



# State of California

Federal Compliance Audit Report for the Fiscal Year  
Ended June 30, 2015

Report 2015-002



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March 18, 2016

2015-002

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

Dear Governor and Legislative Leaders:

As required by California Government Code, Section 8543 et seq., the California State Auditor (state auditor) presents this audit report concerning the review of the State of California's internal controls and compliance with federal laws and regulations for the year ended June 30, 2015. The state auditor contracted with Macias, Gini & O'Connell, LLP (MGO) to perform this review for fiscal year 2014-15.

This report concludes that the State did not materially comply with certain requirements for six of the 26 federal programs or clusters of programs (federal programs) MGO audited. Additionally, although MGO concluded that the State materially complied with requirements for the remaining federal programs it audited, MGO reported various instances of noncompliance relating to those programs. Further, the State continues to experience certain deficiencies in its accounting and administrative practices that affect its internal controls over compliance with federal requirements. Deficiencies in the State's internal control system could adversely affect its ability to administer federal programs in compliance with applicable requirements.

Respectfully submitted,



ELAINE M. HOWLE, CPA  
State Auditor

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## **Auditor's Section**



**Independent Auditor's Report on the Schedule of Expenditures of  
Federal Awards as Required by OMB Circular A-133,  
*Audits of States, Local Governments, and Non-Profit Organizations***

The Governor and the Legislature of the State of California:

**Report on the Schedule of Expenditures of Federal Awards**

We have audited the accompanying Schedule of Expenditures of Federal Awards (the Schedule) of the State of California for the fiscal year ended June 30, 2015, and the related notes to the Schedule.

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

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the Schedule is free from material misstatement.

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

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

### ***Opinion***

In our opinion, the Schedule referred to above presents fairly, in all material respects, the expenditures of federal awards of the State of California for the fiscal year ended June 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 1 to the Schedule, the State of California's basic financial statements include the operations of the University of California system, a component unit of the State of California, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water Pollution Control Revolving Fund, and the California Housing Finance Agency, a component unit of the State of California, which reported \$5.5 billion, \$2.6 billion, \$124.0 million, \$169.2 million, and \$59.6 million, respectively, in federal awards which are not included in the Schedule for the fiscal year ended June 30, 2015. Our audit, described above, did not include the operations of the University of California system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water Pollution Control Revolving Fund, and the California Housing Finance Agency because these entities engaged other auditors to perform an audit in accordance with OMB Circular A-133. Our opinion is not modified with respect to this matter.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2016 on our consideration of the State of California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance of the Schedule, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of California's internal control over financial reporting and compliance of the Schedule.

*Macias Gini & O'Connell LLP*

Sacramento, California

March 11, 2016

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of the Schedule of Expenditures  
of Federal Awards Performed in Accordance With *Government Auditing Standards* and  
OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations***

The Governor and the Legislature of the State of California:

We have audited, in accordance with auditing standards generally accepted in the United States of America and 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*, the Schedule of Expenditures of Federal Awards (the Schedule) of the State of California for the fiscal year ended June 30, 2015, and have issued our report thereon dated March 11, 2016. Our report includes an emphasis of matter paragraph to describe those entities which are not included in the Schedule. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the Schedule, we considered the State of California's internal control over financial reporting of the Schedule (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the State of California's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of California's internal control over financial reporting of the Schedule.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schedule is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Schedule 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*.

## Purpose of this Report

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

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

Sacramento, California  
March 11, 2016



## **Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133**

The Governor and the Legislature of the State of California:

### **Report on Compliance for Each Major Federal Program**

We have audited the State of California’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State of California’s major federal programs for the fiscal year ended June 30, 2015. The State of California’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

As described in Note 1 to the Schedule, the State of California’s basic financial statements include the operations of the University of California system, a component unit of the State of California, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water Pollution Control Revolving Fund, and the California Housing Finance Agency, a component unit of the State of California, which reported \$5.5 billion, \$2.6 billion, \$124.0 million, \$169.2 million, and \$59.6 million, respectively, in federal awards which are not included in the Schedule for the fiscal year ended June 30, 2015. Our audit, described below, did not include the operations of the University of California system, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water Pollution Control Revolving Fund, and the California Housing Finance Agency because these entities engaged other auditors to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

### **Management’s Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the State of California’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-

133. 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 State of California’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State of California’s compliance.

**Basis for Qualified Opinion on Major Federal Programs**

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

Finding Number	CFDA Number	Federal Program Name or Cluster	Compliance Requirement(s)	State Administering Department
2015-001	10.557	Special Supplemental Nutrition Program for Women, Infants and Children	Eligibility	Department of Public Health
2015-002	20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	Special Tests and Provisions	Department of Transportation
2015-006	93.568	Low-Income Home Energy Assistance Program	Period of Performance	Department of Community Services and Development
2015-008	93.767	Children’s Health Insurance Program	Activities Allowed or Unallowed; Allowable Costs/Cost Principles	Department of Health Care Services
2015-009	93.775, 93.777, 93.778	Medicaid Cluster	Eligibility	Department of Health Care Services
2015-010	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Subrecipient Monitoring	Department of Health Care Services

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

**Qualified Opinion on Major Federal Programs**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State of California complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs listed in the Basis for Qualified Opinion paragraph for the fiscal year ended June 30, 2015.

**Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, the State of California complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the fiscal year ended June 30, 2015.

**Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the table below and in the accompanying schedule of findings and questioned costs.

Finding Number	CFDA Number	Federal Program Name or Cluster	Compliance Requirement(s)	State Administering Department
2015-003	20.513, 20.516, 20.521	Transit Services Cluster	Subrecipient Monitoring	Department of Transportation
2015-004	84.365	English Language Acquisition State Grants	Activities Allowed or Unallowed; Allowable Costs/Cost Principles	Department of Education
2015-005	93.568	Low-Income Home Energy Assistance Program	Earmarking	Department of Community Services and Development
2015-007	93.917	HIV Care Formula Grants	Subrecipient Monitoring	Department of Public Health

Our opinion on each major federal program is not modified with respect to these matters.

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

### **Report on Internal Control Over Compliance**

Management of the State of California is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of California's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of California's internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, 2014-004, 2015-006, 2015-008, 2015-009, and 2015-010 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-003, 2015-005, and 2015-007 to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Macias Gini & O'Connell LLP*

Sacramento, California

March 11, 2016

## **Schedule of Findings and Questioned Cost**

**STATE OF CALIFORNIA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Section I – Summary of Auditor’s Results**

*Financial Statements*

Issued under a separate cover. Refer to California State Auditor’s 2015-001.1 report entitled *State of California: Internal Control and Compliance Audit Report for the Fiscal Year Ended June 30, 2015*.

*Schedule of Expenditures of Federal Awards (Schedule)*

Type of auditor’s report issued	Unmodified
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Internal control over financial reporting:

Material weakness (es) identified?	No
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Significant deficiency (ies) identified?	No
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Noncompliance material to the Schedule noted?	No
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*Federal Awards*

Internal control over major federal programs:

Material weakness (es) identified?	Yes
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Significant deficiency (ies) identified?	Yes
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Type of auditor’s reports issued on compliance for major federal programs:	Refer to the next page
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**Qualified**

<b><u>CFDA Number</u></b>	<b><u>Federal Program or Cluster</u></b>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Services – Capital Assistance Grants
93.568	Low-Income Home Energy Assistance Program
93.767	Children’s Health Insurance Program Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse

**Unmodified**

<b><u>CFDA Number</u></b>	<b><u>Federal Program or Cluster</u></b>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
	Food Distribution Cluster:
10.565	Commodity Supplemental Food Program
10.568	Emergency Food Assistance Program (Administrative Costs)
10.569	Emergency Food Assistance Program (Food Commodities)
10.558	Child and Adult Care Food Program
14.239	Home Investment Partnerships Program
	Employment Service Cluster:
17.207	Employment Service/Wagner-Peyser Funded Activities
17.801	Disabled Veterans’ Outreach Program
17.804	Local Veterans’ Employment Representative Program
17.225	Unemployment Insurance
	Highway Planning and Construction Cluster:
20.205	High Planning and Construction
20.219	Recreation Trails Program
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research
20.509	Formula Grants for Rural Areas
	Transit Services Programs Cluster:
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities
20.516	Job Access and Reverse Commute Program
20.521	New Freedom Program

	Special Education Cluster:
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants
84.282	Charter Schools
84.287	Twenty-First Century Community Learning Centers
84.365	English Language Acquisition State Grants
84.367	Improving Teacher Quality State Grants
93.563	Child Support Enforcement
93.917	HIV Care Formula Grants
93.958	Block Grants for Community Mental Health Services
96.001	Social Security-Disability Insurance
97.067	Homeland Security Grant Program

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	Yes
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Dollar threshold used to distinguish between type A and type B programs	\$136,731,897
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Auditee qualified as low-risk auditee?	No
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Identification of Major Federal Programs:

<b><u>CFDA Number</u></b>	<b><u>Federal Program or Cluster</u></b>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
	Food Distribution Cluster:
10.565	Commodity Supplemental Food Program
10.568	Emergency Food Assistance Program (Administrative Costs)
10.569	Emergency Food Assistance Program (Food Commodities)
10.558	Child and Adult Care Food Program
14.239	Home Investment Partnerships Program
	Employment Service Cluster:
17.207	Employment Service/Wagner-Peyser Funded Activities
17.801	Disabled Veterans' Outreach Program
17.804	Local Veterans' Employment Representative Program
17.225	Unemployment Insurance
	Highway Planning and Construction Cluster:
20.205	High Planning and Construction
20.219	Recreation Trails Program
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Services – Capital Assistance Grants
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research
20.509	Formula Grants for Rural Areas
	Transit Services Programs Cluster:
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities
20.516	Job Access and Reverse Commute Program
20.521	New Freedom Program
	Special Education Cluster:
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants
84.282	Charter Schools
84.287	Twenty-First Century Community Learning Centers
84.365	English Language Acquisition State Grants
84.367	Improving Teacher Quality State Grants
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance Program
93.767	Children's Health Insurance Program

Identification of Major Programs (continued):

<b><u>CFDA Number</u></b>	<b><u>Federal Program or Cluster</u></b>
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
93.917	HIV Care Formula Grants
93.958	Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse
96.001	Social Security-Disability Insurance
97.067	Homeland Security Grant Program

## **Schedule of Federal Award Findings and Questioned Costs**

**U.S. DEPARTMENT OF AGRICULTURE**

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Reference Number:	2015-001
Category of Finding:	Eligibility
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	10.557
Federal Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Federal Award Number and Years:	7CA700CA7; 2014 7CA700CA7; 2015

**Criteria**

TITLE 7: Agriculture, PART 246 – SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN, Subpart C – Participant Eligibility, §246.7 Certification of Participants.

(c) Eligibility criteria and basic certification procedures.

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

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

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

(d) Income criteria and income eligibility determinations. The State agency shall establish, and provide local agencies with, income guidelines, definitions, and procedures to be used in determining an applicant’s income eligibility for the Program.

(o) Are applicants required to be physically present at certification? – (1) In general. The State or local agency must require all applicants to be physically present at each WIC certification.

### **Condition**

Local agencies are responsible for eligibility determination for participants in the WIC program using the state-owned Integrated Statewide Information System (ISIS).

We tested 60 beneficiaries and found four instances in which at least one type of required eligibility information was not obtained or evidenced in ISIS at the time of application.

- For two cases, the identification verification code for the participants was noted within ISIS as “Other,” requiring the local agency to specify further documentation in the ISIS comment fields. However, no such information was provided at the time of application to notate the identification documentation presented and inspected by the local agency for the participants reviewed.
- For one case, the participant provided no income documentation when the child was certified. During our review of this participant’s eligibility records, we noted code “N” for No Income Documentation available at the certification date. For the "Income Documentation" field, only one code can be used for a family. Administrators are instructed to designate "N" for the family if one individual doesn't have income eligibility on the day of setup. The applicant's infant was still pending Medi-Cal approval which prompted the “N” designation and the mother was not enrolled in a program that adjunctively qualified her children for WIC benefits. The family continued to receive WIC benefits after the one month probationary period without providing Income Documentation for the infant. However, valid income documentation was provided two months subsequent to the time of application.
- For one case, the local agency could not provide supporting eligibility information to document the participant’s adjunctive eligibility through another federal program. When a participant is adjunctively eligible, a Medi-Cal eligibility code is required to be documented within ISIS. No such Medi-Cal eligibility code was noted for this participant. Further, we reviewed the eligibility information of the participant’s mother and noted that she did not qualify for Food Stamps or Temporary Assistance to Needy Families (TANF); therefore the participant in question is not eligible for WIC benefits until approved by Medi-Cal.

Total federal expenditures paid to participants for food instruments amounted to \$974,449,702 for fiscal year 2014–15. Total benefits paid to the 60 tested participants amounted to \$37,651, of which \$3,695 was paid to the participants noted above.

### **Questioned Costs**

\$3,695

### **Recommendation**

Public Health should strengthen its communication and training to local agencies to ensure intake workers responsible for eligibility determination are knowledgeable of the documentation requirements in ISIS. Public Health should also consider additional monitoring of local agencies to ensure compliance with eligibility requirements.

### **Department's View and Corrective Action Plan**

Public Health concurs with the findings. Public Health/WIC Division will develop and implement a monthly monitoring report to capture all 'holds' placed on participant accounts. The monitoring report will be distributed to each WIC local agency contractor on a monthly basis so that the WIC local agency contractors may review and determine if all documentation has been submitted by the participant in order to release the hold code placed in the management information system. This monitoring report will provide the opportunity for enhanced monitoring and focused technical assistance to WIC local agency contractors that appear to have holds in the management information system records beyond the acceptable timeframes. Lastly, Public Health/WIC Division will host semi-annual training webinars for WIC local agency staff that will be focused on WIC eligibility determination and proper documentation in the management information system.

### **Contact**

Jennifer Goldbronn, Chief, Nutrition Standards Section II, WIC Division  
[Jennifer.goldbronn@cdph.ca.gov](mailto:Jennifer.goldbronn@cdph.ca.gov) or (916) 928-8614

### **Implementation Date**

The management information system report will be developed and implemented by June 1, 2016.

The webinars will take place in June 2016 and December 2016, and ongoing as part of regular WIC local agency staff training.



**U.S. DEPARTMENT OF TRANSPORTATION**

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Reference Number:	2015-002
Category of Finding:	Special Tests and Provisions – Wage Rate Requirement
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Transportation (Caltrans)
Federal Catalog Number:	20.319 (ARRA)
Federal Program Title:	High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants
Federal Award Number and Years:	FR0021; 2011 FR0022; 2011 FR0045; 2011 FR0058; 2011

**Criteria**

TITLE 29: LABOR PART 5-STANDARDS PROVISIONS APPLICABLE TO CONTRACTS COVERING FEDERALLY FINANCED AND ASSISTED CONSTRUCTION (ALSO LABOR STANDARDS PROVISIONS APPLICABLE TO NONCONSTRUCTION CONTRACTS SUBJECT TO THE CONTRACT WORK HOURS AND SAFETY STANDARDS ACT), Subpart A—Davis-Bacon and Related Acts Provisions and Procedures, §5.5 Contract provisions and related matters.

(a) The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in §5.1, the following clauses (or any modifications thereof to meet the particular needs of the agency, provided, that such modifications are first approved by the Department of Labor):

(1) Minimum wages. (i) All laborers and mechanics employed or working upon the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project), will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages

and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics.

(ii) (A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number).

### **Condition**

In fiscal year 2013-14, the predecessor auditor reported that Caltrans did not have procedures in place to comply with federal wage rate requirements because it did not obtain certified weekly payrolls from contractors for the High-Speed Rail program. In fiscal year 2014-15, Caltrans had not yet implemented procedures to obtain the weekly certified payrolls.

### **Questioned Costs**

Not determined.

### **Recommendation**

Caltrans should implement procedures to obtain the weekly required certified payrolls in accordance with Title 29: Labor Part 5 and should retroactively obtain and review the previously uncollected certified payrolls for contractors that performed construction work in prior fiscal years.

### **Department's View and Corrective Action Plan**

Caltrans will ensure that all new contracts are evaluated for Davis-Bacon applicability, and the determination will be documented in the project file. Caltrans implemented procedures to collect weekly certified payrolls on July 7, 2015.

Of the four closed contracts that were audited, Caltrans Legal determined that the Davis-Bacon provisions were not required for one of the contracts. Further, another audited contract did not contain the appropriate David-Bacon language; Caltrans was not able to seek an amendment to add the requirement and therefore will not be able to collect certified payrolls for this contract.

Finally, Caltrans will attempt to retroactively collect the weekly certified payrolls for the remaining two audited contracts that contained Davis-Bacon language, as well as for any additional, non-audited closed contracts that contained the Davis-Bacon language.

For contracts in which Caltrans contracts directly with a contractor, Caltrans will review weekly certified payrolls for compliance with Davis-Bacon. For Local Agency sub-recipients contracts the Local Agency is responsible for reviewing the weekly certified payrolls for Davis-Bacon compliance as outlined in Caltrans Local Assistance Procedures Manual.

**Contact**

Crystal Ortiz, Division of Rail and Mass Transportation

**Implementation Date**

June 30, 2016

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Reference Number:	2015-003
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	California Department of Transportation (Caltrans)
Federal Catalog Number:	20.513, 20.516, 20.521
Federal Program Title:	Transit Services Cluster
Federal Award Number and Years:	37X069; 2008 37X128; 2010

**Criteria**

A-102 Common Rule (§\_\_\_.32), part (d)(2) Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- 2) A physical inventory of equipment shall be taken and the results reconciled with the equipment records.

**Condition**

Caltrans’ Division of Mass Transportation (DMT) performs site visits and inspections to monitor assets acquired with federal funding, and ensure proper maintenance records and insurance coverages. Owners of capital assets funded by the federal grant awards are required to maintain the vehicles, equipment, and property in good operating order or in working condition.

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

### **Questioned Costs**

No specific questioned costs were identified.

### **Recommendation**

Caltrans should continue to strengthen its corrective action plan by ensuring that all subrecipient equipment acquired with federal funding be inspected on a three-year cycle.

### **Department's View and Corrective Action Plan**

The monitoring plans for subrecipients' equipment have been managed in headquarters at a branch level. This has worked in the past, except when staff travel was restricted due to budgetary concerns and staff turnover. To enhance monitoring, Caltrans is in the process of implementing an electronic grants management system. This system will enable Caltrans to run reports in real time to determine if all agencies and equipment have been monitored according to our three-year monitoring cycle. When district and headquarters staff perform equipment monitoring inspections, the inspection date will be entered, and a scanned copy of the inspection form will be uploaded into the electronic grants management system. The system will automatically notify managers of the three-year monitoring due dates. If a field manager finds equipment in the electronic grants management system that appears due for inspection, they can take necessary corrective action. On March 16, 2016, Caltrans will provide a statewide monitoring workshop to provide Caltrans staff training on the new grants management system, and anticipates full implementation by December 31, 2016.

### **Contact**

Mark Codey, Office Chief, Federal Transit Grants Program

### **Implementation Date**

January 2018

**U.S. DEPARTMENT OF EDUCATION**

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Reference Number:	2015-004
Category of Finding:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles
Type of Finding:	Material Weakness and Instance of Noncompliance
State Administering Department:	California Department of Education (Education)
Federal Catalog Number:	84.365
Federal Program Title:	English Language Acquisition State Grants
Federal Award Numbers and Years:	S365A120005; 2012 S365A130005; 2013 S365A140005; 2014

**Criteria**

*OMB Circular A-133, Subpart C—Auditees, §.300 Auditee responsibilities*

The auditee shall:

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

*Title 34 CFR §76.770 A State shall have procedures to ensure compliance*

Each State shall have procedures for reviewing and approving applications for subgrants and amendments to those applications, for providing technical assistance, for evaluating projects, and for performing other administrative responsibilities the State has determined are necessary to ensure compliance with applicable statutes and regulations.

*Title 20 USC §6826 Local Plans, (a) Plan required*

Each eligible entity desiring a subgrant from the State educational agency under section 6824 of this title shall submit a plan to the State educational agency at such time, in such manner, and containing such information as the State educational agency may require.

*Title 20 USC §6824 Within-State allocations, (a) In general*

After making the reservation required under subsection (d)(1) of this section, each State educational agency receiving a grant under section 6821(c)(3) of this title shall award subgrants for a fiscal year by allocating to each eligible entity in the State having a plan approved under section 6826 of this title an amount that bears the same relationship to the amount received under the grant and remaining after making such reservation as the population of limited English proficient children in schools served by the eligible entity bears to the population of limited English proficient children in schools served by all eligible entities in the State.

**Condition**

Education could not provide evidence of an approved local plan for three of 25 subrecipients tested. Education awarded and disbursed funds to subrecipients without first ensuring that the federal compliance requirements were understood and that the subrecipient programs utilizing those funds were in compliance with those requirements. Due to department turnover, Education has not had since 2009, a process in place to ensure that subrecipients have an approved plan in place prior to awarding funds. A total of \$3,309,979 was disbursed to the 25 subrecipients tested and a total of \$129,869,393 was disbursed to all 892 subrecipients.

**Questioned Costs**

A total of \$46,798 was disbursed to the three subrecipients in question during the fiscal year ended June 30, 2015.

**Recommendation**

Education should develop controls and procedures to ensure that awards are made only to subrecipients with approved local plans.

**Department's View and Corrective Action Plan**

Education concurs with the recommendation. To ensure that subrecipients have approved plans in place prior to awarding English Language Acquisitions State Grant funds, Education strengthened review and approval processes over: (1) plans submitted for the first time (new applications); (2) plans submitted for each year a Local Education Agency (LEA) seeks a subgrant (plan updates); and (3) plans submitted with sanctions as an Improvement Plan Addendum due to not meeting the Annual Measureable Achievement Objectives for two or more years.

As part of these new processes, all LEAs were notified of the requirement to annually update plans if applying for Title III Limited English Proficient or Immigrant subgrants and were required to provide a link to their LEA Plan on the Consolidated Application and Reporting System (CARS). Education reviewed all applications and plans submitted via CARS and where necessary, technical assistance was provided to LEAs in need of guidance.

Commencing July 1, 2015, using a review checklist that contains all required program elements, Education reviewed approximately 1,200 applications and plans submitted via CARS for Title III LEP and Immigrant subgrants to ensure that: (1) all of the funds allocated to subgrants for Title III were for required and allowable activities; (2) funded activities did not supplant other federal, state or local funding; and (3) only two percent of each subgrant was used for administrative costs.

**Contact**

Elena Fajardo, Administrator  
Language Policy and Leadership Office  
English Learner Support Division

**Implementation Date**

July 2015

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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Reference Number:	2015-005
Category of Finding:	Earmarking
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	California Department of Community Services and Development (CSD)
Federal Catalog Number:	93.568
Federal Program Title:	Low-Income Home Energy Assistance Program (LIHEAP)
Federal Award Numbers and Years:	G-15B1CALIEA; 2015 G-14B1CALIEA; 2014 G-13B1CALIEA; 2013 G-12B1CALIEA; 2012

**Criteria**

USC Title 42 – the Public Health and Welfare. Chapter 94 – Low-Income Energy Assistance. Subchapter II – Low-Income Home Energy Assistance. § 8624 Applications and Requirements.

(b) Certifications required for covered activities

As part of the annual application required by subsection (a) of this section, the chief executive officer of each State shall certify that the State agrees to-

(9) provide that-

(A) The State may use for planning and administering the use of funds under this subchapter an amount not to exceed 10 percent of the funds payable to such State under this subchapter for a fiscal year.

(k) Limitation on use of funds; waiver

(1) Except as provided in paragraph (2), not more than 15 percent of the greater of – (A) the funds allotted to a State under this subchapter for any fiscal year; or (B) the funds available to such State under this subchapter for such fiscal year may be used by the State for low-cost residential weatherization or other energy-related home repair for low-income households, particularly those low-income households with the lowest incomes that pay a high proportion of household income for home energy.

(2)(A) If a State receives a waiver granted under subparagraph (B) for a fiscal year, the State may use not more than the greater of 25 percent of- (i) the funds allotted to a State under this subchapter for such fiscal year; or (ii) the funds available to such State under this subchapter for such fiscal year; for residential weatherization or other energy-related home repair for low-income households, particularly those



low-income households with the lowest incomes that pay a high proportion of household income for home energy.

### **Condition**

During our testing and based on inquiry and discussion with CSD management, processes and internal controls were established by CSD to administer and monitor earmarking requirements over the life of the grant award. However, the earmarking requirement pursuant to the U.S. Code Title 42 Section 8624, requires that no more than 10 percent of LIHEAP funds are expended on planning and administration for a federal fiscal year; and not more than 15 percent (25 percent with a waiver) of LIHEAP funds are expended on weatherization for a federal fiscal year.

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

During the fiscal year ended June 30, 2015, the grant award years 2011 - 2015 were still active and subject to the planning and administration and weatherization earmarking compliance requirement. It should be noted, that CSD has a developed tool, the Budget Allocation Worksheet, which is utilized for monitoring compliance with the earmarking compliance requirement. The Fiscal Services Unit is responsible for allocating the LIHEAP federal funds and preparing the Budget Allocation Worksheet. CSD budgets and obligates five percent of the grant award for CSD state operations costs. Another five percent of the grant award is budgeted and obligated to local agencies for planning and administration purposes as part of the total allocation to local agencies, so that the total planning and administration costs do not exceed ten percent of the grant award. Fifteen percent of the grant award is obligated to local agencies for weatherization purposes. The Budget Allocation Worksheet is routed to the Budget Manager, Chief Financial Officer, Energy Program Managers, and the Executive Unit for review and approval. Finally, CSD's utilizes its Payment-Accounting-Reporting-Contract database to track and monitor the spending and reporting of local agencies against their approved contracts.

### **Questioned Costs**

Questioned costs, if any, cannot be determined.

### **Recommendation**

CSD should conduct the necessary meetings and trainings to ensure management and staff have the proper interpretation and understanding of the earmarking compliance requirements. Current processes should be evaluated and redesigned as necessary, and internal controls implemented that ensure CSD's ongoing compliance with the earmarking

requirements on a federal fiscal year basis. Furthermore, since there was a misinterpretation of the LIHEAP earmarking regulations, CSD should consider the necessity for obtaining, in writing, any further clarification from the federal awarding agency.

**Department’s View and Corrective Action Plan**

CSD will work with DHHS to clarify the earmarking requirements and redesign our administrative processes and internal controls to ensure adherence to the earmarking requirements.

**Contact**

Cindy Halverstadt, Deputy Director, Administrative Services Division

**Implementation Date**

CSD anticipates being able to complete modifications in order to implement them by October 1, 2016 to be in compliance with the 2017 federal grant award.

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Reference Number:	2015-006
Category of Finding:	Period of Performance
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Community Services and Development (CSD)
Federal Catalog Number:	93.568
Federal Program Title:	Low-Income Home Energy Assistance Program (LIHEAP)
Federal Award Numbers and Years:	G-13B1CALIEA; 2013 G-12B1CALIEA; 2012

**Criteria**

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

(b)(2)(B) No amount may be held available under this paragraph for a State from a prior fiscal year to the extent such amount exceeds 10 percent of the amount payable to such State for such prior fiscal year. For purposes of the preceding sentence, the amount payable to a State for a fiscal year shall be determined without regard to any amount held available under this paragraph for such State for such fiscal year from the prior fiscal year.

The Secretary shall reallocate amounts made available under this paragraph for the fiscal year following the fiscal year of the original allotment in accordance with paragraph (1) of this subsection.

**Condition**

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

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

CSD’s practice has been to carryover and re-obligate LIHEAP funds on an annual basis, which were not expended by its subrecipients, as long as the re-obligation occurred within five years from the grant award date. CSD’s practice was based upon its understanding that it had five years to expend and liquidate LIHEAP funds. The 2011 - 2015 grant award years were still active during the fiscal year ended June 30, 2015; however, only the 2012 and 2013 grant awards had carryover funds that were expended in 2015.

**Questioned Costs**

Questioned costs totaled \$24,799,000, which represents the costs incurred during fiscal year 2014-15 using federal funds from the 2012 and 2013 grant award years, which were carried over and re-obligated outside of the period of performance.

**Recommendation**

CSD should conduct the necessary internal meetings and trainings to ensure management and staff have the proper understanding of the period of performance compliance requirement. The LIHEAP obligation period requirements are included in the “Terms and Conditions Addendum: Additional Financial Requirements”. We also recommend that current processes be evaluated and redesigned as necessary, and internal controls implemented that ensure CSD’s ongoing compliance with the two-year obligation period.

**Department’s View and Corrective Action Plan**

CSD’s administrative processes for the LIHEAP block grant were designed to ensure that local service providers had the funding needed to deliver services throughout the year. As LIHEAP is not a federally mandated program and the federal award may be delayed, CSD administers contracts with local service providers on a calendar year basis and makes adjustments in future contracts as a way to streamline state and local administrative

processes. CSD ensures that LIHEAP funds are distributed in accordance with agreed upon allocation methodologies and costs are expended within the five year expenditure period allowed. Based on CSD’s ongoing dialogue with the U.S. Department of Health and Human Services (HHS), it has been CSD’s interpretation that fully obligating all LIHEAP grant funds in the first federal fiscal year and facilitating the expenditure of LIHEAP funds through re-obligation over the course of the five year period was appropriate.

HHS conducted a monitoring visit in August 2015, which raised for the first time concerns with CSD’s method of obligating funds; however, CSD did not receive anything definitive at that time, or since, advising of noncompliance. CSD anticipated having further discussions following that visit with HHS and was awaiting the final monitoring report for guidance on what changes, if any, would be required. As of this date, CSD has not received the HHS monitoring report.

CSD agrees with the recommendation that current processes be evaluated and will do so in consultation with HHS. Any redesign should be implemented on a going forward basis with internal controls that ensure CSD’s ongoing compliance with the “Terms and Conditions Addendum: Additional Financial Requirements”.

**Contact**

Cindy Halverstadt, Deputy Director, Administrative Services Division

**Implementation Date**

Anticipate October 1, 2016 to be in compliance with the 2017 federal grant award.

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Reference Number:	2015-007
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	93.917
Federal Program Title:	HIV Care Formula Grants
Federal Award Number and Years:	6 X07HA12778-06-03; 2014 6 X07HA12778-07-01; 2015 6 X09HA26794-01-02; 2014 1 X08HA28020-01-00; 2014

**Criteria**

TITLE 31 – MONEY AND FINANCE, SUBTITLE V – GENERAL ASSISTANCE ADMINISTRATION, §7502. Audit requirements; exemptions:

- (f) (2) Each pass-through entity shall:
  - (A) provide such subrecipient the program names (and any identifying numbers) from which such assistance is derived, and the federal requirements, which govern the use of such awards and the requirements of this chapter;
  - (B) monitor the subrecipient’s use of federal awards through site visits, limited-scope audits, or other means; and
  - (C) review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the director, pertaining to federal awards provided to the subrecipient by the pass-through entity.

OMB Circular A-133 Compliance Supplement provides guidance on subrecipient monitoring.

A pass-through entity is responsible for:

*During-the-Award Monitoring* – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

*Subrecipient Audits* – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within six months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

**Condition**

During our review of subrecipient monitoring, we noted that for two of the nine subrecipients selected for testing, Public Health did not ensure that subrecipients completed required OMB Circular A-133 audits (single audits) within nine months of the end of the subrecipient’s audit period. Public Health did not follow up with the two subrecipients until August 17, 2015, 14 months after the end of the

subrecipients' audit period. Consequently, there may be a delay in monitoring the compliance of subrecipient activities and issuing any corrective action with respect to audit findings, if applicable.

Public Health also monitors subrecipients' use of federal awards by performing site visits. The monitoring performed is documented by program advisors in the Department's site visit monitoring reports. While the site visit monitoring reports are subject to review and approval by a section manager, such review and approval is not documented in all nine subrecipients selected for testing.

Public Health passed through \$119.7 million to subrecipients for the HIV Care Formula Grants during fiscal year 2014-15.

### **Questioned Costs**

No specific questioned costs were identified.

### **Recommendation**

Public Health should implement policies and procedures to obtain subrecipient single audit reports within a timely basis to verify that the required audits are completed within nine months of the end of the subrecipient's audit period; to issue a management decision on audit findings within six months after receipt of the subrecipient's audit report; and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, we recommend that Public Health implement policies and procedures to take timely appropriate action using sanctions as deemed necessary. Further, we recommend that Public Health implement policies and procedures over the site monitoring reports to document management's review and approval.

### **Department's View and Corrective Action Plan**

Public Health agrees with the recommendation and will implement policies and procedures with internal controls to ensure timely receipt of OMB Circular A-133 Single Audit Report (s). Both a fiscal analyst and management will oversee the tracking and monitoring process of the OMB Circular A-133 reports. Public Health Office of AIDS (OA) has developed a comprehensive tracking document to indicate the date each subrecipient's auditing period is complete, and the due date of each OMB Circular A-133 report. Reminders will be sent to subrecipients prior to the due date. Public Health will take timely, appropriate follow-up actions.

Public Health agrees with the recommendation to document management review of site visit reports, and has already implemented this policy.

### **Contact**

Irene Hollensteiner, Support Branch Chief, Office of AIDS

**Implementation Date**

On April 1, 2016, the Office of AIDS will implement internal controls to include the Care Program Section Manager with a monthly status report of all OMB Circular A-133 Reports. As a result, the manager will be able to track and follow-up on obtaining OMB Circular A-133 Reports that are due, as well as decide on the appropriate course of action if the reports are not received.

As of September 15, 2015, a policy was implemented to require manager approval and sign-off on each Site Visit Monitoring Report. As a result of this policy, the CDPH will have documentation that a manager reviewed and approved each Site Visit Monitoring Report.

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Reference Number:	2015-008
Category of Finding:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Health Care Services (Health Care Services)
Federal Catalog Number:	93.767
Federal Program Title:	Children’s Health Insurance Program (CHIP)
Federal Award Number and Years:	05-13A5CA5021; 2013 05-14A5CA5021; 2014 05-15A5CA5021; 2015

**Criteria**

TITLE 2 GRANTS AGREEMENTS, PART 225 COST PRINCIPLES FOR STATE, LOCAL AND INDIAN TRIBAL GOVERNMENTS, APPENDIX A- GENERAL PRINCIPLES FOR DETERMINING ALLOWABLE COSTS, SECTION (C)(1) states:

To be allowable under Federal awards, costs must meet the following general criteria: (b) Be allocable to Federal awards under the provisions of 2 CFR part 225.

**Condition**

We tested a sample of 40 cash draws for CHIP amounting to \$1,086,034,397. Of the sample items tested, we noted that 10 cash draws included a total of \$3,685,271 in Local Education Agency (LEA) expenditures that are not allowed to be funded under CHIP.

**Questioned Costs**

\$3,685,271



**Recommendation**

Management should strengthen internal controls to ensure that program expenditures are properly funded from allowable federal funding sources. Further, we recommend that management review prior cash draws to evaluate the extent to which LEA expenditures have been funded by the Children’s Health Insurance Program, and make the necessary corrections to the funding source.

**Department’s View and Corrective Action Plan**

Internal controls exist to ensure that program expenditures are properly funded from allowable federal funding sources. Business rules were implemented through the fiscal intermediary to draw down funding according to Aid Codes. A coding error associated with Aid Code 7x, One Month Bridge to Healthy Families, resulted in payments claimed under CHIP from title XIX funding. LEA Medi-Cal Billing Option Program expenditures are not allowed to be claimed under CHIP.

DHCS conducted a root-cause analysis to identify the coding error associated with Aid Code 7x and made the necessary corrections. DHCS will work with the Fiscal Intermediary to ensure LEA claims are paying correctly; program will work with the Accounting Office to ensure funding for prior claims paid are adjusted accordingly. In addition, DHCS will review claiming regularly to protect against errant billing in the future.

**Contact**

Rick Record, Chief, LEA Billing Option Unit, (916) 552-9222

**Implementation Date**

July 1, 2016

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Reference Number:	2015-009
Category of Finding:	Eligibility
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Health Care Services (Health Care Services)
Federal Catalog Number:	93.778
Federal Program Title:	Medicaid Cluster - Medical Assistance Program
Federal Award Number and Years:	05-1505CA5MAP; 2015 05-1505CAADM; 2015 05-1405CA5MAP; 2014 05-1405CAADM; 2014



**Criteria**

TITLE 42 PUBLIC HEALTH, Part 435- ELIGIBILITY IN THE STATES, SUBPART J, §910- USE OF SOCIAL SECURITY NUMBER

Use of social security number (a) The agency must require, as a condition of eligibility, that each individual (including children) requesting Medicaid services furnish each of his or her social security numbers.

(g) the agency must verify each SSN of each applicant and beneficiary with SSA, as prescribed by the Commissioner, to insure that each SSN furnished was issued to that individual and to determine whether any others were issued.

TITLE 42 PUBLIC HEALTH, Part 435- ELIGIBILITY IN THE STATES, SUBPART J, §916- PERIODIC REDETERMINATIONS OF MEDICAID ELIGIBILITY, Periodic redeterminations of Medicaid Eligibility

(a) The agency must redetermine eligibility of Medicaid beneficiaries, with respect to circumstances that may change, at least every 12 months.

California has a county-administered system where local county welfare departments perform eligibility determinations and redeterminations of beneficiaries. Attachment 1.2-D, Description of Staff Performing Eligibility Determinations, states that Health Care Services is the single state agency for administration of the Title XIX (Medicaid) program and may make eligibility determinations for programs under Title XIX State plan and waivers. Under the administrative guidance of Health Care Services and the supervision of the California Department of Social Services (Social Services), county welfare departments make most Title XIX eligibility non-modified adjusted gross income (MAGI) determinations.

OMB Circular A-133 Compliance Supplement provides guidance on Split Eligibility Determination Functions.

- (1) Background – Some nonfederal entities pay the federal benefits to the eligible participants but arrange with another entity to perform part or all of the eligibility determination. For example, a State arranges with local government social services agencies to perform the “intake function” (e.g., the meeting with the social services client to determine income and categorical eligibility) while the State maintains the computer systems supporting the eligibility determination process and actually pays the benefits to the participants. In such cases, the State is fully responsible for federal compliance for the eligibility determination, as the benefits are paid by the State. Moreover, the State shows the benefits paid as federal awards expended on the State’s Schedule of Expenditures of Federal Awards. Therefore, the auditor of the State is responsible for meeting the internal control and compliance audit objectives for eligibility. This may require the auditor of the State to perform, coordinate, or arrange for additional procedures

to ensure compliant eligibility determinations when another entity performs part of the eligibility determination functions. The responsibility of the auditor of the State for auditing eligibility does not relieve the auditor of the other entity (e.g., local government) from responsibility for meeting those internal control and compliance audit objectives for eligibility that apply to the other entity's responsibilities. An exception occurs when the auditor of the other entity confirms with the auditor of the State that certain procedures are not necessary.

OMB Circular A-133 Compliance Supplement, states in relation to Medicaid Eligibility the following:

E. Eligibility

1. Eligibility for Individuals

The auditor should not test eligibility for determinations based on Modified Adjusted Gross Income (MAGI-based determination) made after September 30, 2013. Detailed testing is performed under the Medicaid and CHIP Eligibility review Pilots, which serve as CMS' oversight of Medicaid and CHIP eligibility determinations during the initial years of Affordable Care Act implementation. Since the Medicaid and CHIP Eligibility Review Pilots do not review non-MAGI based cases (i.e. Aged, Blind, and Disabled), the auditor should test non-MAGI determinations.

**Condition**

Based on our review of 140 participants across multiple counties, we found five instances for which at least one type of required eligibility information was not obtained or evidenced in the Statewide Automated Welfare System (SAWS). As a result, we could not conclude that the five participants were eligible to receive \$1,068 in benefits for fiscal year 2014-15.

- For three cases, the Claimant Index Number (CIN) was approved for coverage without completion of a redetermination form.
- For one case, the social security number was not verified in the Medicaid Eligibility Determination Systems (MEDS) and there was a duplicate social security number.
- For one case, an inaccurate social security number was provided by the participant and Health Care Services was unable to verify it.

Total fee-for-service federal expenditures paid were \$26,872,839,540 for fiscal year 2014-15.

**Questioned Costs**

\$1,068

**Recommendation**

Health Care Services should strengthen its communication and training to local agencies to ensure intake workers performing the eligibility determinations are knowledgeable of the documentation requirements in SAWS.

**Department's View and Corrective Action Plan**

The Department of Health Care Services (DHCS) agrees with the findings and recommendations. DHCS will issue county guidance to reiterate the need for counties to:

- Perform timely renewals and maintain appropriate verification documents in SAWS
- Ensure when verification of a Social Security number fails, the county knows that further action to resolve the failed verification must be performed.

DHCS will also request counties to incorporate the information provided in the county guidance into the training curriculum provided to county eligibility workers.

**Contact**

Robert Sugawara, Chief, Program Review Branch, Medi-Cal Eligibility Division

**Implementation Date**

Reissuance of guidance by no later than September 30, 2016

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Reference Number:	2015-010
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Health Care Services (Health Care Services)
Federal Catalog Number:	93.959
Federal Program Title:	Block Grants for Prevention and Treatment of Substance Abuse
Federal Award Number and Year:	TI010062-15; 2015

**Criteria**

TITLE 2 - Grants and Agreements Subtitle A - OFFICE OF MANAGEMENT AND BUDGET GUIDANCE FOR GRANTS AND AGREEMENTS CHAPTER II - OFFICE OF MANAGEMENT AND BUDGET GUIDANCE PART 200 - UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS Subpart D - Post Federal Award Requirements §200.331 Requirements for pass-through entities.

(b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

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

**Condition**

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

**Questioned Costs**

No specific questioned costs were identified.

### **Recommendation**

Health Care Services should review the Uniform Guidance provisions and establish and/or amend policies and procedures to comply with such requirements. Specifically, we recommend that management develop appropriate criteria to evaluate their subrecipients' risk of noncompliance and related subrecipient monitoring. Management should consider suggested risk factors such as their prior experience with the subrecipient, the results of the subrecipient's single audits, whether the subrecipient has new personnel or substantially changed systems, and the extent and results of any federal awarding agency monitoring.

### **Department's View and Corrective Action Plan**

The Department of Health Care Services (DHCS) agrees with the Macias Gini & O'Connell LLP (MGO) finding and recommendation that DHCS review the new Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) provisions and establish policies and procedures to comply with such requirements.

DHCS will develop appropriate criteria for a risk assessment tool to evaluate each first-tier subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in the Uniform Guidance.

### **Contact**

Maurilio Mendez, Supervisor, Fiscal Policy Unit, Substance Use Disorder Program, Policy and Fiscal Division

### **Implementation Date**

Processes and procedures will be developed and implemented by September 1, 2016.

The pre-award risk-based assessment will be incorporated into the annual first-tier subrecipient audit plan to determine the appropriate monitoring required. In addition, the Uniform Guidance pre-award risk assessment requirement will be passed down to first-tier subrecipients (California's 58 Counties) with guidance and appropriate monitoring to ensure compliance at the second-tier sub recipient level.

# **Auditee's Section**

**Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2015**

**STATE OF CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
<b>U.S. Department of Agriculture</b>				
Plant and Animal Disease, Pest Control, and Animal Care	10.025		\$ 50,226,274	\$ 26,645,116
Market Protection and Promotion	10.163		2,999,497	-
Specialty Crop Block Grant Program - Farm Bill	10.170		18,898,209	16,350,407
Organic Certification Cost Share Programs	10.171		2,024,273	-
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475		202,154	-
Meat, Poultry, and Egg Products Inspection	10.477		77,139	30,236
Food Safety Cooperative Agreements	10.479		133,204	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		1,064,463,200	255,001,433
Child and Adult Care Food Program	10.558		406,079,912	402,993,571
State Administrative Expenses for Child Nutrition	10.560		33,652,105	-
WIC Farmers' Market Nutrition Program (FMNP)	10.572		1,863,095	182,243
Senior Farmers Market Nutrition Program	10.576		710,068	646,206
Child Nutrition Discretionary Grants Limited Availability	10.579		4,073,137	4,073,137
Fresh Fruit and Vegetable Program	10.582		11,225,436	11,225,436
Technical Assistance for Specialty Crops Program	10.604		360,967	302,548
<i>Pass-Through from California Citrus Mutual</i>	10.604	95-3139901	244,478	-
Total Formula Grants for Rural Areas			605,445	302,548
Cooperative Forestry Assistance	10.664		3,113,731	1,535,283
Urban and Community Forestry Program	10.675		580,143	222,919
Forest Legacy Program	10.676		11,561	-
Forest Stewardship Program	10.678		846,764	172,017
Forest Health Protection	10.680		553,018	422,391
Watershed Restoration and Enhancement Agreement Authority	10.693		9,943	-
Long Term Standing Agreements For Storage, Transportation and Lease	10.999		394,481	-
<b>Total Excluding Clusters</b>			<b>1,602,742,789</b>	<b>719,802,943</b>
<b>SNAP Cluster</b>				
Supplemental Nutrition Assistance Program	10.551		7,510,835,224	7,510,835,224
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		879,394,420	748,889,718
<b>Total SNAP Cluster</b>			<b>8,390,229,644</b>	<b>8,259,724,942</b>
<b>Child Nutrition Cluster</b>				
School Breakfast Program	10.553		473,620,509	473,620,509
National School Lunch Program	10.555		1,422,016,064	1,422,016,064
Special Milk Program for Children	10.556		383,515	383,515
Summer Food Service Program for Children	10.559		24,786,888	23,574,118
<b>Total Child Nutrition Cluster</b>			<b>1,920,806,976</b>	<b>1,919,594,206</b>
<b>Food Distribution Cluster</b>				
Commodity Supplemental Food Program	10.565		5,595,390	5,595,390
Emergency Food Assistance Program (Administrative Costs)	10.568		9,874,253	9,324,479
<b>Total Food Distribution Cluster</b>			<b>15,469,643</b>	<b>14,919,869</b>
<b>Forest Service Schools and Roads Cluster</b>				
Schools and Roads - Grants to States	10.665		30,977,613	30,977,613
<b>Total Forest Service Schools and Roads Cluster</b>			<b>30,977,613</b>	<b>30,977,613</b>
<b>Research and Development Cluster</b>				
Plant and Animal Disease, Pest Control, and Animal Care	10.025		8,463	-
Specialty Crop Block Grant Program - Farm Bill	10.170		7,419,773	-
<b>Total Research and Development Cluster</b>			<b>7,428,236</b>	<b>-</b>
<b>Total U.S. Department of Agriculture</b>			<b>11,967,654,901</b>	<b>10,945,019,573</b>



FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
<b>U.S. Department of Commerce</b>				
Economic Development_Technical Assistance	11.303		\$ 45,190	\$ 45,000
Interjurisdictional Fisheries Act of 1986	11.407		116,275	-
Coastal Zone Management Administration Awards	11.419		2,670,341	206,300
Coastal Zone Management Estuarine Research Reserves	11.420		949,355	559,886
Marine Fisheries Initiative	11.433			
<i>Pass-Through from National Marine Fisheries Service</i>		R1481003	5,364	-
Pacific Fisheries Data Program	11.437			
<i>Pass-Through from Pacific States Marine Fisheries Commission</i>		R1270003	541,860	-
Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438		15,992,988	12,515,687
Regional Fishery Management Councils	11.441			
<i>Pass-Through from Pacific Fisheries Management Council</i>		R1242004	168,653	-
Unallied Management Projects	11.454		834,880	-
Habitat Conservation	11.463		903,279	823,406
Meteorologic and Hydrologic Modernization Development	11.467		613,010	-
Unallied Science Program	11.472		224,832	210,763
State and Local Implementation Grant Program	11.549		623,339	-
ARRA - State Broadband Data and Development Grant Program	11.558		1,439,592	-
Other - U.S. Department of Commerce/Marine Debris Program	11.999		58,625	-
<b>Total Excluding Clusters</b>			<b>25,187,583</b>	<b>14,361,042</b>
<b>Research and Development Cluster</b>				
Unallied Science Program	11.472		224,832	-
<b>Total Research and Development Cluster</b>			<b>224,832</b>	<b>-</b>
<b>Total U.S. Department of Commerce</b>			<b>25,412,415</b>	<b>14,361,042</b>
<b>U.S. Department of Defense</b>				
Planning Assistance to States	12.110		2,995,366	-
Payments to States in Lieu of Real Estate Taxes	12.112		72,467	72,467
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		19,805,957	-
Basic and Applied Scientific Research	12.300		118,661	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401		69,568,930	-
National Guard ChalleNGe Program	12.404		15,455,583	-
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610		2,558	-
Economic Adjustment Assistance for State Governments	12.617		24,199	-
Air Force Defense Research Sciences Program	12.800		13,225	-
Other - U.S. Department of Defense	12.999		1,686,611	360
<b>Total U.S. Department of Defense</b>			<b>109,743,557</b>	<b>72,827</b>
<b>U.S. Department of Housing and Urban Development</b>				
Manufactured Home Dispute Resolution	14.171		188,761	-
Emergency Solutions Grant Program	14.231		9,867,475	9,381,703
Home Investment Partnerships Program	14.239		36,969,523	32,876,231
Housing Opportunities for Persons with AIDS	14.241		3,404,380	3,154,894
Equal Opportunity in Housing	14.400		1,182,812	-
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900		833,578	689,516
<b>Total Excluding Clusters</b>			<b>52,446,529</b>	<b>46,102,344</b>
<b>CDBG - State-Administered CDBG Cluster</b>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		22,657,146	20,062,428
<b>Total CDBG - State-Administered CDBG Cluster</b>			<b>22,657,146</b>	<b>20,062,428</b>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>75,103,675</b>	<b>66,164,772</b>

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
<b>U.S. Department of the Interior</b>				
Cultural Resource Management	15.224		\$ 4,478	\$ -
Fish, Wildlife and Plant Conservation Resource Management	15.231		532,595	491,935
Southern Nevada Public Land Management	15.235		190,747	-
Coastal Impact Assistance Program (CIAP)	15.426		(21,788)	-
Federal Oil and Gas Royalty Management State and Tribal Coordination	15.427		722,032	-
Minerals Leasing Act	15.437		66,307,125	66,307,125
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508		183,353	-
Central Valley Project Improvement Act, Title XXXIV	15.512		5,252,504	-
Fish and Wildlife Coordination Act	15.517		148,853	-
Recreation Resources Management	15.524		2,292,608	-
San Luis Unit, Central Valley Project	15.527		23,985	-
California Water Security and Environmental Enhancement	15.533		114,571	33,898
Lake Tahoe Regional Wetlands Development Program	15.543		135,681	-
San Joaquin River Restoration Program	15.555		387,358	-
Fish and Wildlife Management Assistance	15.608		17,416	-
Coastal Wetlands Planning, Protection and Restoration Act	15.614		2,385,852	2,385,852
Cooperative Endangered Species Conservation Fund	15.615		26,529,801	24,312,014
Clean Vessel Act Program	15.616		1,755,166	1,318,032
Sportfishing and Boating Safety Act	15.622		1,416,102	1,416,102
North American Wetlands Conservation Fund	15.623		669,706	664,706
Enhanced Hunter Education and Safety Program	15.626		101,952	-
Coastal Program	15.630		3,770	-
Landowner Incentive Program	15.633		24,325	24,325
State Wildlife Grants	15.634		3,610,964	1,060,218
Central Valley Project Improvement (CVPI) Anadromous Fish Restoration Program (AFRP)	15.648		355,694	-
Research Grants (Generic)	15.650		23,352	-
Endangered Species Conservation - Recovery Implementation Funds	15.657		173,008	-
Natural Resource Damage Assessment, Restoration and Implementation	15.658		1,000,000	950,000
Coastal Impact Assistance Program	15.668		2,646,314	2,462
Earthquake Hazards Research and Monitoring Assistance	15.807		79,908	-
U.S. Geological Survey_ Research and Data Collection	15.808		11,223	-
National Cooperative Geologic Mapping Program	15.810		174,381	-
National Geological and Geophysical Data Preservation Program	15.814		31,163	-
Historic Preservation Fund Grants-In-Aid	15.904		1,359,553	281,327
Outdoor Recreation_Acquisition, Development and Planning	15.916		3,282,986	1,986,838
ARRA - Redwood National Park Cooperative Management with the State of California	15.937		53,778	-
Natural Resource Stewardship	15.944		67,995	-
National Park Service Conservation, Protection, Outreach, and Education	15.954		7,552	-
Other - U.S. Department of the Interior	15.999		3,976,107	14,899
<b>Total Excluding Clusters</b>			<b>126,032,170</b>	<b>101,249,733</b>
<b>Fish and Wildlife Cluster</b>				
Sport Fish Restoration Program	15.605		17,622,148	1,179,660
Wildlife Restoration and Basic Hunter Education	15.611		9,976,033	607,438
<b>Total Fish and Wildlife Cluster</b>			<b>27,598,181</b>	<b>1,787,098</b>
<b>Research and Development Cluster</b>				
California Water Security and Environmental Enhancement	15.533		54,229	-
Sport Fish Restoration Program	15.605		10,153,480	-
Wildlife Restoration and Basic Hunter Education	15.611		2,637,043	-
Cooperative Endangered Species Conservation Fund	15.615		2,715,281	-
State Wildlife Grants	15.634		1,859,738	-

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Central Valley Project Improvement (CVPI) Anadromous Fish Restoration Program (AFRP)	15.648		\$ 22,926	\$ -
Research Grants (Generic)	15.650		799	-
Natural Resource Stewardship	15.944		45,711	-
<b>Total Research and Development Cluster</b>			<b>17,489,207</b>	<b>-</b>
<b>Total U.S. Department of the Interior</b>			<b>171,119,558</b>	<b>103,036,831</b>
<b>U.S. Department of Justice</b>				
Law Enforcement Assistance_Narcotics and Dangerous Drugs_Laboratory Analysis	16.001		217,057	-
Sexual Assault Services Formula Program	16.017		870,308	870,308
Juvenile Accountability Block Grants	16.523		2,692,521	2,560,655
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540		3,827,628	3,371,889
National Criminal History Improvement Program (NCHIP)	16.554		206,315	-
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		7,394	-
Crime Victim Assistance	16.575		49,143,225	47,170,920
Crime Victim Compensation	16.576		26,246,387	-
Crime Victim Assistance/Discretionary Grants	16.582		114,638	-
Drug Court Discretionary Grant Program	16.585		211,059	-
Violence Against Women Formula Grants	16.588		12,442,238	11,464,662
Residential Substance Abuse Treatment for State Prisoners	16.593		636,050	554,132
State Criminal Alien Assistance Program	16.606		41,601,436	-
Bulletproof Vest Partnership Program	16.607		158,087	158,087
Project Safe Neighborhoods	16.609		757,469	724,702
Regional Information Sharing Systems	16.610			
<i>Pass-Through from Western States Information Network</i>		2014-RS-CX- 0007, 2013-MU- MU-K001	1,647,531	-
Public Safety Partnership and Community Policing Grants	16.710		865,824	-
PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities	16.735		423,662	173,433
DNA Backlog Reduction Program	16.741		3,645,135	580,538
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		774,901	721,971
Support for Adam Walsh Act Implementation Grant Program	16.750		382,305	-
Edward Byrne Memorial Competitive Grant Program	16.751		292,857	-
Economic High-Tech and Cyber Crime Prevention	16.752		(4,487)	-
Congressionally Recommended Awards	16.753		67,928	-
Harold Rogers Prescription Drug Monitoring Program	16.754		444,629	-
ARRA - Recovery Act - Edward Byrne Memorial Competitive Grant Program	16.808		254,674	-
Second Chance Act Prisoner Reentry Initiative	16.812		3,908	-
John R. Justice Prosecutors and Defenders Incentive Act	16.816		130,730	130,730
Postconviction Testing of DNA Evidence to Exonerate the Innocent	16.820		63,961	55,358
Vision 21	16.826		27,450	-
Equitable Sharing Program	16.922		1,416,628	-
Other - Department of Justice	16.999		474,219	-
<b>Total Excluding Clusters</b>			<b>150,043,667</b>	<b>68,537,385</b>
<b>JAG Program Cluster</b>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738		16,144,168	13,796,482
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803		(96,038)	(96,038)
<b>Total JAG Program Cluster</b>			<b>16,048,130</b>	<b>13,700,444</b>
<b>Research and Development Cluster</b>				
Law Enforcement Assistance_Narcotics and Dangerous Drugs_Laboratory Analysis	16.001		3,935	-
<b>Total Research and Development Cluster</b>			<b>3,935</b>	<b>-</b>
<b>Total U.S. Department of Justice</b>			<b>166,095,732</b>	<b>82,237,829</b>

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
<b>U.S. Department of Labor</b>				
Labor Force Statistics	17.002		\$ 7,112,375	\$ -
Compensation and Working Conditions	17.005		1,101,496	-
Unemployment Insurance	17.225		6,115,138,246	-
Senior Community Service Employment Program	17.235		6,927,034	6,544,103
Trade Adjustment Assistance	17.245		4,157,048	-
Work Opportunity Tax Credit Program (WOTC)	17.271		2,238,774	-
Temporary Labor Certification for Foreign Workers	17.273		1,448,684	-
Workforce Investment Act (WIA) National Emergency Grants	17.277		1,431,160	1,245,393
Workforce Investment Act (WIA) Dislocated Worker National Reserve Technical Assistance and Training	17.281		48,267	-
Occupational Safety and Health_State Program	17.503		29,282,176	-
Consultation Agreements	17.504		5,945,553	-
Mine Health and Safety Grants	17.600		314,219	-
<b>Total Excluding Clusters</b>			<b>6,175,145,032</b>	<b>7,789,496</b>
<b>Employment Service Cluster</b>				
Employment Service/Wagner-Peyser Funded Activities	17.207		81,645,150	2,269,589
Disabled Veterans' Outreach Program (DVOP)	17.801		16,053,732	-
Local Veterans' Employment Representative Program	17.804		1,453,302	-
<b>Total Employment Service Cluster</b>			<b>99,152,184</b>	<b>2,269,589</b>
<b>WIA Cluster</b>				
WIA Adult Program	17.258		120,408,439	111,506,946
WIA Youth Activities	17.259		112,896,478	107,753,394
WIA Dislocated Worker Formula Grants	17.278		160,413,703	151,754,991
<b>Total WIA Cluster</b>			<b>393,718,620</b>	<b>371,015,331</b>
<b>Total U.S. Department of Labor</b>			<b>6,668,015,836</b>	<b>381,074,416</b>
<b>U.S. Department of Transportation</b>				
Airport Improvement Program	20.106		311,464	-
Highway Research and Development Program	20.200		2,267	-
Highway Training and Education	20.215		8,336	8,336
National Motor Carrier Safety	20.218		15,293,014	-
Performance and Registration Information Systems Management	20.231		36,386	-
Commercial Driver's License Program Improvement Grant	20.232		1,305,006	-
Fuel Tax Evasion-Intergovernmental Enforcement Effort	20.240		83,194	-
Capital Assistance to States - Intercity Passenger Rail Service	20.317		3,899,305	3,899,305
ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319		134,559,368	895,412
High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319		7,589,050	6,967,232
<b>Total High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants</b>			<b>142,148,418</b>	<b>7,862,644</b>
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		66,762,830	66,762,830
ARRA - Formula Grants for Rural Areas	20.509		2,689	-
Formula Grants for Rural Areas	20.509		31,056,271	29,233,846
<b>Total Formula Grants for Rural Areas</b>			<b>31,058,960</b>	<b>29,233,846</b>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		63,936,872	12,734,500
National Priority Safety Programs	20.616		25,034,717	11,302,521
Pipeline Safety Program State Base Grant	20.700		3,822,324	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		1,780,850	184,933
<b>Total Excluding Clusters</b>			<b>355,483,943</b>	<b>131,988,915</b>

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
<b>Highway Planning and Construction Cluster</b>				
ARRA - Highway Planning and Construction	20.205		\$ 13,219,607	\$ 5,081,141
Highway Planning and Construction	20.205		3,419,367,878	1,094,610,216
Recreational Trails Program	20.219		3,122,784	2,765,067
<b>Total Highway Planning and Construction Cluster</b>			<b>3,435,710,269</b>	<b>1,102,456,424</b>
<b>Transit Services Programs Cluster</b>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		9,224,038	8,695,763
Job Access And Reverse Commute Program	20.516		4,259,514	4,097,125
New Freedom Program	20.521		2,063,110	1,980,750
<b>Total Transit Services Programs Cluster</b>			<b>15,546,662</b>	<b>14,773,638</b>
<b>Federal Transit Cluster</b>				
Bus and Bus Facilities Formula Program	20.526		597,643	597,643
<b>Total Federal Transit Cluster</b>			<b>597,643</b>	<b>597,643</b>
<b>Highway Safety Cluster</b>				
State and Community Highway Safety	20.600		19,627,429	5,383,651
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		555,810	-
Occupant Protection Incentive Grants	20.602		3,607	-
Safety Belt Performance Grants	20.609		267,915	-
State Traffic Safety Information System Improvement Grants	20.610		1,779,034	85,333
Incentive Grant Program to Increase Motorcyclist Safety	20.612		3,338	-
Child Safety and Child Booster Seats Incentive Grants	20.613		46,690	-
<b>Total Highway Safety Cluster</b>			<b>22,283,823</b>	<b>5,468,984</b>
<b>Research and Development Cluster</b>				
Highway Planning and Construction	20.205		16,439,525	-
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		66,105	-
Formula Grants for Rural Areas	20.509		472,748	-
<b>Total Research and Development Cluster</b>			<b>16,978,378</b>	<b>-</b>
<b>Total U.S. Department of Transportation</b>			<b>3,846,600,718</b>	<b>1,255,285,604</b>
<b>Equal Employment Opportunity Commission</b>				
Other - Equal Opportunity Employment Commission	30.999		2,590,300	-
<b>Total Equal Employment Opportunity Commission</b>			<b>2,590,300</b>	<b>-</b>
<b>General Services Administration</b>				
Election Reform Payments	39.011		371,495	-
<b>Total General Services Administration</b>			<b>371,495</b>	<b>-</b>
<b>National Endowment for the Arts</b>				
Promotion of the Arts Partnership Agreements	45.025		1,003,471	-
Grants to States	45.310		14,476,136	8,470,354
<b>Total National Endowment for the Arts</b>			<b>15,479,607</b>	<b>8,470,354</b>
<b>Small Business Administration</b>				
State Trade and Export Promotion Pilot Grant Program	59.061		405,002	405,002
<b>Total Small Business Administration</b>			<b>405,002</b>	<b>405,002</b>
<b>U.S. Department of Veterans Affairs</b>				
Burial Expenses Allowance for Veterans	64.101		252,001	-
All-Volunteer Force Educational Assistance	64.124		1,333,639	-
<b>Total U.S. Department of Veterans Affairs</b>			<b>1,585,640</b>	<b>-</b>

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
<b>Environmental Protection Agency</b>				
Air Pollution Control Program Support	66.001		\$ (160,988)	\$ -
State Indoor Radon Grants	66.032		170,179	-
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		757,442	-
The San Francisco Bay Water Quality Improvement Fund	66.126		852,825	755,507
State Environmental Justice Cooperative Agreement Program	66.312		6,999	-
Water Pollution Control State, Interstate, and Tribal Program Support	66.419		9,183,052	2,338,439
<i>Pass-Through from San Jose State University Foundation</i>	66.419	R1175004	1,495,833	-
State Public Water System Supervision	66.432		2,290,683	-
State Underground Water Source Protection	66.433		600,981	-
Urban Waters Small Grants	66.440		19,145	-
Water Quality Management Planning	66.454		1,160,372	392,164
Nonpoint Source Implementation Grants	66.460		8,350,306	3,620,234
Regional Wetland Program Development Grants	66.461		129,801	123,242
Beach Monitoring and Notification Program Implementation Grants	66.472		478,244	280,105
Performance Partnership Grants	66.605		1,624,454	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608		201,894	7,959
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707		683,688	-
Pollution Prevention Grants Program	66.708		76,080	76,080
Hazardous Waste Management State Program Support	66.801		8,152,628	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		1,031,325	-
Underground Storage Tank Prevention, Detection and Compliance Program	66.804		879,324	656,306
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805		2,573,212	-
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.814		33,466	-
State and Tribal Response Program Grants	66.817		1,070,620	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		32,111	-
<b>Total Environmental Protection Agency</b>			<b>41,693,676</b>	<b>8,250,036</b>
<b>U.S. Department of Energy</b>				
State Energy Program	81.041		2,892,187	-
ARRA - Weatherization Assistance for Low-Income Persons	81.042		(3,798)	-
Weatherization Assistance for Low-Income Persons	81.042		4,207,053	3,341,464
Total Weatherization Assistance for Low-Income Persons			4,203,255	3,341,464
Nuclear Waste Disposal Siting	81.065		1,021,083	-
ARRA - Conservation Research and Development	81.086		273,113	-
Renewable Energy Research and Development	81.087		199,633	199,633
Environmental Remediation and Waste Processing and Disposal	81.104		345,969	-
State Energy Program Special Projects	81.119		69,718	69,718
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122		376,435	-
Long-Term Surveillance and Maintenance	81.136		23,120	-
Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214		70,721	-
<b>Total U.S. Department of Energy</b>			<b>9,475,234</b>	<b>3,610,815</b>
<b>U.S. Department of Education</b>				
Adult Education - Basic Grants to States	84.002		101,977,835	98,869,008
Title I Grants to Local Educational Agencies	84.010		1,630,256,125	1,614,683,737
Migrant Education_State Grant Program	84.011		136,069,733	134,530,011
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		1,261,125	1,247,092
Career and Technical Education -- Basic Grants to States	84.048		115,703,836	106,211,251

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126		\$ 306,415,721	\$ -
Independent Living_State Grants	84.169		1,506,786	382,044
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177		3,558,577	3,390,339
Special Education-Grants for Infants and Families	84.181		49,892,917	-
Safe and Drug-Free Schools and Communities_National Programs	84.184		7,779,173	5,843,633
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187		2,885,375	-
Education for Homeless Children and Youth	84.196		6,652,298	6,226,577
Assistive Technology	84.224		1,220,000	-
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	84.265		398,745	-
Charter Schools	84.282		36,513,416	34,605,300
Twenty-First Century Community Learning Centers	84.287		126,637,701	123,678,130
Special Education - State Personnel Development	84.323		2,381,308	2,371,334
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330		9,403,673	9,403,673
Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	84.331		(2,081)	-
Rural Education	84.358		1,234,971	1,200,000
English Language Acquisition State Grants	84.365		135,073,315	129,869,393
Mathematics and Science Partnerships	84.366		11,070,500	10,166,522
Improving Teacher Quality State Grants	84.367		244,197,450	239,341,668
Grants for State Assessments and Related Activities	84.369		27,745,370	21,290,698
College Access Challenge Grant Program	84.378		18,695,998	369,601
Race to the Top - Early Learning Challenge	84.412		26,698,170	21,536,651
Promoting Readiness of Minors in Supplemental Security Income	84.418		6,163,677	-
<b>Total Excluding Clusters</b>			<b>3,011,391,714</b>	<b>2,565,216,662</b>
<b>Special Education Cluster (IDEA)</b>				
Special Education_Grants to States	84.027		971,486,657	935,685,786
Special Education_Preschool Grants	84.173		34,326,213	32,646,880
<b>Total Special Education Cluster (IDEA)</b>			<b>1,005,812,870</b>	<b>968,332,666</b>
<b>School Improvement Grants Cluster</b>				
School Improvement Grants	84.377		87,620,909	86,786,485
ARRA - School Improvements, Recovery Act	84.388		21,684,436	21,684,436
<b>Total School Improvement Grants Cluster</b>			<b>109,305,345</b>	<b>108,470,921</b>
<b>Total U.S. Department of Education</b>			<b>4,126,509,929</b>	<b>3,642,020,249</b>
<b>U.S. Election Assistance Commission</b>				
Help America Vote Act Requirements Payments	90.401		16,846,427	-
<b>Total U.S. Election Assistance Commission</b>			<b>16,846,427</b>	<b>-</b>
<b>U.S. Department of Health and Human Services</b>				
Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission	93.018		328,582	161,082
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		478,824	478,824
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042		1,709,413	1,598,643
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043		2,117,046	2,117,046
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048		426,107	283,038
Alzheimer's Disease Demonstration Grants to States	93.051		239,008	239,008
National Family Caregiver Support, Title III, Part E	93.052		14,880,915	14,311,984
Public Health Emergency Preparedness	93.069		(178,956)	-
Environmental Public Health and Emergency Response	93.070		456,188	135,172

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Medicare Enrollment Assistance Program	93.071		\$ 666,064	\$ 632,515
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074		65,448,292	32,371,665
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		234,441	-
Guardianship Assistance	93.090		38,385,767	38,337,676
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		6,241,628	4,049,862
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094		770,159	647,535
Food and Drug Administration_Research	93.103		840,252	-
Maternal and Child Health Federal Consolidated Programs	93.110		169,463	127,820
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		9,099,321	4,399,575
Emergency Medical Services for Children	93.127		156,034	-
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130		408,527	-
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135		489,290	36,156
Injury Prevention and Control Research and State and Community Based Programs	93.136		3,136,875	-
Projects for Assistance in Transition from Homelessness (PATH)	93.150		7,001,608	6,502,324
Health Program for Toxic Substances and Disease Registry	93.161		857,611	-
Grants to States for Loan Repayment Program	93.165		1,464,861	1,464,861
Grants to States to Support Oral Health Workforce Activities	93.236		757,617	-
State Rural Hospital Flexibility Program	93.241		259,774	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243		4,074,037	1,436,475
Universal Newborn Hearing Screening	93.251		289,122	171,496
Immunization Cooperative Agreements	93.268		37,142,569	-
Adult Viral Hepatitis Prevention and Control	93.270		136,353	-
Substance Abuse and Mental Health Services-Access to Recovery	93.275		925,607	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283		12,628,900	3,680,999
Small Rural Hospital Improvement Grant Program	93.301		357,249	-
National State Based Tobacco Control Programs	93.305		377,253	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314		92,312	-
State Health Insurance Assistance Program	93.324		4,745,488	3,997,702
ACL Independent Living State Grants	93.369		568,552	209,851
Food Safety and Security Monitoring Project	93.448		134,161	-
ACL Assistive Technology	93.464		131,262	-
Pregnancy Assistance Fund Program	93.500		1,690,084	495,757
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505		25,909,706	20,086,818
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	93.506		350,125	-
PPHF 2012 National Public Health Improvement Initiative	93.507		629,060	-
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511		1,759,072	-
Affordable Care Act (ACA) - Consumer Assistance Program Grants	93.519		833,503	-
Pre-existing Condition Insurance Program (PCIP)	93.529		365,093	-
The Affordable Care Act Medicaid Incentives for Prevention of Chronic Disease Demonstration Project	93.536		1,787,733	-
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	93.544		(12,338)	-
PPHF: State Nutrition, Physical Activity, and Obesity Programs - financed in part by PPHF	93.548		73	-
Promoting Safe and Stable Families	93.556		34,157,356	31,399,238
Child Support Enforcement	93.563		626,880,044	493,519,526
Child Support Enforcement Research	93.564		126,713	126,713
Refugee and Entrant Assistance_State Administered Programs	93.566		30,757,299	14,775,039
Low-Income Home Energy Assistance Program	93.568		174,112,258	165,270,558
Community Services Block Grant	93.569		63,057,462	59,798,847
Refugee and Entrant Assistance_Discretionary Grants	93.576		1,646,825	1,497,831



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U.S. Repatriation	93.579		\$ 18,164	\$ -
Refugee and Entrant Assistance_Targeted Assistance Grants	93.584		3,472,462	3,366,095
State Court Improvement Program	93.586		2,243,156	-
Community-Based Child Abuse Prevention Grants	93.590		2,669,916	2,007,981
Grants to States for Access and Visitation Programs	93.597		895,360	677,997
Chafee Education and Training Vouchers Program (ETV)	93.599		6,039,219	-
Head Start	93.600		211,564	-
The Affordable Care Act - Medicaid Adult Quality Grants	93.609		937,858	-
Voting Access for Individuals with Disabilities_Grants to States	93.617		908,927	-
Affordable Care Act State Health Insurance Assistance Program (SHIP) and Aging and Disability Resource Center (ADRC) Options Counseling for Medicare-Medicaid Individuals in States with Approved Financial Alignment Models	93.626		431,525	431,525
Affordable Care Act Implementation Support for State Demonstrations to Integrate Care for Medicare-Medicaid Enrollees	93.628		5,772,323	-
Developmental Disabilities Basic Support and Advocacy Grants	93.630		6,836,812	-
ACA Support for Demonstration Ombudsman Programs Serving Beneficiaries of State Demonstrations to Integrate Care for Medicare-Medicaid	93.634		254,764	-
Children's Justice Grants to States	93.643		1,685,568	1,526,846
Stephanie Tubbs Jones Child Welfare Services Program	93.645		33,848,322	33,848,322
Child Welfare Research Training or Demonstration	93.648		2,106,319	1,655,960
ARRA - Foster Care_Title IV-E	93.658		(40,625)	(40,625)
Foster Care_Title IV-E	93.658		1,242,766,046	1,184,460,875
Total Foster Care_Title IV-E			1,242,725,421	1,184,420,250
ARRA - Adoption Assistance	93.659		(51,346)	(51,346)
Adoption Assistance	93.659		463,867,171	447,058,474
Total Adoption Assistance			463,815,825	447,007,128
Social Services Block Grant	93.667		530,933,835	280,770,382
Child Abuse and Neglect State Grants	93.669		3,780,559	52,267
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		7,904,568	7,684,703
Chafee Foster Care Independence Program	93.674		17,983,930	16,408,442
ARRA - Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative	93.720		5,514	-
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by the Prevention and Public Health Fund (PPHF-2012)	93.733		220,639	-
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs - financed by 2012 Prevention and Public Health Funds (PPHF-2012)	93.734		507,682	507,682
State Public Health Approaches for Ensuring QUILTLINE Capacity - Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)	93.735		2,538,536	1,928,202
PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745		232,310	162,805
State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health financed in part by Prevention and Public Health Funding (PPHF)	93.757		742,993	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758		8,443,568	2,031,362
Children's Health Insurance Program	93.767		1,443,334,956	-
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779		300,713	284,356
Money Follows the Person Rebalancing Demonstration	93.791		18,905,723	-
National Bioterrorism Hospital Preparedness Program	93.889		(64,061)	-
Grants to States for Operation of Offices of Rural Health	93.913		225,077	-
HIV Care Formula Grants	93.917		165,550,105	119,661,770
HIV Prevention Activities_Health Department Based	93.940		18,432,296	9,738,012
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		3,759,869	7,933
Assistance Programs for Chronic Disease Prevention and Control	93.945		2,119,341	-

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Tuberculosis Demonstration, Research, Public and Professional Education	93.947		\$ 232,608	\$ -
Block Grants for Community Mental Health Services	93.958		53,083,913	51,822,348
Block Grants for Prevention and Treatment of Substance Abuse	93.959		239,109,903	223,014,365
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977		6,295,829	1,633,895
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988		90,766	-
Preventive Health and Health Services Block Grant	93.991		1,213,309	1,104,958
Maternal and Child Health Services Block Grant to the States	93.994		39,866,522	23,835,795
Other - Department of Health and Human Services	93.999		17,856,079	-
<b>Total Excluding Clusters</b>			<b>5,540,978,231</b>	<b>3,319,953,017</b>
<b>Aging Cluster</b>				
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044		39,159,533	36,875,790
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045		66,490,528	64,524,476
Nutrition Services Incentive Program	93.053		12,717,625	12,717,625
<b>Total Aging Cluster</b>			<b>118,367,686</b>	<b>114,117,891</b>
<b>TANF Cluster</b>				
Temporary Assistance for Needy Families	93.558		3,107,815,715	2,651,137,295
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714		3,034,125	3,034,125
<b>Total TANF Cluster</b>			<b>3,110,849,840</b>	<b>2,654,171,420</b>
<b>CCDF Cluster</b>				
Child Care and Development Block Grant	93.575		264,306,565	264,306,565
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		290,945,200	276,964,188
<b>Total CCDF Cluster</b>			<b>555,251,765</b>	<b>541,270,753</b>
<b>Medicaid Cluster</b>				
State Medicaid Fraud Control Units	93.775		24,210,334	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777		50,268,693	7,093,103
Medical Assistance Program	93.778		53,092,349,549	1,605,793,889
<b>Total Medicaid Cluster</b>			<b>53,166,828,576</b>	<b>1,612,886,992</b>
<b>Total U.S. Department of Health and Human Services</b>			<b>62,492,276,098</b>	<b>8,242,400,073</b>
<b>Corporation for National and Community Service</b>				
State Commissions	94.003		756,551	-
AmeriCorps	94.006		21,862,961	21,862,961
Volunteer Generation Fund	94.021		600,502	-
<b>Total Excluding Clusters</b>			<b>23,220,014</b>	<b>21,862,961</b>
<b>Foster Grandparent/Senior Companion Cluster</b>				
Foster Grandparent Program	94.011		1,014,374	-
<b>Total Foster Grandparent/Senior Companion Cluster</b>			<b>1,014,374</b>	<b>-</b>
<b>Total Corporation for National and Community Service</b>			<b>24,234,388</b>	<b>21,862,961</b>
<b>Executive Office of the President</b>				
High Intensity Drug Trafficking Areas Program	95.001			
<i>Pass-Through from CA Border Alliance Group / City of San Diego / San Diego Police Department</i>		G15SC0001A, G14SC0001A	786,682	-
<i>Pass-Through from CV HIDTA/LA Police Chief's Association / Sacramento County</i>		G14CV0002A,G1 3CV0002A, G12CV0002A	89,887	-
<i>Pass-Through from INCH/LA Police Chief's Association / Riverside County</i>		G14LA0007A, G13LA0007A	84,720	-
<i>Pass-Through from LA Clear/LA Police Chief's Association / City of Monrovia</i>		G15LA0006A, G14LA0006A, DORC	971,256	-
			<b>1,932,545</b>	<b>-</b>

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
<b>Social Security Administration</b>				
<b>Disability Insurance/SSI Cluster</b>				
Social Security_Disability Insurance	96.001		\$ 225,084,711	\$ -
<b>Total Social Security Administration</b>			<u>225,084,711</u>	<u>-</u>
<b>U.S. Department of Homeland Security</b>				
Non-Profit Security Program	97.008		1,762,105	1,655,192
Boating Safety Financial Assistance	97.012		6,668,277	2,648,208
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023		487,821	-
Flood Mitigation Assistance	97.029		1,779,402	1,689,271
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		85,411,084	83,105,196
Hazard Mitigation Grant	97.039		11,441,884	10,198,909
National Dam Safety Program	97.041		151,343	-
Emergency Management Performance Grants	97.042		33,109,468	17,379,278
State Fire Training Systems Grants	97.043		(100)	-
Cooperating Technical Partners	97.045		417,995	4,292
<i>Pass-Through from California Natural Resources Agency</i>	97.045	OCA12006	274,172	-
Total Cooperating Technical Partners			<u>692,167</u>	<u>4,292</u>
Fire Management Assistance Grant	97.046		51,340,883	50,442,447
Pre-Disaster Mitigation	97.047		4,088,473	3,750,011
Emergency Operations Center	97.052		18,870	18,870
Homeland Security Grant Program	97.067		232,175,964	216,896,159
<i>Pass-Through from Imperial County Sheriff's Office</i>	97.067	R1395007	30,152	-
<i>Pass-Through from Sacramento County Sheriff's Department</i>	97.067	R0995006	40,107	-
<i>Pass-Through from San Diego County Sheriff's Department</i>	97.067	R1295015	28,011	-
<i>Pass-Through from San Diego Sheriff Department</i>	97.067	2014-00093	1,340,387	-
Total Homeland Security Grant Program			<u>233,614,621</u>	<u>216,896,159</u>
Driver's License Security Grant Program	97.089		2,673,084	-
Severe Repetitive Loss Program	97.110		2,778,476	2,754,988
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111		1,422,964	1,422,964
Border Interoperability Demonstration Project	97.120		1,400,461	1,364,165
<b>Total U.S. Department of Homeland Security</b>			<u>438,841,283</u>	<u>393,329,950</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 90,427,072,727</u>	<u>\$ 25,167,602,334</u>

## **Notes to the Schedule of Expenditures of Federal Awards**

**STATE OF CALIFORNIA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FISCAL YEAR ENDED JUNE 30, 2015**

**1. GENERAL**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the expenditures for all federal award programs received by the State of California (State) for the fiscal year ended June 30, 2015, except for federal awards received by the University of California system, a component unit of the State, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Agency, a component unit of the State. These entities engaged other auditors to perform an audit in accordance with the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular A-133).

**2. BASIS OF ACCOUNTING**

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

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

**3. NONCASH FEDERAL AWARDS**

The State is the recipient of federal award programs that do not result in cash receipts or disbursements. These noncash federal awards include a variety of items, such as commodities, vaccines, or federal excess property. Noncash awards for the fiscal year ended June 30, 2015 are as follows:

Federal Catalog Number	Federal Program Title	NonCash Awards for the Fiscal Year Ended June 30, 2015
10.555	National School Lunch Program	\$ 157,026,788
10.565	Commodity Supplemental Food Program	19,403,334
10.569	Emergency Food Assistance Program (Food Commodities)	64,494,527
15.543	Lake Tahoe Regional Wetlands Development Program	670,000
39.003	Donation of Federal Surplus Personal Property	6,327,157
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	441,434
93.268	Immunization Cooperative Agreements	394,725,145
	<b>Total</b>	<b>\$ 643,088,385</b>

**4. LOANS, LOAN GUARANTEES OUTSTANDING, AND INSURANCE IN EFFECT**

Loans and loan guarantees outstanding, and insurance in effect at June 30, 2015 are summarized below:

Federal Catalog Number	Federal Program Title	Loans/Loan Guarantees Outstanding at June 30, 2015	Insurance in Effect at June 30, 2015
64.114	Veterans Housing – Guaranteed and	\$ -	\$ 82,002,000
66.818	Brownfield Assessment and Cleanup Cooperative Agreements	800,000	-
81.041	State Energy Program	1,634,902	-
	<b>Total</b>	<b>\$ 2,434,902</b>	<b>\$ 82,002,000</b>

**5. PASS-THROUGH**

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

**6. SUBRECIPIENTS**

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

**7. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule, which is prepared on the basis explained in Note 2.

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

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Reference Number: **2014-002**

Federal Program: 10.553  
10.555  
10.556  
10.559  
10.558

State Administering Department: California Department of Education (Education)

Audit Finding: Subrecipient Monitoring; Reporting. Education lacks adequate controls over the Child Nutrition Information and Payment System (CNIPS). Failure to maintain adequate information technology controls over logical access could result in improper reimbursements through CNIPS.

Status of Corrective Action: Fully Corrected. Education fully implemented corrective action processes to strengthen CNIPS information technology general controls as described in Education's March 2015 response.

---

Reference Number: **2014-003**

Federal Program: 10.557

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

Audit Finding: Eligibility, Subrecipient Monitoring. Public Health lacks adequate controls over subrecipient monitoring to ensure that local agencies policies and procedures were adequate to ensure income and other eligibility criteria were evidenced in accordance with state and federal requirements. Failure to monitor local agencies could result in noncompliance with eligibility requirements.

Status of Corrective Action: Partially Corrected. Public Health's Women, Infants and Children Program (WIC) has provided written communication to local agency contractors and provided training webinars to review the policies and procedures regarding Integrated Statewide Information System (ISIS) documentation. Planned corrective actions not yet completed are that Public Health/WIC continues to evaluate the feasibility of making changes to ISIS mandatory fields and creating new automated reports and monitoring tools to review ISIS documentation. Public Health/WIC is in the planning stages of replacing ISIS, and will take this into consideration



with this proposed corrective action.

Public Health/WIC will determine the feasibility of making changes to the management information system (ISIS) to categorize specific fields as mandatory so that contracted local agency staff cannot move forward without completing the appropriate documentation in the system; make changes to internal process for monitoring local agency contractors to strengthen compliance; determine feasibility of creating a quarterly report of participant ISIS 'holds' and other information that may provide the opportunity for enhanced monitoring and technical assistance to local agency contractors with ISIS holds; review and update monitoring tools to prioritize eligibility criteria; issue written communication to reiterate importance of correctly documenting all participant eligibility determinations in ISIS and provide training webinars focused on these processes.

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Reference Number: **2014-004**

Federal Program: 10.557

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

Audit Finding: Eligibility; Reporting. Public Health lacks adequate IT controls over logical access for the Integrated Statewide Information System (ISIS). IT general controls should be properly designed and operating effectively to help ensure application controls function properly.

Status of Corrective Action: Fully Corrected. Public Health's Women, Infants and Children Program (WIC) issued a policy and procedures memo to reiterate existing instructions to WIC contracted local agencies regarding the responsibilities of the local agencies to ensure ISIS user account security. Public Health/WIC updated its semi-annual reporting template to require local agency contractors to verify that ISIS access has been removed for terminated staff and review monthly ISIS reports and verify that state staff identified still engage in ISIS activities as part of the essential functions of their jobs and ensure that the employee exit process includes a review and termination of ISIS access.

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Reference Number: **2014-005**

Federal Program: 10.557

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

Audit Finding: Subrecipient Monitoring. Public Health did not have adequate controls in place to ensure notices of audit findings were issued within 90 days of completion of a financial management review. Failure to issue findings in a timely manner increases the risk that local agencies may utilize federal funds for unallowable costs and activities.

Status of Corrective Action: Fully Corrected. There were two letters that were issued beyond the 90 day time period as a result of a miscommunication within Public Health's Women, Infants and Children (WIC) Division regarding staff's understanding of advice provided by Public Health's Office of Legal Services. All staff who were involved in the issuance of audit findings letters were advised that there is no 'hold' placed on the issuance of audit finding letters. Public Health/WIC centralized all audit functions. Currently, staff reside and report to various managers throughout the WIC Division. The staff are now centralized into one unit under one manager to better supervise all audit functions.

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Reference Number: **2014-006**

Federal Program: 10.557

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

Audit Finding: Special Tests and Provisions. Public Health did not have adequate controls in place to ensure that food instruments redeemed by vendors conform to program regulations. Improper reporting and follow-up on food instruments with altered purchase price increases the risk that vendors inappropriately redeem food instruments, and the state will not reclaim monies owed.

Status of Corrective Action: Fully Corrected. The spreadsheet used by Public Health's Women, Infants and Children Division to document whether a vendor submitted a food instrument with an error has been modified to add a formula which will automatically calculate the total number of errors identified for each food instrument.

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Reference Number: **2014-007**

Federal Program: 10.557

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

Audit Finding: Special Tests and Provisions. Public Health lacks adequate controls to ensure it properly monitored high risk vendors and took appropriate action on findings identified during vendor inventory audits. Failure to issue notices of audit findings on compliance investigations and failure to properly review compliance buy audits increases the risk that vendors inappropriately redeem food instruments and the state will not reclaim monies owed.

Status of Corrective Action: Fully Corrected. Public Health's Women, Infants and Children Division monitors on a bi-weekly basis the vendor inventory audit report for the update and status of vendors that have audit findings. This review is a cross-check to ensure that letters are being issued timely. In addition, two review checklists were developed - the Internal Management Quality Assurance File Review Checklist and the File Peer Review Checklist to ensure that cross-checks and additional review are being conducted to ensure additional oversight.

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Reference Number: **2014-008**

Federal Program: 10.565

State Administering Department: California Department of Education (Education)

Audit Finding: Reporting. Education does not have a process in place to ensure accuracy of FNS-153 reports prior to submission. Failure to reconcile reports to supporting documents increases the risk of errors in information reported to the federal government.

Status of Corrective Action: Fully Corrected. Education established a process to ensure the accuracy of the FNS-153 reports that was fully implemented by September 30, 2015, which is the date the next quarterly report is due. This process is described in Education's March 2015 response.

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Reference Number: **2014-009**

Federal Program: 14.239

State Administering Department: California Department of Housing and Community Development (HCD)

Audit Finding: Subrecipient Monitoring. HCD lacks adequate policies and procedures to ensure that management decisions are issued within six month after receipt of a subrecipient's OMB Circular A-133 audit report. Failure to issue management decisions in a timely manner may result in delays in recovery of questioned costs and proper corrective action.

Status of Corrective Action: Fully Corrected. HCD has ensured that the Home Investment Partnerships Program (HOME) A-133 subrecipient audit finding tracking system is kept up to date, either in the Consolidated Automated Program Enterprise System (CAPES) or in an Excel File stored in the Division of Financial Assistance Group drive.

The staff or Manager responsible for sending out the management letters will continue to keep this report up to date. The responsible person's supervisor checks the report monthly to ensure that the management letters are going out within six months. If not the responsible person's supervisor will adjust their priorities to allow time for the letter to go out or will delegate as necessary to other HCD employees.

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Reference Number: **2014-010**

Federal Program: 17.225

State Administering Department: California Employment Development Department (EDD)

Audit Finding: Eligibility. EDD does not have a process in place to reconcile the Unemployment Insurance (UI) benefit expenditures raw data extract provided for eligibility testing, to its general ledger system. Failure to reconcile claimant expenditures to the general ledger may result in errors in amounts reported in their general ledger and to the Federal government.

Status of Corrective Action: Fully Corrected. This recommendation has been fully implemented. EDD stated in response to findings identified in the Fiscal Year 2013-2014 Single Audit Report that EDD complied with the criteria cited for this finding, which was to: "Maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal

awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.” EDD has internal controls over federal programs to ensure compliance with applicable federal laws, regulations, and contract and grant agreements. EDD maintains controls to ensure the amounts recorded in the general ledger and reported to the federal government are accurate. The controls include weekly, monthly, and year-end processes which consist of reconciling claimant expenditures from the Single Client Data Base and other related systems (e.g., Accounting and Compliance Enterprise System [ACES], and Benefit Accounting System). These processes would identify any discrepancies before the amounts are reported to the federal government. This was further validated, as the KPMG audit did not disclose deficiencies with management of federal monies.

Regarding the \$600 million discrepancy cited in previous audits, the expectation was to tie raw data to the payments for the UI Program. This information was initially provided for the fiscal year ending June 30, 2014. The \$600 million discrepancy referenced is a comparison of the initial raw data extract to the expenditure information being reported on the general ledger Report 13 (Report of Expenditures of Federal Funds) which contains more than just UI payments. Once it was realized the auditors required raw data included on the Report 13 instead of simply the UI payment portion of the data, EDD communicated this information and began working on a process to extract this information.

Extracting raw data from the accounting system reported on the Report 13 is complex and was not requested in prior audits. The expenditure data provided on the Report 13 is derived from multiple systems in different business areas. The extraction required a collaborative department-wide effort involving information technology staff, accounting staff, and program area staff (UI and tax). To reconcile the general ledger information being reported on Report 13 to the raw data extract, EDD was required to define various expenditure types (e.g., overpayments, paper warrants, electronic benefit transfers, combined wages to and from other states, federal income tax withholdings, and extension expenditures, etc.) generated from the various subsystems within each business unit. Subsequent to defining the expenditure types, EDD was required to identify computer programmers having the skill set to write computer coding necessary to extract raw data from each of the subsystems. Upon completing the written code, the data was tested to ensure the accuracy of the information. The data was analyzed by various business units from the new computer programs to identify inaccuracies or missing data in the information being reported.

As of December 2014, EDD has programming in place to extract the Report 13 raw data for future requests.

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Reference Number: **2014-011**

Federal Program: 17.225

State Administering Department: California Employment Development Department (EDD)

Audit Finding: Eligibility. EDD lacks established policies to address which users are authorized to have certain permissions within the California Unemployment Benefits Payment System (CUBS) that would ensure a proper segregation of duties. Failure to maintain adequate information technology controls could result in improper eligibility determinations and benefit payments.

Status of Corrective Action: Fully Corrected. This recommendation has been fully implemented. As of August 2014, the permission to create weekly certifications in CUBS was revoked for all staff that had the permissions to file claims. Periodic monitoring continues to ensure proper segregation of duties.

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Reference Number: **2014-012**

Federal Program: 17.225

State Administering Department: California Employment Development Department (EDD)

Audit Finding: Reporting. EDD lacks adequate controls in place to evidence its review and reconciliation of the ETA 2208A, Quarterly Unemployment Insurance Contingency Report. Failure to reconcile reports to supporting documents increases the risk of errors in information reported to the federal government.

Status of Corrective Action: Fully Corrected. This recommendation was fully implemented in the Fall of 2014. EDD has modified the worksheets used to collect detailed data for the ETA 2208A report. The original backup worksheets collected staff years and paid data on separate sheets where the various workload categories were categorized independently of each other. This increased the possibility that a change in one sheet would not be captured in the other sheet. The updated worksheets use Excel "lookup" formulas for both staff years worked and paid using the same reference table to categorize both, eliminating the possibility of the same type of errors that were discovered during the audit. In addition, EDDs review process has been modified to ensure documentation of all ETA 2208A report reviews.

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Reference Number: **2014-013**

Federal Program: 20.205 (ARRA)

State Administering Department: California Department of Transportation (Caltrans)

Audit Finding: Special Tests and Provisions. Caltrans lacks adequate controls to ensure required materials certifications were prepared. Failure to maintain support for materials certification testing increases the risk that materials do not conform to approved plans and specifications.

Status of Corrective Action: Fully Corrected. Caltrans Division of Construction edited the Construction Manual to clarify the list of documents to be maintained in the project history file required for permanent retention.

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Reference Number: **2014-014**

Federal Program: 20.319 (ARRA)

State Administering Department: California Department of Transportation (Caltrans)

Audit Finding: Cash Management. Caltrans lacks proper controls over its review of cash draws prior to submission to the Federal government. Failure to maintain adequate controls increases the risk that Caltrans may draw inaccurate amounts of federal funds.

Status of Corrective Action: Fully Corrected. A reminder memorandum was sent to staff regarding the review and signature of cash drawdown requests by first line supervisors or managers prior to submittal in the Federal Railroad Administration's electronic invoice submittal system. Contract managers were reminded to retain this evidence of review in the project file.

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Reference Number: **2014-015**

Federal Program: 20.319 (ARRA)

State Administering Department: California Department of Transportation (Caltrans)

Audit Finding: Davis-Bacon Act. Caltrans failed to implement procedures to obtain weekly required certified payrolls in compliance with Davis-Bacon Act requirements.

Status of Corrective Action: Not Corrected. Caltrans has not yet implemented corrective action for this finding as of June 30, 2015. Refer to current year finding number 2015-002.

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Reference Number: **2014-016**

Federal Program: 20.319 (ARRA)

State Administering Department: California High Speed Rail Authority (High Speed Rail)

Audit Finding: Davis-Bacon Act. High Speed Rail lacked finalized and documented procedures designed to detect or prevent noncompliance with Davis-Bacon requirements.

Status of Corrective Action: Fully Corrected. High Speed Rail has a finalized Labor Compliance Operating Manual which will be revised and updated, as necessary. This manual contains the processes and control activities utilized to monitor for federal Davis-Bacon compliance.

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Reference Number: **2014-017**

Federal Program: 20.319 (ARRA)

State Administering Department: California High Speed Rail Authority (High Speed Rail)

Audit Finding: Reporting. Although High Speed Rail reported accurate financial information on the Federal Financial Report (SF-425), it lacks adequate internal controls to ensure that the SF-425 captures all relevant spending information. High Speed Rail lacks procedures to ensure that its workbook was accurate and complete when compared to its official accounting records.

Status of Corrective Action: Fully Corrected. A process was established and procedures implemented for which a comparison of the official accounting record and the Excel workbook occurs monthly and quarterly prior to the submittal of the SF-425.



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Reference Number: **2014-018**

Federal Program: 20.319 (ARRA)

State Administering Department: California Department of Transportation (Caltrans)

Audit Finding: Reporting. Caltrans lacks adequate controls over FFRs (SF-425) submitted for the High Speed Rail program. Failure to maintain and reconcile reports to supporting documents increases the risk of errors in information reported to the federal government.

Status of Corrective Action: Fully Corrected. In March 2014, Caltrans Division of Rail and Mass Transportation received new guidance from the Federal Railroad Administration (FRA) on the way to correctly complete the SF-425 report. A reminder memorandum was sent to staff with the FRA guidance and the requirement that SF-425 be reviewed and signed by first-line supervisors or managers. Contract managers were reminded to retain supporting documentation and evidence of review in the project file.

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Reference Number: **2014-019**

Federal Program: 20.505  
20.513  
20.516  
20.521

State Administering Department: California Department of Transportation (Caltrans)

Audit Finding: Reporting. Caltrans did not have a process in place to comply with reporting requirements of the Federal Funding Accountability Transparency Act (FFATA) for the Metropolitan Transportation Planning Program and the Transit Services Cluster. Failure to implement a process over FFATA reporting results in late or non-submission of subaward information and noncompliance with the grant agreement.

Status of Corrective Action: No longer applicable. FFATA reporting requirements are no longer applicable as of fiscal year 2014/2015.

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Reference Number: **2014-020**

Federal Program: 20.505

State Administering Department: California Department of Transportation (Caltrans)

Audit Finding: Subrecipient Monitoring. Caltrans does not have adequate controls over award communication to subrecipients. Failure to properly communicate award information increases the risk that subrecipients may inappropriately spend federal funds or fail to comply with federal regulations.

Status of Corrective Action: Fully Corrected. Caltrans' Office of Regional Planning (ORP) amended the encumbrance document to include the Catalog of Federal Domestic Assistance title and number. The updated document was sent to the Metropolitan Planning Organizations and Regional Transportation Planning Agencies in May 2015 and posted on the Office of Regional Planning's (ORP) website. The encumbrance documents are currently being executed and sent to ORP for processing.

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Reference Number: **2014-021**

Federal Program: 20.513  
20.516  
20.521  
20.509

State Administering Department: California Department of Transportation (Caltrans)

Audit Finding: Reporting. Caltrans does not have adequate controls in place to evidence its review of SF-425 reports and maintain support for amounts reported. Failure to retain supporting documentation for amounts reported and a lack of adequate review controls increases the risk of errors in information reported to the federal government.

Status of Corrective Action: Fully Corrected. Caltrans implemented procedures to retain supporting documentation and evidence of supervisory approvals in response to the previous year's audit report.

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Reference Number: **2014-022**

Federal Program: 20.509  
20.513  
20.516  
20.521

State Administering Department: California Department of Transportation (Caltrans)

Audit Finding: Subrecipient Monitoring. Caltrans does not have a process in place to ensure subrecipients who expend more than \$500,000 in federal awards submit single audit reports as required by OMB Circular A-133. Failure to obtain and review single audit reports of all subrecipients increases the risk that subrecipients may have spent monies for unallowable purposes or failed to comply with other federal regulations.

Status of Corrective Action: Fully Corrected. Caltrans followed up with the entities and ensured they submitted a single audit report or exemption letter. Caltrans also continues to refine the reporting tools and procedures to ensure all subrecipients comply with OMB Circular A-133 single audit reporting requirements.

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Reference Number: **2014-023**

Federal Program: 20.513  
20.516  
20.521

State Administering Department: California Department of Transportation (Caltrans)

Audit Finding: Equipment and Real Property Management. Caltrans lacks controls to ensure that all equipment is inspected within the required time frame. Caltrans was also unable to provide supporting inspection reports and monitoring letters for eight inspections. Failure to perform equipment inspections increases the risk that subrecipients are not utilizing equipment in accordance with federal requirements.

Status of Corrective Action: Partially Corrected. The Division of Rail and Mass Transportation (DRMT) has eliminated the vast majority of the backlog due to the previous influx of new vehicles, is committed to following the State Management Plan, and is working to perform all needed inspections at a rate of 1/3, 1/3 and 1/3 per year, so that all inspections are completed in a three-year cycle. DRMT is on target to conform with the three-year plan. Additionally, staff has been reminded to

follow procedures by not sending the original reports back to the recipients and by properly maintaining a copy of the inspection and monitoring reports in the history file. Refer to the current year finding 2015-003.

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Reference Number: **2014-024**

Federal Program: 20.513  
20.516  
20.521

State Administering Department: California Department of Transportation (Caltrans)

Audit Finding: Subrecipient Monitoring. Caltrans lacks policies and procedures to obtain Data Universal Numbering System (DUNS) numbers prior to awarding federal funds. Failure to obtain the DUNS numbers prior to awarding funds increases the risk that subawards may be incorrectly reported.

Status of Corrective Action: Fully Corrected. Caltrans changed its DUNS number collection process. A field was added on grant applications for subrecipient agencies to enter their DUNS number. These changes are already in effect.

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Reference Number: **2014-025**

Federal Program: 84.027

State Administering Department: California Department of Education (Education)

Audit Finding: Level of Effort - Maintenance of Effort. Education failed to meet its maintenance of effort (MOE) requirements. Failure to meet MOE requirements increases the risk of reduced federal funding. Education should monitor its compliance throughout the grant period to ensure MOE requirements are met. If Education cannot meet the MOE requirements, it should apply for a waiver from the U.S. Department of Education.

Status of Corrective Action: Fully Corrected. To clarify, the State Maintenance of Financial Support (MFS) refers to the responsibility of the State to maintain State financial support for special education and related services from one fiscal year to the next. Local Education Agency (LEA) MOE refers to the responsibility of the LEA to maintain the same level of expenditures for the education of children with disabilities from one fiscal year to the next. Based on these definitions Education will use MFS instead of MOE.

For Fiscal Year (FY) 2011–12, the MFS shortfall was calculated to be \$19,173,000. The State Legislature appropriated \$19,173,000 of general fund dollars in the FY 2015–16 Education Trailer Bill, Assembly Bill (AB) 104, Item 40.

For FY 2012–13, the MFS shortfall was calculated to be \$36,762,000. Education will submit a request to the State Legislature for additional funding to meet the MFS. If the State Legislature does not appropriate the funding, a waiver will be requested from the federal Office of Special Education Programs (OSEP). Due to the State legislative process, the determination of compliance with MFS, for FY 2012–13, is open until FY 2016–17.

The AB 602 funding formula requires Education to make multiple calculations/appropriations of state special education funds over a two year period. At the end of the two year period, the MFS is calculated. If a shortfall is determined, Education will submit a request to the State Legislature for additional funding to meet the MFS. If the State Legislature does not appropriate the funding, a waiver will be requested from the OSEP. Due to the AB 602 funding formula requirements and the State legislative process, the determination of compliance with the MFS, for FY 2013–14, is open until FY 2017–18.

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Reference Number: **2014-026**

Federal Program: 84.282

State Administering Department: California Department of Education (Education)

Audit Finding: Subrecipient Monitoring. Education lacks policies and procedures to obtain Data Universal Numbering System (DUNS) numbers from Charter Schools Program subrecipients prior to awarding federal funds. Failure to obtain DUNS numbers increases the risk that subawards may be incorrectly reported.

Status of Corrective Action: Fully corrected. Education has implemented changes to the policies and procedures for obtaining DUNS numbers prior to approving subawards. Education added a requirement to the sub-recipient application process which now requires the DUNS numbers be provided.

In addition to the aforementioned corrective action that is specific to the Charter Schools Program, Education added the DUNS Number as a data collection element to its Charter Schools Annual Information Survey (Survey). The Survey is released annually and prior to the beginning of the State fiscal year. The purpose of the Survey is to collect information

from all charter schools so that Education has current information on file, including but not limited to, charter school contact information, funding, and facilities. The purpose of adding the DUNS Number to the Survey was twofold: charter school awareness that the DUNS number is a condition of receiving federal grant funding, and to collect the data for the Charter Schools Program and other federal grant programs.

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Reference Number: **2014-027**

Federal Program: 93.767

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

Audit Finding: Allowable Activities. Health Care Services does not have a process in place to reconcile fee-for-service claims to its general ledger. Specifically, Health Care Services could not identify claims that had a split funding source resulting from the enactment of the Affordable Care Act (ACA). Failure to reconcile fee-for-service claims detail to the general ledger may result in errors on the State's Report 13 and in reporting to the federal government.

Status of Corrective Action: Partially Corrected. Health Care Services does not agree with the finding that there is no process to reconcile fee-for-service claims. Health Care Services acknowledges that two system issues were identified that affected the value in the funding field on the California-Medicaid Management Information System (CA-MMIS) history for ACA claims. Health Care Services has opened projects to correct the system for the two issues identified. One project has been implemented and the second is scheduled to be implemented in March 2016.

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Reference Number: **2014-028**

Federal Program: 93.775  
93.777  
93.778  
93.767

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

Audit Finding: Subrecipient Monitoring. Health Care Services needs to work with the Centers for Medicare and Medicaid Services (CMS) and counties to ensure eligibility control and compliance objectives are subject to audit

at the county or obtain written approval from CMS that non-Modified Adjusted Gross Income (MAGI) eligibility should not be tested in the scope of county OMB Circular A-133 audits and instead be tested by the state auditor.

Status of Corrective Action: Partially Corrected. Health Care Services agrees that the State Automated Welfare Systems (SAWS) are owned, operated and maintained by the respective 58 counties throughout the state. However, Health Care Services contends that existing federally mandated Medi-Cal eligibility quality control reviews performed by Health Care Services, along with additional reviews that Health Care Services is planning to implement in fiscal year 2015-16, is more than sufficient to meet county internal control and compliance objectives for eligibility. The fact that Health Care Services is performing the reviews instead of county auditors should not preclude the objectives from being met. Health Care Services is currently working closely with the Centers for Medicare and Medicaid Services (CMS) to obtain approval to implement a series of four new Medicaid eligibility quality control pilots over the next three years that are designed to replace pre-Affordable Care Act quality control requirements.

Health Care Services is beginning the Round 3 Pilot reviews of a random sample of both MAGI and non-MAGI cases. The review of these cases will be completed in August 2015 and the results will be sent to CMS for their evaluation and comment. The county administration budget methodology effort is progressing and Health Care Services is engaged in the process to hire the contractor who will review county performance and time studies. Health Care Services anticipates the contractor will be on board and working by the fall of 2015.

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Reference Number: **2014-029**

Federal Program: 93.775  
93.777  
93.778  
93.767

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

Audit Finding: Subrecipient Monitoring. Throughout fiscal year 2013-14, Health Care Services did not have a process in place to monitor counties to ensure that non-Modified Adjusted Gross Income (MAGI) eligibility determinations are made in accordance with state and federal regulations. Failure to monitor eligibility increases the risk that payments may be made to providers for ineligible beneficiaries.

Status of Corrective Action: Partially Corrected. Health Care Services disagrees with the recommendation. In response to the implementation of Affordable Care Act, Children's Medical Services (CMS) issued a directive on August 15, 2013, that instructed states to suspend Medi-Cal Eligibility Quality Control and Payment Error Rate Measurement reviews effective December 31, 2013. This directive mandated states to participate in a series of four separate pilot review programs, the first of which commenced in January 2014.

Health Care Services is beginning the effort to examine a random sample of non-MAGI eligibility determinations as part of the Round 3 Pilot program required by CMS. Approximately 12 percent of the cases reviews in this Pilot will be non-MAGI. The process will be completed in August 2015 and the results will be submitted to CMS for review and comment.

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Reference Number: **2014-030**

Federal Program: 93.775  
93.777  
93.778  
93.767

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

Audit Finding: Allowable Activities/ Allowable Costs. Health Care Services needs to ensure that its IT general controls over the California Medicaid Management System (CA-MMIS) are operating effectively. Health Care Services should implement CA-MMIS policies and procedures. Ineffective IT general controls could result in inappropriate claims being processed.

Status of Corrective Action: Partially Corrected. On April 8, 2015, CA-MMIS issued four Corrective Action Plan (CAP) requests to Xerox to address the 2013-14 audit findings below.

- CAP 36 is for the enforcement of the mainframe account policy to deactivate user IDs that have been idle for 29 days; however, this finding remains uncorrected.
- CAP 37 is for the complete documentation of the 84 User ID (UID) strings not currently defined on Xerox's role based security sheet; however, this finding remains uncorrected.
- CAP 38 is for the development of processes and procedures to regularly compare current employee listings from all CA-MMIS



business partners to the mainframe account user database; however, this finding remains uncorrected.

- CAP 39 is for the update of change control documentation to include checklist approval criteria associated with test script review and validation; however, this finding remains uncorrected.

In May 2015, Xerox submitted CAP responses for each audit finding. CA-MMIS is currently reviewing each Xerox CAP response. All CAP response reviews are scheduled to be completed by July 1, 2015 and returned to Xerox with Health Care Services' directions. CA-MMIS intends to implement all CAPS by the end of 2015 in order to avoid repeat findings.

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Reference Number: **2014-031**

Federal Program: 93.775  
93.777  
93.778  
93.767

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

Audit Finding: Activities Allowed/ Allowable Costs. Health Care Services did not properly configure the capitation file extracted from the Medicaid Eligibility Database System (MEDS) used to calculate capitation payments to health plans. As a result, Health Care Services did not ensure that retroactive changes in aid codes are properly adjusted in subsequent capitation payments. Health Care Services also could not determine the amount of any questioned costs resulting from this error in configuration without significant cost and effort.

Status of Corrective Action: Partially Corrected. Health Care Services has worked diligently to make the necessary adjustments to the MEDS logic and payment systems. It has been determined the current payment system logic is adequate. However, the MEDS logic does need to be adjusted. Adjustments are in the final business rule design phase and will soon move to the development phase. Although Health Care Services previously reported this would be completed by June 30, 2015, the complexity of the change and testing are extending the timeline to July 31, 2015. Health Care Services is committed to ensuring the change is implemented accurately and is thoroughly tested prior to implementation.

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Reference Number: **2014-032**

Federal Program: 93.775  
93.777  
93.778

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

Audit Finding: Subrecipient Monitoring. Health Care Services continues to lack adequate policies and procedures to ensure that it properly monitors subrecipients. Specifically, Health Care Services should develop policies and procedures to obtain Data Universal Numbering System (DUNS) numbers prior to awarding federal funds, ensure that site visits are performed in accordance with department policy, and develop policies and procedures to ensure OMB Circular A-133 audit reports for all subrecipients reporting federal funds of more than \$500,000 are received and management decisions are issued.

Status of Corrective Action: Partially Corrected. Health Care Services is finalizing a Policy and Procedure Letter (PPL) to send to stakeholders outlining the process to obtain DUNS numbers and track subrecipient funds greater than \$500,000. This audit was done on the CMAA program; however, Health Care Services determined subrecipient monitoring affected three other programs within the Medi-Cal Administrative Claiming Section. Therefore, the PPL is directed at all affected programs and requires stakeholder input to ensure that Health Care Services provides: accurate information, implements sound processes and issues appropriate due dates. It is anticipated that the PPL be issued by June 30, 2015. In addition, Health Care Services has added language to all contracts outlining the requirements for DUNS numbers and subrecipient monitoring.

The County-Based Medi-Cal Administrative Activities (CMAA) program is currently updating their site visit protocols and will begin site visits in fiscal year (FY) 2015-16. Staff turnover and training of new staff inhibited the ability for CMAA to do site visits in the current FY. However, two other programs within the section have completed two site visits each and will continue into the next FY.

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Reference Number: **2014-033**

Federal Program: 93.917

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

Audit Finding: Subrecipient Monitoring. Public Health lacks policies and procedures to communicate the Catalog of Federal Domestic Assistance (CFDA) title and number to subrecipients when it issues subawards. Failure to properly communicate award information increases the risk that subrecipients may inappropriately spend federal funds or fail to comply with federal regulations, including OMB Circular A-133 audit requirements.

Status of Corrective Action: Fully Corrected. Public Health implemented policies and procedures to communicate the CFDA title and number to subrecipients. Public Health communicated the CFDA title and number via email and in a Management Memo issued to subrecipients on February 26, 2015 and processed amended contracts with an effective date of April 1, 2015, which is in State Fiscal Year 2014-15. Public Health has displayed the CFDA title and number on the amended contract scope of work and has notified the Office of AIDS (OA) contract processing staff that inclusion of the CFDA title and number is standard practice. Thus, OA feels that they have fully satisfied this finding.

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Reference Number: **2014-034**

Federal Program: 93.958  
93.959

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

Audit Finding: Subrecipient Monitoring. Health Care Services lacks policies and procedures to ensure that it obtained Data Universal Numbering System (DUNS) numbers from its subrecipients prior to awarding federal funds. Failure to obtain DUNS numbers increases the risk that subawards may be incorrectly reported.

Status of Corrective Action: Partially Corrected. Health Care Services was not able to implement a DUNS number policy for fiscal year (FY) 2013-14. Health Care Services was unaware of the audit findings related to the DUNS number until two-thirds of the way through FY 2013-14, and was not able to correct the finding in FY 2013-14. Health Care Services implemented the DUNS number policy with the release of its FY 2014-15 Planning Estimate and Renewal Application on April 11, 2014.