which authorized the provider to sign the timecard on behalf of the participant. These 2 timecards equated to a total of $132 paid to the providers.

Effect

Amounts paid to providers may not be properly supported by timecards.

Recommendation

We recommend that the County establish formal policies and procedures regarding obtaining and maintaining time cards that are signed by both the participant and provider.

Views of Responsible Officials

We concur with the finding of two timesheets with questionable signatures. Timesheet review staff will be reminded of the importance of reviewing for proper signatures; however, current staffing levels are inadequate for such detailed review of over 5600 timesheets. Staff from other departments will be assigned part time to afford some relief here and the administrative allocation will be reviewed to ensure we are maximizing staffing levels.

06-08

Program:	Medicaid Cluster
CFDA No.:	93.778
Federal Agency:	U.S. Department of Health and Human Services
Passed Through:	California Department of Health Services
Award Number:	Medical Assistance Program – IHSS (Administration) Santa Barbara
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Eligibility
Questioned Costs:	$0

Criteria

The *March 2006 OMB Circular A-133 Compliance Supplement* requirements for eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements.

Condition Found

The County has established policies and procedures which require a supervisor to perform a review of in-home support cases and complete and sign a form W-605 for cases which meet one or more of the following criteria for review:

- All approvals and denials.
- All renewals of income eligible cases.
- A random sample of status eligible cases.
- All reassessment cases with an increase or decrease of more than 10 hours a month or with a protective supervision.
- All cases administered by new social workers with typically less than 6 months experience.

Of the 30 case files selected for eligibility testwork, we noted 2 case files which met the above criteria for review and the required review had not been performed by the supervisor.

Effect

The level of in-home support services provided to participants may not be properly calculated.

Recommendation

We recommend that the County strictly adhere to the established policies and procedures regarding supervisory review of specified in-home support cases.

Views of Responsible Officials

We concur with the findings of two case files missing supervisory review. Accordingly, written procedures for supervisory review of case files has been updated and reviewed with the IHSS supervisors. The administrative allocation will be reviewed to ensure we are maximizing staffing levels. Please note that Administrative Directive 2006-08 (dated December 11, 2006) contains the current requirements for case review. Supervisors are required to review:

- All approvals and all denials.
- All reassessments with an increase or decrease of more than 10 hours in a month or with protective supervision.
- 100% review of cases for new workers during the first 6 months of performance.

06-09

Program:	Food Stamps Cluster
CFDA No.:	10.551 and 10.561
Federal Agency:	U.S. Department of Agriculture
Passed Through:	California Department of Social Services
Award Number:	Santa Barbara
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Reporting
Questioned Costs:	$0

Criteria

The State of California requires that the County submit the following reports to the State of California:

- DFA 296X report (quarterly basis) – must be submitted 20 days after quarter-end.
- DFA 358 report (annual basis) – must be submitted 75 days after year-end.

Condition Found

In performing reporting testwork, we noted the following:

- Of the 4 DFA 296X reports, we noted 2 reports (for the quarters ending March 31, 2006 and June 30, 2006) that were submitted 5 days after the required due date.
- The DFA 358 report did not contain evidence of timely submission.

Effect

Lack of formal procedures regarding report submission requirements may lead to continued noncompliance.

Recommendation

We recommend that the County implement formal procedures to ensure that required reports are submitted by the required due date in order to ensure compliance with requirements related to reporting.

Views of Responsible Officials

Due to the implementation of the CalWorks Information Network (CalWIN) in March 2006, there was a need to spend more time reviewing the data, thus increasing the time needed to create the report.

After implementation of CalWIN, the California State Department of Social Services was notified that it could take longer than normal to submit a report based on the additional work needed to confirm data integrity. The California State Department of Social Services indicated that they were aware of this problem, as other counties were experiencing the same issue with data integrity. No penalties were imposed as a result of the late filing of the reports.

We have established additional procedures to assure that information is reviewed and the reports are filed in a timely fashion.

06-10

Program:	Food Stamps Cluster
CFDA No.:	10.551 and 10.561
Federal Agency:	U.S. Department of Agriculture
Passed Through:	California Department of Social Services
Award No.:	Santa Barbara
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Special Tests and Provisions – ADP System for Food Stamps
Questioned Costs:	Unknown

Criteria

The *March 2006 OMB Circular A-133 Compliance Supplement* requirements for special tests and provisions require that the County (1) accurately and completely process and store all case file information for eligibility determination and benefit calculation; (2) automatically cut off households at the end of their certification period unless recertified; and (3) provide data necessary to meet federal issuance and reconciliation reporting requirements.

Condition Found

Of the 30 case files selected for testwork, we noted:

- 1 case file did not have evidence of completion of drug convictions information as listed on SAWS2/DFA 285.
- 1 case file did not contain evidence of recertification within the required 12-month timeframe.
- 1 case file that was missing 2 quarterly QR7 forms.

Effect

Ineligible participants may be receiving benefits.

Recommendation

We recommend that the County establish formal policies and procedures regarding initial and ongoing eligibility determination, required documentation, and maintenance of participant files and ensure that such policies and procedures are formally documented and strictly adhered to by County personnel. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

Views of Responsible Officials

We concur with the finding. The department agrees that proper documentation must be included in the participant file in order to ensure accuracy of participant data and eligibility determinations.

The County DSS has established policies, procedures, and business processes that require staff to adhere to state regulations and local policies regarding eligibility determinations.

The findings and corrective action plan will be reviewed with supervisory staff by the Program Analyst, with expectation that supervisors provide unit training/review of the applicable policies and procedures at least semiannually. The current case review policy will be reviewed with the supervisors at our County-wide Food Stamps Team Meeting on July 12, 2007. They will be instructed that targeted case reviews for completeness of the SAWS2 and redetermination process be done on a monthly basis. Copies of the case review forms will be submitted to the Food Stamps Program Analyst by the 15th of the month. A follow up e-mail to the appropriate program managers will be sent if copies of the case review sheets are not received by the 16th of the month.

The results of the case reviews will be discussed at the County-wide Food Stamps Team Meetings semiannually.

Effective June 18, 2007, the department implemented electronic scanning to enhance the on-line eligibility system. The scanning of documents should eliminate much of the problem staff has with misplaced or misfiled documents.

06-11

Program:	Foster Care – Title IV-E Program
CFDA No.:	93.658
Federal Agency:	U.S. Department of Health and Human Services
Passed Through:	California Department of Social Services
Award Numbers:	Santa Barbara
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Eligibility
Questioned Costs:	Unknown

Criteria

The *March 2006 OMB Circular A-133 Compliance Supplement* requirements for eligibility required that the pass-through entity redetermine the eligibility for each foster care child every 12 months.

Condition Found

Of the 30 participants selected for eligibility testwork, we noted the following:

- 9 cases where the redetermination was not performed within the required 12-month timeframe or the case file lacked documentation that a redetermination was performed.
- 8 case files did not contain a signed FC2 Form.
- 1 case file indicated the FC2 Form was not reviewed in a timely manner.
- 6 case files did not contain a signed 158A Form.
- 1 case file did not contain evidence of a home safety inspection.
- 13 case files contained either incomplete criminal background information or no evidence that a criminal background investigation was performed.

Effect

Ineligible participants may be receiving benefits.

Recommendation

We recommend that the County establish formal policies and procedures regarding ongoing eligibility redetermination requirements in order to ensure that eligibility redeterminations are being performed within the specified timeframe. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

Views of Responsible Officials

We concur with the findings. The department acknowledges that timely and complete documentation was not available to provide ongoing eligibility redetermination for Aid to Families with Dependent Children – Foster Care (AFDC-FC) cases.

Policies and procedures were developed for the AFDC-FC unit and 40 hours of training was provided to staff to address the issue of AFDC-FC eligibility including redeterminations and required documentation.

An internal review of randomly selected cases will take place on a monthly basis for newly granted cases and redetermination cases.

06-12

Program:	Foster Care – Title IV-E Program
CFDA No.:	93.658
Federal Agency:	U.S. Department of Health and Human Services
Passed Through:	California Department of Social Services
Award Numbers:	Santa Barbara
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Allowable Costs and Activities
Questioned Costs:	$593.00

Criteria

The *March 2006 OMB Circular A-133 Compliance Supplement* requirements for allowable costs and activities require that the pass-through entity has internal controls in place to ensure the correct foster care provider rate is entered into the system. Provider rates determine the monthly payment made to the foster parent for providing foster care services.

Condition Found

Of the 30 provider payments selected for allowable costs and activities testwork, we noted 5 payments whereby the provider rate per the system did not agree with SOC 158 Form (SOC 158) which was reviewed and approved by the eligibility worker. This resulted in a total overpayment to providers of $593.

Effect

Incorrect provider rates could lead to inaccurate provider payments.

Recommendation

We recommend that the County adhere to the established policies and procedures in determining the correct foster care provider rate. This will help ensure the accuracy of provider rate information in the system, which is used in calculating benefit payment amounts.

Views of Responsible Officials

We concur with the findings. The department acknowledges that the rates on the SOC 158 did not correspond to the payments made.

Policies and procedures were developed for the AFDC-FC unit and 40 hours of training was provided to staff to address the issue of AFDC-FC eligibility including the accurate completion of the SOC 158.

An internal review of randomly selected cases will take place on a monthly basis for newly granted cases and redetermination cases that will include the review of forms.

(Continued)

06-13

Program:	Foster Care – Title IV-E Program
CFDA No.:	93.658
Federal Agency:	U.S. Department of Health and Human Services
Passed-through:	California Department of Social Services
Award Numbers:	Santa Barbara
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Reporting
Questioned Costs:	$0

Criteria

The State of California requires that the County submit CA800 reports to the State of California on a monthly basis. The CA800 report must be submitted within 20 days after month-end.

Condition Found

Of the 12 monthly CA800 reports selected for testwork, we noted four reports (for the months ending March 2006, April 2006, May 2006, and June 2006) that were filed 7, 9, 8, and 7 days after the required due date.

Effect

Lack of formal procedures regarding report submission requirements may lead to continued noncompliance.

Recommendation

We recommend that the County implement formal procedures to ensure that required reports are submitted by the required due date in order to ensure compliance with requirements related to reporting.

Views of Responsible Officials

While there were formal procedures in place to ensure reports are filed on time and comply with reporting requirements, delays resulted from complications with the new computer system producing the necessary data. In March 2006, the County DSS converted from the Case Data System (CDS) to CalWIN. Much of the data produced in the new system at first was incorrect and had to be corrected. These problems were experienced by the various counties throughout California as they also converted to the CalWIN system. State officials were aware of the problems, and did not impose penalties. The problems have since been corrected.

06-14

Program:	Temporary Aid for Needy Families
CFDA No.:	93.558
Federal Agency:	U.S. Department of Health and Human Services
Passed Through:	California Department of Health Services
Award Number:	Santa Barbara
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Eligibility
Questioned Costs:	$0

Criteria

The *March 2006 OMB Circular A-133 Compliance Supplement* requirements for eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements. Such requirements include establishing procedures to ensure the redetermination of benefits awarded are properly calculated.

Condition Found

The County has a procedure in place whereby the eligibility worker's review of the redetermination of benefits must be documented on the SAWS2 and CA-2.1 forms.

Of the 30 case files selected for eligibility testwork, we noted:

- 2 case files whereby the SAWS2 did not contain evidence of the eligibility worker's review of the redetermination of benefits awarded.
- 1 case file did not contain a SAWS2.
- 1 case file did not contain adequate documentation to support information included on the SAWS2.
- 1 case file did not contain a CA-2.1 that was signed by the eligibility worker.

Effect

Participant data may not be current in the case file or the system, which could lead to continuation of eligibility errors and ineligible individuals receiving benefits.

Recommendation

We recommend that the County strictly adhere to the established policies and procedures regarding ongoing eligibility determination, required documentation, and maintenance of participant file. This will

help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

Views of Responsible Officials

We concur with the finding. The County does have established policies, procedures, and business processes regarding eligibility determination, documentation, and case maintenance. The findings and corrective action plan and applicable policies will be reviewed with supervisors at our County-wide program meeting on July 17, 2007.

Supervisors are currently doing targeted case reviews. It will be recommended that targeted case reviews continue based on the audit findings. As case review worksheets are received, the Program Analyst will review for any errors identified and the findings will be reviewed semiannually at program meetings.

06-15

Program:	Temporary Aid for Needy Families
CFDA No.:	93.558
Federal Agency:	U.S. Department of Health and Human Services
Passed Through:	California Department of Health Services
Award Number:	Santa Barbara
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Eligibility
Questioned Costs:	Unknown

Criteria

The *March 2006 OMB Circular A-133 Compliance Supplement* requirements for eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements.

In accordance with Welfare and Institutions Code 11200, the State of California requires all children receiving aid that are preschool age and over to have received immunizations of common illnesses. In addition, parents of school age children must provide authorization for the child's school to notify the County Department of Social Services of any truancy on the part of the child. The County is required to establish procedures to ensure the documentation of immunization records of appropriately aged children receiving aid is properly maintained. In addition, the County is required to obtain a W-32 Form providing the child's school authorization to notify the County if the child is truant.

Condition Found

Of the 30 case files selected for eligibility testwork, we noted 4 case files that did not contain the required immunization documentation for children of preschool age or older and W-32 Form.

Effect

Ineligible participants may be receiving benefits.

Recommendation

We recommend that the County strictly adhere to the established policies and procedures regarding ongoing eligibility determination, required documentation, and maintenance of participant file. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

Views of Responsible Officials

We concur with the finding. The County does have established policies, procedures, and business processes regarding eligibility determination, documentation, and case maintenance. The findings and corrective action plan and applicable policies will be reviewed with supervisors at our County-wide program meeting on July 17, 2007.

Supervisors are currently doing targeted case reviews. It will be recommended that targeted case reviews continue based on the audit findings. As case review worksheets are received, the Program Analyst will review for any errors identified and the findings will be reviewed semiannually at program meetings.

06-16

Program:	Temporary Aid for Needy Families
CFDA No.:	93.558
Federal Agency:	U.S. Department of Health and Human Services
Passed Through:	California Department of Health Services
Award Number:	Santa Barbara
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Eligibility
Questioned Costs:	Unknown

Criteria

The *March 2006 OMB Circular A-133 Compliance Supplement* requirements for eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements.

In accordance with Welfare and Institutions Code 11200, the State of California requires all participating families to submit a quarterly eligibility status report known as a QR7 Form. The form is used by the County eligibility worker to determine the amount of benefits the participant is eligible to receive.

Condition Found

Of the 30 case files selected for eligibility testwork, we noted 5 case files whereby the QR7 Form could not be located for one or more quarters in which the participant was receiving benefits.

Effect

Ineligible participants may be receiving benefits. Additionally, benefit award amounts may not be properly calculated.

Recommendation

We recommend that the County strictly adhere to the established policies and procedures regarding ongoing eligibility determination, including obtaining the required QR7 Forms from participants. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

Views of Responsible Officials

We concur with the finding. The County does have established policies, procedures, and business processes regarding eligibility determination, documentation, and case maintenance. The findings and corrective action plan and applicable policies will be reviewed with supervisors at our County-wide program meeting on July 17, 2007.

Supervisors are currently doing targeted case reviews. It will be recommended that targeted case reviews continue based on the audit findings. As case review worksheets are received, the Program Analyst will review for any errors identified and the findings will be reviewed semiannually at program meetings.

06-17

Program:	Temporary Assistance for Needy Families
CFDA No.:	93.558
Federal Agency:	U.S. Department of Health and Human Services
Passed Through:	California Department of Social Services
Award Numbers:	Santa Barbara
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Special Tests and Provisions – Child Support Non-Cooperation
Questioned Costs:	$0

Criteria

The *March 2006 OMB Circular A-133 Compliance Supplement* requirements for Special Tests and Provisions – Child Support Non-Cooperation requires the County to reduce or suspend benefits of a participant who is not cooperating with efforts to establish paternity or enforcing a support order.

Condition Found

The County has a policy in place whereby any reduction or suspension of benefits for child support noncooperation must be documented using CA371 Form. Additionally, a CA2.1 Form "Child/Spousal and Medical Support Notice and Agreement" must be obtained and maintained in the case file.

Of the 29 child support noncooperation case files selected for testwork, we noted:

- 3 case files did not contain the required CA371 Form.
- 1 case file contained a CA371 Form that was not dated.
- 1 case file contained a CA371 Form that was not filed timely.
- 4 case files contained a CA2.1 Form that had not been signed by the eligibility worker.
- 1 case file contained a CA2.1 Form that had not been signed by the participant.
- 1 case file did not contain a CA2.1 Form.

Effect

Lack of supporting documentation of the reasons for placing sanctions on the benefits of an otherwise eligible participant could result in benefits being improperly reduced. In addition, the lack of documentation prevents review of the sanctions.

Recommendation

We recommend that the County require all personnel to adhere strictly to procedures for maintaining proper documentation of sanctions placed on participants.

Views of Responsible Officials

We concur with the finding. The County does have established policies, procedures, and business processes regarding eligibility determination, documentation, and case maintenance. The findings and corrective action plan and applicable policies will be reviewed with supervisors at our County-wide program meeting on July 17, 2007.

Supervisors are currently doing targeted case reviews. It will be recommended that targeted case reviews continue based on the audit findings. As case review worksheets are received, the Program Analyst will review for any errors identified and the findings will be reviewed semiannually at program meetings.

06-18

Program:	Temporary Assistance for Needy Families
CFDA No.:	93.558
Federal Agency:	U.S. Department of Health and Human Services
Passed-through:	California Department of Social Services
Award Numbers:	Santa Barbara
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Special Tests and Provisions – Income Eligibility and Verification System (IEVS)
Questioned Costs:	Unknown

Criteria

The *March 2006 OMB Circular A-133 Compliance Supplement* requires each state to participate in the IEVS. Under the State of California IEVS Plan, the County is required to consider properly the information obtained from the State of California data matching system in determining the eligibility and the amount of Temporary Assistance for Needy Families (TANF) benefits.

Condition Found

The County has assigned the responsibility of investigating the discrepancies identified by the state's IEVS system to three units. The three units are located in Santa Maria, Lompoc, and Santa Barbara. The Santa Maria unit adheres to one set of procedures while the Lompoc and Santa Barbara units follow a different set of procedures. During our testwork, we noted that the current procedures in place at the Santa Barbara and Lompoc units lack the necessary procedures to investigate properly the identified discrepancies. Specifically, the current procedures in place at the Santa Barbara and Lompoc units are lacking in the following areas:

1. if the amount of benefits being received by the participant is less than $500, the discrepancy is not investigated;

2. if the participant reported any amount of earnings, the discrepancy is not investigated, with no consideration as to the amount of discrepancy identified;

3. supervisors do not review the discrepancies not investigated.

Effect

Lack of investigative procedures could result in the overpayment of benefits to participants.

Recommendation

We recommend that the County implement formal procedures whereby all discrepancies are properly investigated and the results of such procedures are clearly documented. Additionally, we further recommend that a sampling of discrepancies that are investigated and cleared as being not valid discrepancies be reviewed by the supervisor on a regular basis. Further, these procedures should be consistently implemented across all three units.

Views of Responsible Officials

Based on the finding, which we believe to be accurate, the Earnings Clearance System review policy and procedures have been rewritten. This procedure represents, in large measure, the process already in place in the Santa Maria office. The policy and procedures also incorporate the recommendations that the supervisors formally review a sampling of those discrepancies that are investigated and cleared as being not valid discrepancies. The new policy and procedure was implemented in June 2006 consistently in all three district offices: Santa Barbara, Santa Maria, and Lompoc.

06-19

Program:	Workforce Investment Act Cluster
CFDA No.:	17.258, 17.259, 17.260
Federal Agency:	U.S. Department of Labor
Passed-through:	California Employment Development Department
Award Numbers:	R485309, R588755, R588757, R692506
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Earmarking
Questioned Costs:	Unknown

Criteria

The *March 2006 OMB Circular A-133 Compliance Supplement* requirements for earmarking require that the pass-through entity establish procedures in order to ensure that a minimum of 95% of eligible participants in youth activities meet the criteria of disadvantaged low-income youth as defined in 29 USC, 2801(25) (20 CFR section 664.220).

Condition Found

We noted that the County has the ability to calculate the actual percentage of participants in youth activities that meet the criteria of disadvantaged low-income youth. However, this earmarking percentage is not formally reviewed by management on a regular basis.

Effect

Without a regularly scheduled timeline to review the percentage of youth enrolled in the program under the 5% youth eligibility exception category, the County may not meet the 95% disadvantaged low-income youth requirement and thus may not be in compliance with the earmarking requirement.

Recommendation

The Monthly Employment Activity Log (MEAL) Report, which includes various participant data, is prepared for management's review on a monthly basis. We recommend that the MEAL Report be modified to indicate which participants meet the disadvantaged low-income youth criteria and to provide the year-to-date earmarking percentage calculation. This will allow management to formally review and monitor the earmarking requirement on a regular basis.

Views of Responsible Officials

We agree with the condition found and will take action to implement the recommendation above for the fiscal year 2007/08 program year.

06-20

Program:	Workforce Investment Act Cluster
CFDA No.:	17.258, 17.259, 17.260
Federal Agency:	U.S. Department of Labor
Passed Through:	California Employment Development Department
Award Numbers:	R485309, R588755, R588757, R692506
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Eligibility
Questioned Costs:	Unknown

Criteria

The *March 2006 OMB Circular A-133 Compliance Supplement* requirements for eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements.

Condition Found

The County has established policies and procedures to ensure that subrecipients properly determine a youth program participant's eligibility. This includes requiring the subrecipient to submit documentation to the County that supports the participant's eligibility determination. Such documentation must be reviewed and approved by County personnel.

Of the 30 participant files selected for youth program eligibility testwork, we noted 9 participant files that did not contain the necessary supporting documentation for County personnel to perform a proper review in order to verify eligibility determination.

Effect

Ineligible participants may be receiving benefits.

Recommendation

We recommend that the County strictly adhere to the formal policies and procedures with regards to eligibility determination. This will help ensure that eligibility determination is supported by proper documentation in the participant file.

Views of Responsible Officials

We concur with this finding. While there are established policies for subrecipients to follow, they have not been consistently applied. The department will work with its Youth Contractors during FY 2007/08 to ensure adherence to policies and procedures by conducting contractor training as well as ongoing Technical Assistance On-Site Visits and follow-up reports. Internally, our management information systems (MIS) staff that do the review of contractor eligibility determination, will also receive training and will analyze avenues for improving the process of review during monthly Continuous Improvement Agenda (CIA) Meetings with the Workforce Investment Act (WIA) Department Analyst.

06-21

Program:	Workforce Investment Act Cluster
CFDA No.:	17.258, 17.259, 17.260
Federal Agency:	U.S. Department of Labor
Passed Through:	California Employment Development Department
Award Numbers:	R485309, R588755, R588757, R692506
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Eligibility
Questioned Costs:	$6,805.42

Criteria

The *March 2006 OMB Circular A-133 Compliance Supplement* requirements for eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements.

Condition Found

The County has established procedures in order to determine an adult program participant's eligibility, which includes:

- Performing an assessment of the applicant's needs. The assessment form must be documented and signed by the interviewer and the participant.
- Obtaining an application which must be signed by both the applicant and interviewer.
- Completing an intake checklist to ensure all documents have been obtained.
- Obtaining documentation that the participant cannot receive aid from other grant programs.

Of the 30 participant files selected for adult program eligibility testwork, we noted the following:

- 1 case file did not contain a signed assessment form. Fiscal year 2005/06 expenditures for this participant totaled $5,805.42.
- 1 case file whereby the assessment form, a completed intake checklist, and documentation indicating that the participant could not receive benefits from other grant programs were missing from the file. Additionally, the application was not signed by the interviewer. Fiscal year 2005/06 expenditures for this participant totaled $1,000.00.

Effect

Ineligible participants may be receiving benefits.

Recommendation

We recommend that the County strictly adhere to the formal policies and procedures with regards to eligibility determination. This will help ensure that eligibility determination is supported by proper documentation in the participant file.

Views of Responsible Officials

We concur with this finding. While there are established policies and procedures for determining eligibility for Adult WIA program applicants, consistent application of these procedures have not been enforced. In order to ensure that WIA Career Employment Counselors strictly adhere to established policies and procedures laid out in the WIA Technical Assistance Guide, we will initiate a two-pronged approach. First, the WIA Line Supervisor will be required to review more closely the Career Employment Specialist's casework to ensure all documentation is present in the case file. Additionally, the Department's WIA Compliance and Administrative Program Support (CAPS) Unit will provide follow-up training to line staff on the eligibility process and procedures, including all appropriate and required MIS information.

06-22

Program:	Workforce Investment Act Cluster
CFDA No.:	17.258, 17.259, 17.260
Federal Agency:	U.S. Department of Labor
Passed Through:	California Employment Development Department
Award Numbers:	R485309, R588755, R588757, R692506
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Allowable Costs and Activities
Questioned Costs:	$28.00

Criteria

The State of California requires that grant funds are to be used for Allowable Costs and Activities in accordance with the *March 2006 OMB Circular A-133 Compliance Supplement*, which requires that the pass-through entity establish control systems to ensure costs are for an allowable activity and are properly coded.

Condition Found

Of the 30 nonpayroll expenditures selected for allowable costs and activities testwork, we noted the following:

- 1 expenditure where the claim form was not properly reviewed and signed by a deputized accounts payable clerk.
- 1 expenditure whereby the supporting documentation did not agree to the amount of the charge on the claim form. The amount of the charge was overstated by 7 labor hours, which equates to $28.

Effect

Expenses that are not properly reviewed may be for unallowable costs and not properly identified as such.

Recommendation

We recommend that the County establish formal policies and procedures with regards to nonpayroll cost processes and ensure that such policies and procedures are formally documented and strictly adhered to by County personnel. This will help ensure the accuracy of nonpayroll expenditures and that only allowable costs are charged to grant programs.

Views of Responsible Officials

- We concur with the finding. The County will implement a new version of its financial accounting system in FY 2007/08. This new version of the system will not allow a claim on the treasury to be processed without the proper deputized accounts payable clerk's electronic signature of approval. This control built into the system's online electronic workflow programming will eliminate the possibility of a transaction being posted without proper Auditor-Controller approval because a transaction will not be posted without the electronic signature. No electronic signature of approval will be applied until verification of sufficient documentation to support the amount of the expenditure is complete.

- We concur with the finding. The current practice for authorizing payment for on the job training claims is for the claim to first be submitted to the WIA Case Manager to review for completeness and accuracy. The claim is then submitted to the WIA Accountant. The WIA Accountant reviews the related timesheets and the claim as the double check for accuracy of charges prior to processing for payment.

  During the FY 2005/06 program year, this process was not in place. Once the WIA Case Manager approved payment, the WIA Accountant processed for payment without further review of accuracy.

  While we believe we now have a process in place to address this previous short-coming, we will also investigate other practices to prevent any future overpayments.

06-23

Program:	Child Support Enforcement Program
CFDA No.:	93.563
Federal Agency:	U.S. Department of Health and Human Services
Passed Through:	California Department of Social Services
Award Numbers:	Santa Barbara (County 42)
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Special Tests and Provisions – Establishment of Paternity and Support Obligations
Questioned Costs:	$0

Criteria

The 2006 *OMB Circular A-133* requirements for Special Tests and Provisions – Establishment of Paternity and Support Obligations require the County to attempt to establish paternity and a support obligation for children born out of wedlock within the required timeframes. Specifically, the County is required to establish a case file within 20 calendar days of receipt of the case. The case file is to be opened with the objective of establishing paternity and support obligations.

Condition Found

Of the 30 case files selected for special tests and provisions – establishment of paternity and support obligations testwork, we noted 1 case file that was not opened within the required 20-day timeframe. Such case was opened 31 days after receipt of the case.

Effect

An untimely process for opening cases may inhibit the County's ability to establish paternity and support obligations.

Recommendation

We recommend that the County strictly adhere to the established policies and procedures regarding establishing case files within the required timeframe.

Views of Responsible Officials

We concur with this finding. In September 2007, we are transitioning to a new "state-wide" computer system. One of the benefits of the new system will be to ensure that all cases – state-wide – stay in compliance with required deadlines. The new web-based system has many automatic features incorporated in order to assist caseworkers with maintaining compliance at all stages of casework. Training employees on the new system is an important part of our conversion. We will use the department-wide training as an opportunity to review policies, procedures, and the importance of meeting mandated timeframes. It is worth mentioning that state and federal regulations require that 75% of our cases adhere to the timeframe in order to be in compliance. The findings reveal we have a compliance percentage of 97%. With continued training and more focused data tracking tools, our goal will continue to be that all cases are opened within 20 calendar days from receipt of the paperwork.

06-24

Program:	Child Support Enforcement Program
CFDA No.:	93.563
Federal Agency:	U.S. Department of Health and Human Services
Passed Through:	California Department of Social Services
Award Numbers:	Santa Barbara (County 42)
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Special Tests and Provisions – Securing and Enforcing Medical Support Obligations
Questioned Costs:	Unknown

Criteria

The 2006 *OMB Circular A-133* requirements for Special Tests and Provisions – Securing and Enforcing Medical Support Obligations requires that the County attempt to secure medical support information, and establish and enforce medical support obligations for all individuals eligible for services. Specifically, the County must determine whether the custodial parent and child have satisfactory health insurance other than Medicaid. If not, the County must petition the court or administrative authority to include medical support in the form of health insurance coverage in all new or modified orders for support.

Condition Found

Of the 30 case files selected for special tests and provisions – securing and enforcing medical support obligations testwork, we noted 1 case file where health insurance benefits had been obtained from the noncustodial parent. However, the County failed to inform the custodial parent and the Medicaid Agency (California Department of Health Services), which resulted in excess Medicaid benefits being paid for the child.

Effect

Excessive benefits may be awarded to participants.

Recommendation

We recommend that the County strictly adhere to the established policies and procedures with regards to obtaining and communicating the existence of health insurance benefits. This will help ensure that benefits in the form of health insurance coverage are only awarded when necessary.

Views of Responsible Officials

We concur with this finding. In our current computer system, the health insurance information is updated in the system; then the user must remember to produce the letter that is sent to the California Department of Health Services and/or the custodial parent providing the health insurance benefits information. In September 2007, we are transitioning to a new "state-wide" computer system. In this new system, when health insurance information is populated in the system, the information is electronically submitted to the California Department of Health Services and the letter to the custodial parent is automatically produced. We are in the process of training employees on the new system and all the automatic features that will enhance our performance. We will use the department-wide training as an opportunity to review policies, procedures, and the importance of meeting mandated timeframes. Shortly, the federal government is going to make "health insurance enforcement" one of the performance goals on which we will be measured. It is a goal we want to excel in, as it is of utmost importance that children get the healthcare to which they are entitled.

06-25

Program:	Child Support Enforcement Program
CFDA No.:	93.563
Federal Agency:	U.S. Department of Health and Human Services

Passed Through:	California Department of Social Services
Award Number:	Santa Barbara (County 42)
Award Year:	Fiscal year 2005/06
Compliance Requirement:	Special Tests and Provisions – Provision of Child Support for Interstate Cases
Questioned Costs:	$0

Criteria

The *March 2006 OMB Circular A-133 Compliance Supplement* requirements for Special Tests and Provisions – Provision of Child Support for Interstate Cases require that the County provide the appropriate child support services needed for interstate cases within the required time frames for providing information. Specifically, the County is required to establish an interstate case file within 20 calendar days of receipt of the case. The case file is to be opened with the objective of establishing paternity and support obligations. In addition, the County is required to inform the state in which the noncustodial parent resides within 20 days of discovering the noncustodial parent's residency.

Condition Found

Of the 30 interstate initiating case files selected for special tests and provisions – provisions of child support for interstate cases testwork, we noted 3 case files whereby the County did not refer the case to the responding state within the required 20 days of the County learning of the noncustodial parent's residency. These 3 cases were referred to the responding state 28, 36, and 39 days after receipt of the case.

Of the 13 interstate responding case files selected for special tests and provisions testwork – provisions of child support for interstate cases testwork, we noted 3 case files whereby the County did not establish an interstate case file within 20 calendar days of receipt of the case from the referring state. For these 3 cases, the interstate case file was established 26, 32, and 35 days after receipt of the case.

Effect

The information may not be received by the responding state in time to administer properly the case. Untimely information may inhibit the responding state's ability to secure support obligations.

Recommendation

We recommend that the County strictly adhere to the established policies and procedures with regards to reporting information to responding states within the required deadlines.

Views of Responsible Officials

Regarding interstate initiating cases, we noted 2 case files whereby we did not refer the case to the responding state within the required 20 days of the County learning of the noncustodial parent's residency.

One case opened August 15, 2005, the address was verified March 10, 2005 and the Uniform Interstate Family Support Act (UIFSA) documents were sent to the custodial parent. The custodial parent did not cooperate in returning the necessary documents and the worker was unable to contact the custodial parent during the period of September 2005 through March 2006. Consequently, we could not proceed regardless of whether or not the noncustodial parent's address had been verified. CFR 303.7 (b) (2) Provisions of Services in Interstate IV-D Cases states that within 20 calendar days of determining that the noncustodial parent is in another state, and, if appropriate, receipt of necessary information needed to process the case, refer any interstate IV-D case to the responding state's central registry for action. Once the custodial parent cooperated on April 4, 2006, all the necessary information was obtained and the UIFSA packet was sent April 24, 2006.

Regarding intestate responding cases, we noted 2 case files whereby we did not establish an interstate case file within 20 calendar days of receipt of the case from the referring state. One UIFSA case was an Ex-parte transfer we received from San Luis Obispo County on March 17, 2006. San Luis Obispo County had been enforcing the order but when the noncustodial parent moved to our county, our office received the entire court file from our Superior Court on April 14, 2006 (requiring us to open a case file). This case did not come directly to us from the Central Registry, but as a transfer. CFR 303.7 (c)(5) Within 10 working days of locating the noncustodial parent in a different jurisdiction within the State, the IV-D agency (San Luis Obispo County) must forward the form and documents to the appropriate jurisdiction and notify the initiating State and central registry of its actions. Considering San Luis Obispo County had already established the initial case record and they were enforcing the case, our receipt of this case was through a transfer and all enforcement activities set up in a timely manner.

Currently, we have a UIFSA unit responsible for managing all of our out-of-state cases. Since establishing the UIFSA unit, the department manages this "specialized" caseload more efficiently than we have in the past. One consequence of having these cases in a specialized unit is that the Child Support Officers managing other types of cases can lose expertise regarding out-of-state cases. In order to combat this result, the UIFSA team presented a "refresher training" for all Child Support Officers and Supervisors. Additionally, we now have UIFSA team members conduct quarterly "site visits" (to the other branch offices) to assist officers with UIFSA cases and questions. Additionally, when we transition to a new "statewide" computer system, in September 2007, there will be many automatic features incorporated in order to assist caseworkers with maintaining compliance at all stages of casework. One example of the enhanced efficiency the new system provides is that responding UIFSA cases will be opened at the state level and we will receive case information via electronic transfer. Training employees on the new system is an important part of our conversion and we will use it as an opportunity to review policies, procedures, and the importance of meeting mandated timeframes.