



# State of California

Federal Compliance Audit Report for the  
Fiscal Year Ended June 30, 2017

Report 2017-002R





**CALIFORNIA STATE AUDITOR**

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October 22, 2018

2017-002R

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

Dear Governor and Legislative Leaders:

As required by Government Code section 8543 et seq., the California State Auditor (State Auditor) presents this audit report concerning the review of the State of California's internal controls and compliance with federal laws and regulations for the year ended June 30, 2017. The State Auditor contracted with Macias Gini & O'Connell LLP (MGO) to perform this audit for fiscal year 2016-17. This report supersedes Report 2017-002 originally published on March 28, 2018. This report includes two additional federal programs that were not included in the original report.

This new report concludes that the State did not materially comply with certain requirements for six of the 14 federal programs or clusters of programs (federal programs) MGO audited. Additionally, although MGO concluded that the State materially complied with requirements for the remaining federal programs it audited, MGO reported various instances of noncompliance relating to those programs. Further, the State continues to experience certain deficiencies in its accounting and administrative practices that affect its internal controls over compliance with federal requirements. Deficiencies in the State's internal control system could adversely affect its ability to administer federal programs in compliance with applicable requirements.

Respectfully submitted,



ELAINE M. HOWLE, CPA  
California State Auditor

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## **Auditor's Section**



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

The Governor and the Legislature of the State of California:

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

We have audited the accompanying Schedule of Expenditures of Federal Awards (the Schedule) of the State of California (State) for the fiscal year ended June 30, 2017, and the related notes to the Schedule (the financial statement).

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

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards of the State of California for the fiscal year ended June 30, 2017, in accordance with the cash basis of accounting as described in Note 2.

### ***Basis of Accounting***

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

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

As described in Note 1 to the Schedule, the State of California's basic financial statements include the operations of the University of California system, a component unit of the State of California, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency, a component unit of the State of California, which reported \$5.5 billion, \$2.6 billion, \$65.7 million, \$144.9 million, and \$57.2 million, respectively, in federal awards, which are not included in the Schedule for the fiscal year ended June 30, 2017. Our audit, described above, did not include the operations of the University of California system, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency because these entities engaged other auditors to perform an audit in accordance with the Uniform Guidance. Our opinion is not modified with respect to this matter.

### ***Other Matter***

This report is replacing the previously issued report because the State of California's Public Health Emergency Preparedness program (CFDA No. 93.069), which reported \$49.7 million of expenditures, has been included in the Schedule. This program was previously audited in a separate program-specific audit for the fiscal year ended June 30, 2017 under the Uniform Guidance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance of the financial statement, and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance of the financial statement.

*Macias Gini & O'Connell LLP*

Sacramento, California

March 21, 2018, except as to the matter  
described in the other matter paragraph,  
which is as of May 31, 2018





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

The Governor and the Legislature of the State of California:

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the Schedule of Expenditures of Federal Awards (the Schedule) of the State of California (State) for the fiscal year ended June 30, 2017, and the related notes to the Schedule (the financial statement), and have issued our report thereon dated March 21, 2018, except as to the matter described in the other matter paragraph, which is as of May 31, 2018. Our report includes an emphasis of matter paragraph to describe those entities which are audited by us and other auditors and whose federal award expenditures are not included in the Schedule. This report does not include the results of our testing and the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by us and those auditors. Our report includes an other matter paragraph, which describes the inclusion of the State of California's Public Health Emergency Preparedness program (CFDA No. 93.069) in the Schedule.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2017-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as 2017-001.

### **State of California's Response to Finding**

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

### **Purpose of this Report**

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



Sacramento, California  
March 21, 2018



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

The Governor and the Legislature of the State of California:

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

We have audited the State of California's (State) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the fiscal year ended June 30, 2017. The State's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

As described in Note 1 to the Schedule, the State of California's basic financial statements include the operations of the University of California system, a component unit of the State of California, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water State Revolving Fund, the California Housing Finance Fund of the California Housing Finance Agency, a component unit of the State of California, which reported \$5.5 billion, \$2.6 billion, \$65.7 million, \$144.9 million, and \$57.2 million, respectively, in federal awards, which are not included in the State's Schedule for the fiscal year ended June 30, 2017. 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 State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency because these entities engaged other auditors to perform an audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

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

Finding Number	CFDA Number	Federal Program Name or Cluster	Compliance Requirement(s)	State Administering Department
2017-006	93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	Allowable Costs	Department of Public Health
2017-008	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Cash Management	Department of Health Care Services
2017-009	93.778	Medical Assistance Program (Medicaid Cluster)	Eligibility	Department of Health Care Services
2017-010 2017-011	93.268	Immunization Cooperative Agreements	Subrecipient Monitoring	Department of Public Health
2017-015 2017-016 2017-017	93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	Subrecipient Monitoring	Department of Public Health
2017-018 2017-019 2017-020 2017-021	93.767	Children’s Health Insurance Program	Subrecipient Monitoring	Department of Health Care Services
2017-018 2017-019 2017-020 2017-021	93.778	Medical Assistance Program (Medicaid Cluster)	Subrecipient Monitoring	Department of Health Care Services
2017-022	93.069	Public Health Emergency Preparedness	Level of Effort	Department of Public Health

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

**Qualified Opinion on Major Federal Programs**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs listed in the Basis for Qualified Opinion paragraph for the fiscal year ended June 30, 2017.

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

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the fiscal year ended June 30, 2017.

### Other Matters

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

Finding Number	CFDA Number	Federal Program Name or Cluster	Compliance Requirement(s)	State Administering Department
2017-002 2017-003	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Programs	Subrecipient Monitoring	Department of Social Services
2017-004	84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Eligibility	Department of Rehabilitation
2017-005	84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Special Tests and Provisions	Department of Rehabilitation
2017-007	93.767	Children's Health Insurance Program	Cash Management	Department of Health Care Services
2017-007	93.778	Medical Assistance Program (Medicaid Cluster)	Cash Management	Department of Health Care Services
2017-012 2017-013	93.558	Temporary Assistance for Needy Families	Subrecipient Monitoring	Department of Social Services
2017-014	93.575	Child Care and Development Block Grant (CCDF Cluster)	Subrecipient Monitoring	Department of Education
2017-014	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	Subrecipient Monitoring	Department of Education

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

This report is replacing the previously issued report to: (1) include the results of the separately issued program-specific audit dated May 31, 2018 of the Public Health Emergency Preparedness program (CFDA No. 93.069), and (2) the results of the compliance audit of the Low-Income Home Energy Assistance program (CFDA No. 93.568), which was another major program discovered subsequent to the date of the previously issued report. Changes from the previously issued report are the inclusion of the Public Health Emergency Preparedness program (CFDA No. 93.069) in the Schedule, which reported federal expenditures of \$49,723,734 and amounts passed through to subrecipients of \$35,061,771 for the fiscal year ended June 30, 2017, as well as reporting a compliance finding for the Public Health Emergency Preparedness program (CFDA No. 93.069) identified as finding 2017-022, which resulted in a qualified opinion. Also, the dollar threshold distinguishing between Type A and Type B programs changed from \$147,568,068 to \$147,642,654. The compliance audit of the Low-Income Home Energy Assistance program

(CFDA No. 93.568) did not result in any reported findings. However, the status of corrective action for prior year finding 2016-017 for the Low-Income Home Energy Assistance program (CFDA No. 93.568) was updated from partially corrected to fully corrected in the summary schedule of prior audit findings.

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

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

Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we 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 2017-006, 2017-008, 2017-009, 2017-010, 2017-011, 2017-015, 2017-016, 2017-017, 2017-018, 2017-019, 2017-020, and 2017-021 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 2017-002, 2017-003, 2017-004, 2017-005, 2017-007, 2017-012, 2017-013, and 2017-014 to be significant deficiencies.

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

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

A handwritten signature in black ink that reads "Macias Gini E O'Connell LPA". The signature is written in a cursive style with a large, stylized "LPA" at the end.

Sacramento, California

March 21, 2018, except for the Public

Health Emergency Preparedness program

(CFDA 93.069), which is as of May 31,

2018, and except for the Low-Income Home

Energy Assistance program (CFDA 93.568),

which is as of October 5, 2018

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



**STATE OF CALIFORNIA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

***Financial Statements***

Issued under a separate cover. Refer to California State Auditor’s 2017-001.1 report entitled *State of California: Internal Control and Compliance Audit Report for the Fiscal Year Ended June 30, 2017*.

***Schedule of Expenditures of Federal Awards (Schedule)***

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

Noncompliance material to the Schedule noted? No

***Federal Awards***

Internal control over major federal programs:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? Yes

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

<b><u>Qualified</u></b>	
<b><u>CFDA Number</u></b>	<b><u>Federal Program or Cluster</u></b>
93.069	Public Health Emergency Preparedness
93.268	Immunization Cooperative Agreements
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)
93.767	Children’s Health Insurance Program

<b>Qualified</b>	
<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
93.959	Block Grants for Prevention and Treatment of Substance Abuse

<b>Unmodified</b>	
<b><u>CFDA Number</u></b>	<b><u>Federal Program or Cluster</u></b>
	SNAP Cluster:
10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
17.225	Unemployment Insurance
	WIOA Cluster:
17.258	WIA/WIOA Adult Program
17.259	WIA/WIOA Youth Activities
17.278	WIA/WIOA Dislocated Worker Formula Grants
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
	TANF Cluster:
93.558	Temporary Assistance for Needy Families (TANF) State Programs
93.568	Low-Income Home Energy Assistance
	CCDF Cluster:
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Dollar threshold used to distinguish between Type A and Type B programs	\$147,642,654
Auditee qualified as low-risk auditee?	No

Identification of Major Federal Programs:

<b><u>CFDA Number</u></b>	<b><u>Federal Program or Cluster</u></b>
	SNAP Cluster:
10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
17.225	Unemployment Insurance
	WIOA Cluster:
17.258	WIA/WIOA Adult Program
17.259	WIA/WIOA Youth Activities
17.278	WIA/WIOA Dislocated Worker Formula Grants
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
93.069	Public Health Emergency Preparedness
93.268	Immunization Cooperative Agreements
	TANF Cluster:
93.558	Temporary Assistance for Needy Families (TANF) State Programs
93.568	Low-Income Home Energy Assistance
	CCDF Cluster:
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)
93.767	Children’s Health Insurance Program
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse

## **Schedule of Expenditures of Federal Awards Finding**

## DEPARTMENT OF PUBLIC HEALTH

Reference Number: 2017-001

Type of Finding: Significant Deficiency and Instance of Noncompliance

### Criteria

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

The non-Federal entity must:

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

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Subpart F - Audit Requirements Sec. 200.510 Financial statements (2 CFR 200.510):

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

### Condition

The State of California (State) has a decentralized financial reporting process, which requires State agencies and departments to provide specific financial information to the Department of Finance (Finance) in order to annually compile the Schedule of Expenditures of Federal Awards (Schedule). In its effort to more efficiently and accurately prepare the Schedule in accordance with the requirements of 2 CFR 200.510, Finance developed the Single Audit Expenditures Reporting Database (Database) to include all of the relevant data fields necessary to compile and produce the Schedule. Finance also created a Single Audit Database User Manual, which provides specific guidance to users for accessing and navigating through the database. Departments are given access to the centralized Database by Finance in order to upload and report federal award information for all of their federal award programs which they administer. Prior to

submission to Finance for compilation of the Schedule, Public Health needs to ensure that the information is complete and accurate. During our testing of the Schedule, we identified \$25.6 million of flu vaccines in total noncash federal awards for the Immunization Cooperative Agreements program (CFDA No. 93.268) that were improperly excluded by the Immunization Branch. We also noted, the Chronic Disease Control Branch of Public Health under-reported subrecipient expenditures by \$0.67 million, or approximately 32% of the corrected amount for the Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF) program (CFDA No. 93.758). The errors are indicative of the absence of adequate controls for ensuring the completeness and accuracy of information submitted to Finance.

### **Cause**

The Immunization Branch and Chronic Disease Control Branch of Public Health did not develop and implement policies and procedures to ensure the information submitted to Finance for compilation of the Schedule is complete and accurate.

### **Effect**

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

### **Questioned Costs**

No questioned costs were identified.

### **Recommendation**

The Immunization Branch and Chronic Disease Branch of Public Health need to establish a more thorough internal review process to ensure the information submitted to Finance for compilation of the Schedule is complete and accurate.

### **Views of Responsible Officials and Corrective Action Plan**

The Immunization Branch of the California Department of Public Health agrees with the finding regarding significant deficiency and instance of noncompliance. The Immunization Branch will ensure criteria set forth for accurate and complete reporting requirements, inclusive of specific report type to run to ensure all vaccines (including influenza vaccine distribution) distributed to providers, are reflected for the indicated time period. Effective immediately, the program will look at standardizing reports from the vaccine management systems, VTrckS, looking at Provider Orders and Deliveries for federally funded vaccines as the primary data source for accurate and complete reporting.

The California Department of Public Health's (Public Health) Chronic Disease Control Branch (CDCB) agrees with this finding.

Public Health/CDCB will:

- Utilize the Uniform Guidance – Subrecipient vs. Contractor Checklist to define the difference between contractors and Subrecipients.
- Create and implement a more thorough internal review process to ensure the information submitted to the Department of Finance for compilation of the Schedule is complete and accurate.
- Utilize the internal process to complete the Preventive Health and Health Services Block Grant (PHHSBG) Schedule.
- Ensure the process is operating effectively and efficiently.
- Revise the internal process if necessary.

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

**U.S. DEPARTMENT OF AGRICULTURE**

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Reference Number:	2017-002
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	California Department of Social Services (Social Services)
Federal Program Title:	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
Federal Catalog Number:	10.561
Federal Award Numbers and Years:	177CA4CAS8026; 2017 177CA4CAS8069; 2017 16167CA4CAS8026; 2016 16167CA4CAS8069; 2016

**Criteria:**

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

The non-Federal entity must:

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

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

All pass-through entities must:

- (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:
  - (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the Subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
  - (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the Subrecipient from the pass-through entity as required by §5200.521 management decision.



**Condition:**

A component of the Department of Social Services process for monitoring its subrecipients is conducting Quality Control reviews of active and negative cases to ensure accuracy of eligibility and benefit determinations and denial actions. For three out of the twenty-five Quality Control reviews tested, the CalFresh Operations Unit could not provide evidence to substantiate whether a management decision was communicated to the subrecipient. Furthermore, for five of the twenty-five Quality Control reviews tested CalFresh Operations could not provide evidence to substantiate whether timely and appropriate follow-up action was taken related to the deficiencies identified during the Quality Control reviews.

**Cause:**

The CalFresh Operations Unit utilizes Disposition Letters to document and communicate the results of the Quality Control reviews and any corrective action required. For the three instances in which there was no evidence of a management decision being issued, the CalFresh Operations Unit could not locate and provide the Disposition Letters due to staff turnover.

For the five Quality Control reviews in which Disposition Letters were issued with identified deficiencies, the CalFresh Operations Unit simply did not perform the necessary follow-up procedures with the subrecipients.

**Effect:**

If follow-up procedures are not performed by the CalFresh Operations Unit to ensure identified deficiencies are remediated by subrecipients, the deficiencies could persist and may result in participants being wrongfully denied benefits or provided benefits that are inaccurately determined.

**Questioned Costs:**

Questioned costs were not identified.

**Context:**

Disbursements to subrecipients for the State Administrative Matching Grants for the Supplemental Nutrition Assistance Program during the fiscal year ended June 30, 2017 totaled \$783,082,812, representing 86.1% of the programs total federal expenditures.

**Recommendation:**

The CalFresh Operations Unit should strengthen existing policies and procedures by mandating the issuance of Disposition Letters for its Quality Control reviews and establishing a process to ensure timely and appropriate follow-up action is taken on identified deficiencies and whether sufficient corrective action was implemented.

**Views of Responsible Officials and Corrective Action Plan**

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

Reference Number: 2017-003  
Category of Finding: Subrecipient Monitoring  
Type of Finding: Significant Deficiency and Instance of Noncompliance

State Administering Department: California Department of Social Services (Social Services)  
Federal Program Title: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program  
Federal Catalog Number: 10.561  
Federal Award Numbers and Years: 177CA4CAS8026; 2017  
177CA4CAS8069; 2017  
16167CA4CAS8026; 2016  
16167CA4CAS8069; 2016

**Criteria:**

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

The non-Federal entity must:

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

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

All pass-through entities must:

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

**Condition:**

The Nutrition Education and Outreach Section of the CalFresh Branch conducts management evaluations at the county welfare departments, or subrecipients, related to the State Administrative Matching Grants for the Supplemental Nutrition Assistance Program nutrition education and obesity prevention (SNAP-ED) activities to monitor the fiscal integrity and program operations. Although Social Services monitors its subrecipients on the basis of some risk, primarily based upon reviewing the independent single audits of its subrecipients, we noted Social Services has not yet developed and documented a formal risk assessment process to determine the frequency and extent of the monitoring activities to be performed.

We noted the Fiscal Policy Bureau developed and formally documented a process for assessing risk when prioritizing its subrecipient selection for Fiscal Monitoring Reviews as of June 30, 2017. While the Fiscal Policy Bureau identified and established risk criteria for assessing risk that incorporate a method for weighting the various risk factors related to Fiscal Monitoring Reviews, these procedures were not implemented during FY 2016-17, but rather were implemented as a pilot during FY 2017-18 and are expected to be fully implemented and effective for FY 2018-19.

**Cause:**

The Nutrition Education and Outreach Section did not formally develop policies and procedures for evaluating each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward related to conducting management evaluations.

Furthermore, the Fiscal Policy Bureau's risk assessment process for Fiscal Monitoring Reviews was developed, but not implemented during the fiscal year ended June 30, 2017.

**Effect:**

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

**Questioned Costs:**

No questioned costs were identified.

**Context:**

Disbursements to subrecipients associated with SNAP-ED activities for the State Administrative Matching Grants for the Supplemental Nutrition Assistance Program during the fiscal year ended June 30, 2017 totaled \$13,867,882, representing 1.7% of the programs total federal expenditures passed through to subrecipients.

**Recommendation:**

The Nutrition Education and Outreach Section should develop and document a formal process for performing risk assessments over its subrecipients specifically related to conducting the management evaluations for SNAP-ED activities in order to determine the frequency and extent of such monitoring activities to be performed that is commensurate with the identified risk for each subrecipient. The Fiscal Policy Bureau should continue to implement its risk assessment process as developed.

**Views of Responsible Officials and Corrective Action Plan**

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

**U.S. DEPARTMENT OF EDUCATION**

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Reference Number:	2017-004
Category of Finding:	Eligibility
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	California Department of Rehabilitation (Rehabilitation)
Federal Catalog Number:	84.126
Federal Program Title:	Rehabilitation Services – Vocational Rebalitation Grants to States
Federal Award Numbers and Years:	H126A170005; 2017 H126A160005; 2016 H126A150005; 2015

**Criteria**

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

The non-Federal entity must:

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

Title 29 - Labor, Chapter 16 - Vocational Rehabilitation and Other Rehabilitation Services, Subchapter I - Vocational Rehabilitation Services, Part A - General Provisions, Section 722 - Eligibility and Individualized Plan for Employment – Eligibility – Time Frame for Making an Eligibility Determination (29USC722 (a)(6)):

The designated State unit shall determine whether an individual is eligible for vocational rehabilitation services under this subchapter within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless -

- (A) exceptional and unforeseen circumstances beyond the control of the designated state unit preclude making an eligibility determination within 60 days and the designated state unit and the individual agree to a specific extension of time; or
- (B) the designated state unit is exploring an individual’s abilities, capabilities, an capacity to perform in work situations under paragraph (2)(B).

### **Condition**

The Department of Rehabilitation (Rehabilitation) did not determine the applicants eligibility for services within the required 60-day time period for 1 of the 40 applicant cases reviewed. For the one case, Rehabilitation provided documentation supporting the mutual agreement with the applicant to extend the 60-day time period, however, the extension period expired prior to the final eligibility determination. The controls in place for rehabilitation counselors to enter and track applications in Rehabilitation's AWARE case management system was not consistently applied across all district offices.

### **Cause**

The Rehabilitation counselor assigned to the individual's application missed filing an extension to the 60-day time period deadline prior to finalizing the eligibility determination. The team manager discovered the missed eligibility determination during the quarterly review of open applications.

### **Effect**

Failure to determine an applicant's eligibility within the required time period in accordance with federal regulations prohibits qualified applicants from receiving timely vocational rehabilitation services.

### **Questioned Costs**

No questioned costs were identified.

### **Context**

During the fiscal year ended June 30, 2017, Rehabilitation received 37,627 applications from individuals, of which 25,682 applicants were determined to be eligible.

### **Recommendation**

Rehabilitation should strengthen controls over the entry and tracking of applications in the AWARE case management system to ensure that counselors are only entering complete applications and team managers are actively monitoring the status of open cases to meet the 60 day eligibility determination timeframe.

### **Views of Responsible Officials and Corrective Action Plan**

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

Reference Number:	2017-005
Category of Finding:	Special Tests and Provisions – Completion of Individualized Plan for Employment
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	California Department of Rehabilitation (Rehabilitation)
Federal Catalog Number:	84.126
Federal Program Title:	Rehabilitation Services – Vocational Rehabilitation Grants to States
Federal Award Numbers and Years:	H126A170005 - 17C; 2017 H126A160005 - 16B; 2016 H126A150005 - 15B; 2015

**Criteria**

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

The non-Federal entity must:

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

Title 29 - Labor, Chapter 16 -Vocational Rehabilitation and Other Rehabilitation Services, Subchapter I - Vocational Rehabilitation Services, Part A - General Provisions, Section 722 - Eligibility and Individualized Plan for Employment - Development of an Individualized Plan for Employment - Mandatory Procedures - Timeframe for Completing the Individualized Plan for Employment (29USC722(b)(3)(F)).

The individualized plan for employment shall be developed as soon as possible, but not later than a deadline of 90 days after the date of the determination of eligibility described in paragraph (1), unless the designated State unit and the eligible individual agree to an extension of that deadline to a specific date by which the individualized plan for employment shall be completed.

**Condition**

The Department of Rehabilitation (Rehabilitation) did not develop an Individualized Plan for Employment (IPE) within the required 90-day time period for 3 of the 60 case files reviewed. For two of the three cases, Rehabilitation provided documentation supporting the mutual agreement with the applicant to extend the 90-day time period; however, the development period had expired prior to an extension being filed. For one of the three cases, there was no extension filed, the IPE was developed 30 days past the expiration of the development period. For these three case files, the control in place per Rehabilitation’s policies and procedures where the counselor receives an Agency Activity Due notice, which is auto generated from the AWARE case management system, was missed.

### **Cause**

Rehabilitation has an established process for tracking individual participants IPE due dates in AWARE through the use of system generated reminders of approaching due dates. However, as the reminder is only received by assigned rehabilitation counselors, there is an increased likelihood that the reminder may be missed through counselor reassignment, absence, or error.

### **Effect**

Failure to develop an eligible individual's IPE within the required time period in accordance with federal regulations prohibits qualified individual's from receiving and benefiting in a timely manner from vocational rehabilitation services.

### **Questioned Costs**

No questioned costs were identified.

### **Context**

During the fiscal year ended June 30, 2017, Rehabilitation developed an IPE for 26,791 individuals that had been determined to be eligible to receive rehabilitation services.

### **Recommendation**

Rehabilitation should review and update its policy and process in place to consider including team managers on AWARE system generated reminders of upcoming IPE due dates, to assist in the tacking and follow-up of the IPEs or completing the necessary extension within the required 90-day time period. Additionally, Rehabilitation should consider a consistent policy across all district offices for regular review by team managers and/or district administrators of open cases without a completed IPE.

### **Views of Responsible Officials and Corrective Action Plan**

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

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

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Reference Number:	2017-006
Category of Finding:	Allowable Costs
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health
Federal Catalog Number:	93.758
Federal Program Title:	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)
Federal Award Numbers and Years:	NB01OT009078-01; 2016 2B01OT009006-15; 2015 2B01OT009006-14; 2014 3B01OT009006-14S1; 2014 3B01OT009006-14S2; 2014

### Criteria

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

The non-Federal entity must:

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

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

- (i) *Standards for Documentation of Personnel Expenses*

- (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:
  - (viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:
    - (A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;



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

### **Condition**

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

### **Cause**

The Chronic Disease Control Branch of Public Health was not aware of the Standards for Documentation of Personnel Expenses. The Chronic Disease Control Branch of Public Health does not have a system of record keeping that accurately reflects the work performed in order to perform the required adjustment analysis and support charges to Federal awards for salaries and wages.

### **Effect**

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

### **Questioned Costs**

Questioned costs could not be determined due to the lack of documentation that supports actual time spent on the program.

### **Context**

For the fiscal year ended June 30, 2017, payroll and related costs totaled \$2,760,103 for the Preventive Health and Health Services Block Grant.

### **Recommendation**

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

### **Views of Responsible Officials and Corrective Action Plan**

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

Reference Number: 2017-007  
Category of Finding: Cash Management  
Type of Finding: Significant Deficiency and Instance of Noncompliance

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

Federal Catalog Number: 93.767  
Federal Program Title: Children's Health Insurance Program  
Federal Award Numbers and Years: 1705CA0301; 2017  
05-1605CA5021; 2016  
05-1505CA1081; 2015

Federal Catalog Number: 93.778  
Federal Program Title: Medical Assistance Program  
Federal Award Numbers and Years: 1705CA5ADM; 2017  
1705CA5MAP; 2017  
05-1605CA5ADM; 2016  
05-1605CA5MAP; 2016

## Criteria

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

The non-Federal entity must:

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

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

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

CASH MANAGEMENT IMPROVEMENT ACT (CMIA) Agreement between the State of California and the Secretary of the Treasury, United States Department of the Treasury, Section 6.2 Description of Funding Techniques:

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

## Pre-Issuance

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

### Section 6.3 Application of Funding Techniques to Programs

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

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

93.767	Children’s Health Insurance Program
Recipient:	Department of Health Care Services
Component:	Payments to health care providers and to state and local agencies
Technique:	Pre-Issuance
93.778	Medical Assistance Program
Recipient:	Department of Health Care Services
Component:	Payments to health care providers and to state and local agencies
Technique:	Pre-Issuance

## **Condition**

The Cash Management Unit of Health Care Services failed to ensure that the drawdowns of federal funds were in compliance with the funding technique requirements for the Children’s Health Insurance Program (CHIP) and Medical Assistance Program (Medicaid). Fourteen CHIP and thirty-eight Medicaid disbursements were paid more than three business days after the related pre-issuance draws were received.

## **Identification as a Repeat Finding**

Finding 2016-012 was reported in the immediate prior year for the Block Grants for Prevention and Treatment of Substance Abuse (CFDA No. 93.959) program, but that program was not subject to the CMIA this year. This condition is considered a repeat finding because the Cash Management Unit is responsible for the CMIA requirements for all three programs.

## **Cause**

The Cash Management Unit’s submissions of documentation to the State Controller’s Office for payments were returned to correct errors that delayed those submissions, which resulted in the eventual disbursement dates exceeding the required three business days since the receipt of the related federal funds, which ranged from 4-11 business days for CHIP and 4-16 business days for Medicaid.

## **Effect**

Because this funding technique is not interest neutral, the State must calculate an interest liability for CHIP and Medicaid draws in accordance with the CMIA Agreement, section 8.0.1, which specifies a dollar-weighted calculation methodology. In accordance with the CMIA Agreement, the State has already calculated interest earned on advanced funds and paid that amount back to the U.S. Department of Treasury.

In addition, per the CMIA Agreement, section 11.1, the provisions of 31 CFR Part 205.29 shall apply in cases of noncompliance with the CMIA Agreement, which stipulates the following:

- (d) If a State repeatedly or deliberately fails to request funds in accordance with the procedures established for its funding techniques, as set forth in §205.11, §205.12, or a Treasury-State agreement, we may deny the State payment or credit for the resulting Federal interest liability, notwithstanding any other provision of this part.
- (e) If a State materially fails to comply with this subpart A, we may, in addition to the action described in paragraph (d) of this section, take one or more of the following actions, as appropriate under the circumstances:
  - (1) Deny the reimbursement of all or a part of the State's interest calculation costs claimed;
  - (2) Send notification of the noncompliance to the affected Federal Program Agency for appropriate action, including, where appropriate, a determination regarding the impact of noncompliance on program funding;
  - (3) Request a Federal Program Agency or the General Accounting Office to conduct an audit of the State to determine interest owed to the Federal government, and to implement procedures to recover such interest;
  - (4) Initiate a debt collection process to recover claims owed to the United States; or
  - (5) Take other remedies legally available.

### **Questioned Costs**

No questioned costs were identified.

### **Context**

For CHIP, the Cash Management Unit performed 360 pre-issuance funding technique drawdowns totaling \$2,847,325,387 related to 1,670 disbursements during the fiscal year ended June 30, 2017, of which the fourteen noncompliant disbursements totaled \$28,462,018 and resulted in 60 interest days in excess of 3 business days.

For Medicaid, the Cash Management Unit performed 153 pre-issuance funding technique drawdowns totaling \$56,194,743,889 related to 5,157 disbursements during the fiscal year ended June 30, 2017, of which the 38 noncompliant disbursements totaled \$414,562,356 and resulted in 202 interest days in excess of 3 business days.

The samples were not statistical samples. For the fiscal year ended June 30, 2017, based upon the Cash Management Improvement Act - 2017 Annual Report Interest Calculation Cost Certification submitted to the U.S. Department of the Treasury, CHIP incurred a net of 1,898 interest days, resulting in a net interest liability of \$238,825 and Medicaid incurred a net of 5,719 interest days, resulting in a net interest liability of \$4,021,909. The State remits the interest earned back to the federal government from its General Fund, which is where the earned interest was deposited. Interest is not charged back to the federal award.

### **Recommendation**

The Cash Management Unit should strengthen and follow existing policies and procedures, and monitor those procedures, to ensure that payment submissions to the State Controller's Office are made correctly to ensure disbursements are made within three business days of receipt of the related federal funds in compliance with the funding technique pursuant to the CMIA Agreement.

### **Views of Responsible Officials and Corrective Action Plan**

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

Reference Number: 2017-008  
Category of Finding: Cash Management  
Type of Finding: Material Weakness and Material Instance of Noncompliance

State Administering Department: California Department of Health Care Services (Health Care Services)  
Federal Catalog Number: 93.959  
Federal Program Title: Block Grants for Prevention and Treatment of Substance Abuse  
Federal Award Number and Year: 2B08TI010062-16; 2016

### Criteria

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

The non-Federal entity must:

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

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

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

### **Condition**

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

### **Identification as a Repeat Finding**

Finding 2016-011 was reported in the immediate prior year.

### **Cause**

The Substance Use Disorder Program, Policy and Fiscal Division was made aware of the requirement to monitor the cash needs of their subrecipients during the prior year audit. As the currently established Substance Abuse Block Grant (SABG) allocation and cost reporting processes have been in place since 1999 and would require significant collaborative efforts by Health Care Services and California's 58 counties to amend current processes and procedures for implementation, corrective action will take some time to complete.

### **Effect**

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

### **Questioned Costs**

Questioned costs could not be determined.

### **Context**

Payments by the Substance Use Disorder Program, Policy and Fiscal Division to subrecipients related to the Block Grants for Prevention and Treatment of Substance Abuse (SABG) program totaled \$341,509,973 for the fiscal year ended June 30, 2017.

### **Recommendation**

The Substance Use Disorder Program, Policy and Fiscal Division should continue to consult with the federal cognizant agency, the Substance Abuse and Mental Health Services Administration (SAMHSA) to develop and implement policies and procedures over federal funding to ensure that subrecipients (counties) are minimizing the time elapsing between the receipt and disbursement of federal funds.

### **Views of Responsible Officials and Corrective Action Plan**

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

Reference Number:	2017-009
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:	Medical Assistance Program
Federal Award Numbers and Years:	1705CA5ADM; 2017 1705CA5MAP; 2017

### Criteria

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

The non-Federal entity must:

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

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

Applications, §435.907 Application (42 CFR 435.907):

- (a) *Basis and implementation.* In accordance with section 1413(b)(1)(A) of the Affordable Care Act, the agency must accept an application from the applicant, an adult who is in the applicant’s household, as defined in §435.603(f), or family, as defined in section 36B(d)(1) of the Code, an authorized representative, or if the applicant is a minor or incapacitated, someone acting responsibly for the applicant, and any documentation required to establish eligibility—
  - (1) Via the internet Web site described in §435.1200(f) of this part;
  - (2) By telephone;
  - (3) Via mail;
  - (4) In person; and
  - (5) Through other commonly available electronic means.

Applications, §435.910 Use of social security number (42 CFR 435.910):

The agency must verify the SSN furnished by an applicant or beneficiary with SSA to ensure the SSN was issued to that individual, and to determine whether any other SSNs were issued to that individual.

Redeterminations of Medicaid Eligibility, §435.916 Periodic renewal of Medicaid eligibility (42 CFR 435.916):

- (a) *Renewal of individuals whose Medicaid eligibility is based on modified adjusted gross income methods (MAGI).*
- (1) Except as provided in paragraph (d) of this section, the eligibility of Medicaid beneficiaries whose financial eligibility is determined using MAGI-based income must be renewed once every 12 months, and no more frequently than once every 12 months.
  - (2) Renewal on basis of information available to agency. The agency must make a redetermination of eligibility without requiring information from the individual if able to do so based on reliable information contained in the individual's account or other more current information available to the agency, including but not limited to information accessed through any data bases accessed by the agency under §435.948, §435.949 and §435.956 of this part.
- (b) *Redetermination of individuals whose Medicaid eligibility is determined on a basis other than modified adjusted gross income.* The agency must redetermine the eligibility of Medicaid beneficiaries excepted from modified adjusted gross income under §435.603(j) of this part, for circumstances that may change, at least every 12 months. The agency must make a redetermination of eligibility in accordance with the provisions of paragraph (a)(2) of this section, if sufficient information is available to do so. The agency may adopt the procedures described at §435.916(a)(3) for individuals whose eligibility cannot be renewed in accordance with paragraph (a)(2) of this section.

Income and Eligibility Verification Requirements, §435.948 Verifying financial information (42 CFR 435.948):

- (a) The agency must in accordance with this section request the following information relating to financial eligibility from other agencies in the State and other States and Federal programs to the extent the agency determines such information is useful to verifying eligibility of an individual:
- (1) Information related to wages, net earnings from self-employment, unearned income and resources from the State Wage Information Collection Agency (SWICA), the Internal Revenue Service (IRS), the Social Security Administration (SSA), the agencies administering the State unemployment compensation laws, the State-administered supplementary payment programs under section 1616(a) of the Act, and any State program administered under a plan approved under Titles I, X, XIV, or XVI of the Act;

**Condition**

Out of 140 beneficiaries reviewed, there were 26 beneficiaries with the following eligibility exceptions:

- There was one instance in which a completed initial application was not on file to establish eligibility (42 CFR 935.907);
- There were 21 instances in which redeterminations had not been performed within a year (42 CFR 935.916) and another instance in which the redetermination was performed within a year; however, the benefits were not terminated timely once the beneficiary was determined to be ineligible;
- There was an instance in which a social security number had not been verified with the Social Security Administration and another instance in which the social security number was noted as verified; however, the verification code used to support the verification was missing from the file and documented as being deleted (42 CFR 935.910); and
- While testing the Income and Eligibility Verification Requirements (42 CFR 935.948), the following two exceptions were noted:
  - An individual that was not disabled was receiving benefits under a disabled aid code, and
  - An individual that received benefits did not pass a resource test.



Health Care Services has delegated performance of eligibility redeterminations to the county welfare agencies through subawards.

### **Identification as a Repeat Finding**

Finding 2016-013 was reported in the immediate prior year.

### **Cause**

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

### **Effect**

For ten of the 26 beneficiaries, they were determined to be ineligible and benefits were terminated; however, since those determinations were late, they received ineligible benefits between the date they should have been terminated and the date they were actually terminated. For another six of the 26 beneficiaries, they were determined to be ineligible and benefits were not terminated, therefore receiving ineligible benefits since the date they should have been terminated. The remaining ten beneficiaries were determined to be eligible.

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

### **Questioned Costs**

Benefits paid to beneficiaries after they were determined to be ineligible totaled \$60,095 for fiscal year 2016-17.

### **Context**

For the fiscal year ended June 30, 2017, a total of \$149,373 was disbursed on behalf of the 26 beneficiaries with eligibility exceptions, and \$109,830 was disbursed on behalf of the 16 beneficiaries later determined to be ineligible. Total benefits paid on behalf of the 140 beneficiaries tested were \$1,077,376. The total benefits paid on behalf of approximately 13.5 million beneficiaries for the fiscal year ended June 30, 2017 was \$48,227,576,255. The sample was not a statistical sample.

### **Recommendation**

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

### **Views of Responsible Officials and Corrective Action Plan**

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

Reference Number:	2017-010
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	93.268
Federal Program Title:	Immunization Cooperative Agreements
Federal Award Numbers and Years:	NH23IP000717-04-05; 2016 NH23IP000717-04-00; 2016 5H231P000717-03 ; 2015 5H231P000717-03; 2014

### Criteria

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

The non-Federal entity must:

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

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

- (a) Each agency that awards types of Federal financial assistance included in the definition of “award” in §25.305 must include the requirements described in paragraph (b) of this section in each program announcement, regulation, or other issuance containing instructions for applicants that either:
  - (1) Is issued on or after the effective date of this part; or
  - (2) Has application or plan due dates after October 1, 2010.
- (b) The program announcement, regulation, or other issuance must require each entity that applies and does not have an exemption under §25.110 to:
  - (1) Be registered in the System for Award Management (SAM) prior to submitting an application or plan;
  - (2) Maintain an active SAM registration with current information at all times during which it has an active Federal award or an application or plan under consideration by an agency; and
  - (3) Provide its unique entity identifier in each application or plan it submits to the agency.

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

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

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

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

All pass-through entities must:

- (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:
  - (1) Federal Award Identification.
    - (i) Subrecipient name (which must match the name associated with its unique entity identifier);
    - (ii) Subrecipient's unique entity identifier;
    - (iii) Federal Award Identification Number (FAIN);
    - (iv) Federal Award Date (see §200.39 Federal award date) of award to the recipient by the Federal agency;
    - (v) Subaward Period of Performance Start and End Date;
    - (vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;

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

### **Condition**

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

### **Identification as a Repeat Finding**

Finding 2016-020 was reported in the immediate prior year.

### **Cause**

The Immunization Branch of Public Health did not develop policies and procedures for obtaining the unique entity identifier from applicants prior to awarding funds and for communicating the required federal award information to subrecipients in a timely manner such that it could be implemented during the fiscal year ended June 30, 2017.

### **Effect**

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

### **Questioned Costs**

No questioned costs were identified.

### **Context**

The identified deficiencies apply to all subrecipient expenditures for the fiscal year ended June 30, 2017. For the fiscal year ended June 30, 2017, amounts passed through to subrecipients of Immunization Cooperative Agreements totaled \$15,583,223.

### **Recommendation**

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

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

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

### **Views of Responsible Officials and Corrective Action Plan**

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

Reference Number:	2017-011
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	93.268
Federal Program Title:	Immunization Cooperative Agreements
Federal Award Numbers and Years:	NH23IP000717-04-05; 2016 NH23IP000717-04-00; 2016 5H231P000717-03; 2015 5H231P000717-03; 2014

### Criteria

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

The non-Federal entity must:

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

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

All pass-through entities must:

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

### **Condition**

Public Health did not evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

### **Identification as a Repeat Finding**

Finding 2016-019 was reported in the immediate prior year.

### **Cause**

Public Health did not develop policies and procedures for evaluating each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward in a timely manner such that it could be implemented during the fiscal year ended June 30, 2017.

### **Effect**

The monitoring performed during the fiscal year ended June 30, 2017, did not ensure that sufficient and effective monitoring occurred for those subrecipients most at risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

### **Questioned Costs**

No questioned costs were identified.

### **Context**

For the fiscal year ended June 30, 2017, disbursements to Immunization Cooperative Agreements subrecipients totaled \$15,583,223.

### **Recommendation**

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

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

### **Views of Responsible Officials and Corrective Action Plan**

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

Reference Number: 2017-012  
Category of Finding: Subrecipient Monitoring  
Type of Finding: Significant Deficiency and Instance of Noncompliance

State Administering Department: Department of Social Services (Social Services)  
Federal Program Title: Temporary Assistance for Needy Families  
Federal Catalog Number: 93.558  
Federal Award Numbers and Years: 1701CATANF; 2017  
1601CATANF; 2016

**Criteria:**

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

The non-Federal entity must:

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

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

All pass-through entities must:

- (e) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:
  - (2) Reviewing financial and performance reports required by the pass-through entity.
  - (3) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the Subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
  - (4) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.



**Condition:**

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

**Cause:**

The Bureau does not have an established process requiring specific corrective action by the subrecipients concerning the identified deficiencies and substantiating whether the appropriate corrective action was taken.

Current monitoring procedures primarily focus on reviewing the accuracy of work participation rates reported by the subrecipients and providing on-site training and technical assistance.

**Effect:**

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

**Questioned Costs:**

No questioned costs were identified.

**Context:**

Disbursements to subrecipients for the Temporary Assistance for Needy Families program for the fiscal year ended June 30, 2017 totaled \$2,436,684,551.

**Recommendation:**

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

**Views of Responsible Officials and Corrective Action Plan**

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

Reference Number: 2017-013  
Category of Finding: Subrecipient Monitoring  
Type of Finding: Significant Deficiency and Instance of Noncompliance

State Administering Department: Department of Social Services (Social Services)  
Federal Program Title: Temporary Assistance for Needy Families  
Federal Catalog Number: 93.558  
Federal Award Numbers and Years: 1701CATANF; 2017  
1601CATANF; 2016

**Criteria:**

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

The non-Federal entity must:

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

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

All pass-through entities must:

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

**Condition:**

The CalWORKS Eligibility Bureau of the CalWORKS Branch performs on-site reviews of eligibility determinations conducted by the county welfare departments for the Temporary Assistance to Needs Families (TANF) program. Although Social Services monitors its subrecipients on the basis of some risk, primarily based upon reviewing the independent single audits of its subrecipients, we noted Social Services has not yet developed and documented a formal risk assessment process to determine the frequency and extent of the monitoring activities to be performed.

We noted the Fiscal Policy Bureau developed and formally documented a process for assessing risk when prioritizing its subrecipient selection for Fiscal Monitoring Reviews as of June 30, 2017. While the Fiscal Policy Bureau identified and established risk criteria for assessing risk that incorporate a method for weighting the various risk factors related to Fiscal Monitoring Reviews, these procedures were not implemented during FY 2016-17, but rather were implemented as a pilot during FY 2017-18 and are expected to be fully implemented and effective for FY 2018-19.

**Cause:**

The CalWORKS Eligibility Bureau did not formally develop policies and procedures for evaluating each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward related to performing on-site reviews of county welfare department eligibility determinations.

Furthermore, the Fiscal Policy Bureau's risk assessment process for Fiscal Monitoring Reviews was developed, but not implemented during the fiscal year ended June 30, 2017.

**Effect:**

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

**Questioned Costs:**

No questioned costs were identified.

**Context:**

Disbursements to subrecipients for the Temporary Assistance for Needy Families Program during the fiscal year ended June 30, 2017 totaled \$2,436,684,551 representing 68.3% of the programs total federal expenditures.

**Recommendation:**

The CalWORKS Eligibility Bureau should develop and document a formal process for performing risk assessments over its subrecipients specifically related to performing on-site reviews of eligibility determinations at the county welfare departments in order to determine the frequency and extent of such monitoring activities to be performed that is commensurate with the identified risk for each subrecipient.

The Fiscal Policy Bureau should continue to implement its risk assessment process as developed.

**Views of Responsible Officials and Corrective Action Plan**

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

Reference Number:	2017-014
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	Department of Education (Education)
Federal Catalog Number:	93.575
Federal Program Title:	Child Care and Development Block Grant
Federal Catalog Number:	93.596
Federal Program Title:	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Federal Award Numbers and Years:	G1701CACCDF; 2017 G1601CACCDF; 2016 G1501CACCDF; 2015

### Criteria

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

The non-Federal entity must:

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

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

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

### Condition

Education did not collect the unique entity identifier prior to awarding funds in accordance with 2 CFR 25.205.

### **Identification as a Repeat Finding**

Finding 2016-021 was reported in the immediate prior year.

### **Cause**

Education does not have a process in place to ensure the collection of the unique entity identifier for its subrecipients prior to making an award.

### **Effect**

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

### **Questioned Costs**

No questioned costs were identified.

### **Context**

For the fiscal year ended June 30, 2017, disbursements to subrecipients of the Child Care and Development Block Grant program (CFDA No. 93.575) totaled \$301,079,093 and disbursements to subrecipients of the Child Care Mandatory and Matching Funds of the Child Care and Development Fund program (CFDA No. 93.596) totaled \$292,998,233.

### **Recommendation**

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

### **Views of Responsible Officials and Corrective Action Plan**

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

Reference Number: 2017-015  
Category of Finding: Subrecipient Monitoring  
Type of Finding: Material Weakness and Material Instance  
of Noncompliance

State Administering Department: California Department of Public Health  
(Public Health)  
Federal Catalog Number: 93.758  
Federal Program Title: Preventive Health and Health Services Block  
Grant funded solely with Prevention and Public  
Health Funds (PPHF)  
Federal Award Numbers and Years: NB01OT009078-01; 2016  
2B01OT009006-15; 2015  
2B01OT009006-14; 2014  
3B01OT009006-14S1; 2014  
3B01OT009006-14S2; 2014

### Criteria

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

The non-Federal entity must:

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

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

All pass-through entities must:

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

### Condition

The Chronic Disease Control Branch of Public Health did not perform sufficient monitoring activities to determine that subrecipients’ use of funds is in accordance with federal statutes, regulations, and the terms and conditions of the subaward. Current monitoring procedures primarily focus on cost allowability and do not consistently cover other compliance areas, such as reporting and subrecipient monitoring, and whether programmatic objectives are achieved.

### **Cause**

The Chronic Disease Control Branch of Public Health did not properly design their monitoring policies and procedures to provide evidence that the Chronic Disease Control Branch of Public Health monitors subrecipients' use of funds in accordance with federal statutes, regulations, and the terms and conditions of the subaward.

### **Effect**

The monitoring performed during the fiscal year ended June 30, 2017, did not ensure that sufficient and effective monitoring occurred over subrecipients' use of funds in accordance with federal statutes, regulations, and the terms and conditions of the subaward.

### **Questioned Costs**

Questioned costs were not identified.

### **Context**

For the fiscal year ended June 30, 2017, the Chronic Disease Control Branch of Public Health passed a total of \$1,513,256 to subrecipients of Preventive Health and Health Services Block Grant funding.

### **Recommendation**

The Chronic Disease Control Branch of Public Health should develop a comprehensive monitoring tool, which includes provisions for the review of subrecipient compliance with federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

### **Views of Responsible Officials and Corrective Action Plan**

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

Reference Number: 2017-016  
Category of Finding: Subrecipient Monitoring  
Type of Finding: Material Weakness and Material Instance of Noncompliance

State Administering Department: California Department of Public Health (Public Health) and California Emergency Medical Services Authority (EMSA)

Federal Catalog Number: 93.758  
Federal Program Title: Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)

Federal Award Numbers and Years: NB01OT009078-01; 2016  
2B01OT009006-15; 2015  
2B01OT009006-14; 2014  
3B01OT009006-14\$1; 2014  
3B01OT009006-14\$2; 2014

### Criteria

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

The non-Federal entity must:

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

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

- (a) Each agency that awards types of Federal financial assistance included in the definition of “award” in §25.305 must include the requirements described in paragraph (b) of this section in each program announcement, regulation, or other issuance containing instructions for applicants that either:
  - (1) Is issued on or after the effective date of this part; or
  - (2) Has application or plan due dates after October 1, 2010.
- (b) The program announcement, regulation, or other issuance must require each entity that applies and does not have an exemption under §25.110 to:
  - (1) Be registered in the System for Award Management (SAM) prior to submitting an application or plan;
  - (2) Maintain an active SAM registration with current information at all times during which it has an active Federal award or an application or plan under consideration by an agency; and
  - (3) Provide its unique entity identifier in each application or plan it submits to the agency.



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

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

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

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

All pass-through entities must:

- (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:
  - (1) Federal Award Identification.
    - (i) Subrecipient name (which must match the name associated with its unique entity identifier);
    - (ii) Subrecipient's unique entity identifier;
    - (iii) Federal Award Identification Number (FAIN);
    - (iv) Federal Award Date (see §200.39 Federal award date) of award to the recipient by the Federal agency;
    - (v) Subaward Period of Performance Start and End Date;
    - (vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;

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

### **Condition**

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

### **Identification as a Repeat Finding**

Finding 2016-020 was reported in the immediate prior year.

### **Cause**

The Chronic Disease Control Branch of Public Health and EMSA did not develop policies and procedures for obtaining the unique entity identifier from applicants prior to awarding funds and for communicating the required federal award information to subrecipients in a timely manner such that it could be implemented during the fiscal year ended June 30, 2017.

### **Effect**

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

### **Questioned Costs**

No questioned costs were identified.

### **Context**

The identified deficiencies apply to all subrecipient expenditures for the fiscal year.

For the fiscal year ended June 30, 2017, disbursements to Preventive Health and Health Services Block Grant subrecipients totaled \$1,513,256.

### **Recommendation**

The Chronic Disease Control Branch of Public Health and EMSA should review all federal statutes, regulations, and the terms and conditions of the federal award and determine whether policies and procedures exist and are operating effectively to ensure compliance with all requirements.

The Chronic Disease Control Branch of Public Health and EMSA should develop and implement policies and procedures to ensure the required information is communicated to applicants in accordance with 2 CFR 25.200 and 2 CFR 200.331 and that the unique entity identifier is collected prior to making subawards in accordance with 2 CFR 25.205. In addition, documentation should be maintained to demonstrate compliance with these requirements.

### **Views of Responsible Officials and Corrective Action Plan**

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

Reference Number:	2017-017
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health) and California Emergency Medical Services Authority (EMSA)
Federal Catalog Number:	93.758
Federal Program Title:	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)
Federal Award Numbers and Years:	NB01OT009078-01; 2016 2B01OT009006-15; 2015 2B01OT009006-14; 2014 3B01OT009006-14S1; 2014 3B01OT009006-14S2; 2014

### Criteria

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

The non-Federal entity must:

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

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

All pass-through entities must:

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

### **Condition**

Public Health and EMSA did not evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

### **Identification as a Repeat Finding**

Finding 2016-019 was reported in the immediate prior year.

### **Cause**

Public Health and EMSA did not develop policies and procedures for evaluating each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward in a timely manner such that it could be implemented during the fiscal year ended June 30, 2017.

### **Effect**

The monitoring performed during the fiscal year ended June 30, 2017, did not ensure that sufficient and effective monitoring occurred for those subrecipients most at risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

### **Questioned Costs**

No questioned costs were identified.

### **Context**

For the fiscal year ended June 30, 2017, disbursements to Preventive Health and Health Services Block Grant subrecipients totaled \$1,513,256.

### **Recommendation**

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

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

### **Views of Responsible Officials and Corrective Action Plan**

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

Reference Number: 2017-018  
Category of Finding: Subrecipient Monitoring  
Type of Finding: Material Weakness and Material Instance of Noncompliance

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

Federal Catalog Number: 93.767  
Federal Program Title: Children's Health Insurance Program  
Federal Award Numbers and Years: 1705CA0301; 2017  
05-1605CA5021; 2016  
05-1505CA1081; 2015

Federal Catalog Number: 93.778  
Federal Program Title: Medical Assistance Program  
Federal Award Numbers and Years: 1705CA5ADM; 2017  
1705CA5MAP; 2017  
05-1605CA5ADM; 2016  
05-1605CA5MAP; 2016

### Criteria

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

The non-Federal entity must:

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

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

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

## **Condition**

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

## **Identification as a Repeat Finding**

Finding 2016-025 was reported in the immediate prior year.

## **Cause**

Health Care Services has not developed nor implemented policies and procedures for performing and documenting the required determinations.

## **Effect**

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

## **Questioned Costs**

No questioned costs were identified.

## **Context**

For the fiscal year ended June 30, 2017, amounts disbursed to subrecipients of the Medical Assistance Program totaled \$3,303,295,967 and to subrecipients of the Children's Health Insurance Program totaled \$182,951,959.

## **Recommendation**

Health Care Services should develop and implement policies and procedures for conducting and documenting the required subrecipient and contractor determinations as well as revise standard contract language to clearly indicate whether it casts the receiving entity as a subrecipient or a contractor.

## **Views of Responsible Officials and Corrective Action Plan**

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

Reference Number: 2017-019  
Category of Finding: Subrecipient Monitoring  
Type of Finding: Material Weakness and Material Instance of Noncompliance

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

Federal Catalog Number: 93.767  
Federal Program Title: Children's Health Insurance Program  
Federal Award Numbers and Years: 1705CA0301; 2017  
05-1605CA5021; 2016  
05-1505CA1081; 2015

Federal Catalog Number: 93.778  
Federal Program Title: Medical Assistance Program  
Federal Award Numbers and Years: 1705CA5ADM; 2017  
1705CA5MAP; 2017  
05-1605CA5ADM; 2016  
05-1605CA5MAP; 2016

### Criteria

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

The non-Federal entity must:

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

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

- (a) Each agency that awards types of Federal financial assistance included in the definition of "award" in §25.305 must include the requirements described in paragraph (b) of this section in each program announcement, regulation, or other issuance containing instructions for applicants that either:
  - (1) Is issued on or after the effective date of this part; or
  - (2) Has application or plan due dates after October 1, 2010.
- (b) The program announcement, regulation, or other issuance must require each entity that applies and does not have an exemption under §25.110 to:
  - (1) Be registered in the System for Award Management (SAM) prior to submitting an application or plan;
  - (2) Maintain an active SAM registration with current information at all times during which it has an active Federal award or an application or plan under consideration by an agency; and



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

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

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

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

All pass-through entities must:

- (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:
  - (1) Federal Award Identification.
    - (i) Subrecipient name (which must match the name associated with its unique entity identifier);
    - (ii) Subrecipient's unique entity identifier;
    - (iii) Federal Award Identification Number (FAIN);
    - (iv) Federal Award Date (see §200.39 Federal award date) of award to the recipient by the Federal agency;
    - (v) Subaward Period of Performance Start and End Date;

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

### **Condition**

The Mental Health Division of Health Care Services did not communicate the universal identifier and system for award management requirements to applicants of Short-Doyle funding in accordance with 2 CFR 25.200. Additionally, the Mental Health Division did not collect the unique entity identifier prior to awarding funds in accordance with 2 CFR 25.205, nor did they communicate the required federal award data elements to subrecipients upon making a subaward, including identifying the award as a subaward in accordance with 2 CFR 200.331.

### **Identification as a Repeat Finding**

Finding 2016-027 was reported in the immediate prior year.

### **Cause**

The Mental Health Division has not developed or implemented a process for ensuring the required information is communicated to subrecipients.

### **Effect**

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

### **Questioned Costs**

No questioned costs were identified.

### **Context**

For the fiscal year ended June 30, 2017, payments to subrecipients of Short-Doyle funding under the Children's Health Insurance Program totaled \$163,298,365 and for the Medical Assistance Program totaled \$1,665,188,734.

### **Recommendation**

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

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

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

### **Views of Responsible Officials and Corrective Action Plan**

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

Reference Number: 2017-020  
Category of Finding: Subrecipient Monitoring  
Type of Finding: Material Weakness and Material Instance of Noncompliance

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

Federal Catalog Number: 93.767  
Federal Program Title: Children's Health Insurance Program  
Federal Award Numbers and Years: 1705CA0301; 2017  
05-1605CA5021; 2016  
05-1505CA1081; 2015

Federal Catalog Number: 93.778  
Federal Program Title: Medical Assistance Program  
Federal Award Numbers and Years: 1705CA5ADM; 2017  
1705CA5MAP; 2017  
05-1605CA5ADM; 2016  
05-1605CA5MAP; 2016

### Criteria

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

The non-Federal entity must:

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

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

All pass-through entities must:

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

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

### **Condition**

Health Care Services did not evaluate each subrecipients risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

### **Identification as a Repeat Finding**

Finding 2016-026 was reported in the immediate prior year.

### **Cause**

Health Care Services has not developed nor implemented policies and procedures for evaluating each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for the Children's Health Insurance Program and the Medical Assistance Program.

### **Effect**

The monitoring performed during the fiscal year ended June 30, 2017, did not ensure that sufficient and effective monitoring occurred for those subrecipients most at risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

### **Questioned Costs**

No questioned costs were identified.

### **Context**

Disbursements for the fiscal year ended June 30, 2017 to the Children's Health Insurance Program and the Medical Assistance Program subrecipients totaled \$182,951,959 and \$3,303,295,967, respectively, representing 6.4% and 5.8% of the respective programs' total federal expenditures.

### **Recommendation**

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

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

### **Views of Responsible Officials and Corrective Action Plan**

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

Reference Number: 2017-021  
Category of Finding: Subrecipient Monitoring  
Type of Finding: Material Weakness and Material Instance of Noncompliance

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

Federal Catalog Number: 93.767  
Federal Program Title: Children's Health Insurance Program  
Federal Award Numbers and Years: 1705CA0301; 2017  
05-1605CA5021; 2016  
05-1505CA1081; 2015

Federal Catalog Number: 93.778  
Federal Program Title: Medical Assistance Program  
Federal Award Numbers and Years: 1705CA5ADM; 2017  
1705CA5MAP; 2017  
05-1605CA5ADM; 2016  
05-1605CA5AMP; 2016

### Criteria

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

The non-Federal entity must:

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

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

All pass-through entities must:

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

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

- (c) With regard to county operated facilities, clinics, or programs for which claims are submitted to the department for Medi-Cal reimbursement for specialty mental health services to Medi-Cal eligible individuals, the county shall ensure that all requirements necessary for Medi-Cal reimbursement for

these services are complied with, including, but not limited to, utilization review and the submission of year end cost reports by December 31 following the close of the fiscal year.

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

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

**Condition**

Twelve of 56 subrecipients of Short-Doyle funding were tested and five had not submitted their cost reports timely. Two of the five subrecipients had not submitted their cost reports for fiscal years 2014-15 (more than 22 months late) and 2015-16 (more than 10 months late) and the other three subrecipients had not submitted their cost reports for fiscal year 2015-16 (more than 10 months late).

Although the Mental Health Division of Health Care Services did take the required action of notifying the five subrecipients in writing within 30 days of the noncompliance, they have not taken any additional action necessary to ensure contract and performance compliance.

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

**Identification as a Repeat Finding**

Finding 2016-024 was reported in the immediate prior year.

**Cause**

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

**Effect**

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

**Questioned Costs**

No questioned costs were identified.

**Context**

For the fiscal year ended June 30, 2017, disbursements of Short-Doyle funding from the Medical Assistance Program to the five noncompliant subrecipients totaled \$552,397,629, the twelve tested subrecipients totaled \$829,478,276, and all 56 subrecipients totaled \$1,665,188,734.

For the fiscal year ended June 30, 2017, disbursements of Short-Doyle funding from the Children's Health Insurance Program to the five noncompliant subrecipients totaled \$51,284,509, the twelve tested subrecipients totaled \$68,636,377, and all 56 subrecipients totaled \$163,298,365.

The sample was not a statistical sample.

### **Recommendation**

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

### **Views of Responsible Officials and Corrective Action Plan**

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



Reference Number:	2017-022
Category of Finding:	Level of Effort
Type of Finding:	Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	93.069
Federal Program Title:	Public Health Emergency Preparedness
Federal Award Numbers and Years:	1U90TP000506-01; 2012 5U90TP000506-02; 2013 5U90TP000506-03; 2014 5U90TP000506-04; 2015 6NU90TP000506-05; 2016 6NU90TP921845-01; 2016

### Criteria

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

The non-Federal entity must:

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

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

(h) Maintenance of funding

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

### Condition

Public Health did not maintain expenditures for health care preparedness at a level that is not less than the average level of such expenditures maintained by the entity for the preceding 2-year period for the grant award that closed during the fiscal year ended June 30, 2017.

### Identification as a Repeat Finding

Finding 2016-015 was reported in the immediate prior year.

### Cause

Public Health has historically calculated the maintenance of effort using a budgeted allocation amount rather than actual expenditures, and have converted to using actual expenditures for fiscal year 2016-17. The conversion from budgeted to actual amounts resulted in a lower average level of effort than is required.

### **Effect**

When actual expenditures do not meet the maintenance of effort threshold, Public Health is subject to repayment of the amount not met in accordance with 42 USC 6a §247d-3a(i)(2)(B) or the withholding of payments in accordance with 42 USC 6a §247d- 3a(i)(2)(C). If actual expenditures exceed the maintenance of effort threshold, future thresholds would increase the average level during the measurement period.

### **Questioned Costs**

Actual expenditures were \$1,736,983 below the required level of effort.

### **Context**

The required level of effort, which is the average expenditures for health care preparedness for the preceding 2-year period, is \$4,784,135. Actual expenditures were \$3,047,152.

### **Recommendation**

Public Health should continue to monitor the maintenance of effort requirement using actual expenditures to ensure compliance on a prospective basis and seek guidance from the granting agency on necessary corrective actions for closed grants that may not have met the minimum maintenance of effort thresholds.

### **Views of Responsible Officials and Corrective Action Plan**

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

# **Auditee's Section**

**Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2017**

**STATE OF CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
<b>U.S. Department of Agriculture</b>				
Agricultural Research Basic and Applied Research	10.001		\$ 21,493	\$ -
Plant and Animal Disease, Pest Control, and Animal Care	10.025		57,731,978	21,163,238
Market Protection and Promotion	10.163		2,954,372	-
Specialty Crop Block Grant Program - Farm Bill	10.170		12,738,890	9,473,764
Organic Certification Cost Share Programs	10.171		1,379,081	-
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475		219,513	-
Meat, Poultry, and Egg Products Inspection	10.477		93,142	11,629
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557		934,576,267	265,534,828
Child and Adult Care Food Program	10.558		461,156,953	457,419,759
State Administrative Expenses for Child Nutrition	10.560		35,607,716	-
WIC Farmers' Market Nutrition Program (FMNP)	10.572		1,788,622	170,306
Team Nutrition Grants	10.574		1,057	-
Senior Farmers Market Nutrition Program	10.576		678,825	-
Child Nutrition Discretionary Grants Limited Availability	10.579		3,717,419	3,564,319
Fresh Fruit and Vegetable Program	10.582		11,658,250	11,508,300
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	10.596		1,561,954	1,461,253
Technical Assistance for Specialty Crops Program	10.604		298,877	-
<i>Pass-Through from California Citrus Mutual</i>	10.604	95-3139901	850,000	-
<b>Total Technical Assistance for Specialty Crops Program</b>			<b>1,148,877</b>	<b>-</b>
Cooperative Forestry Assistance	10.664		6,488,423	854,920
Urban and Community Forestry Program	10.675		649,800	465,006
Forest Legacy Program	10.676		45,695	-
Forest Stewardship Program	10.678		381,956	298,727
Forest Health Protection	10.680		394,662	202,520
National Fish and Wildlife Foundation	10.683		9,916	9,916
Watershed Restoration and Enhancement Agreement Authority	10.693		165,278	-
Partnership Agreements	10.699		1,693	-
Environmental Quality Incentives Program	10.912		46,200	46,200
Long-Term Standing Agreements for Storage, Transportation and Lease	10.999		673,353	-
<b>Total Excluding Clusters</b>			<b>1,535,891,385</b>	<b>772,184,685</b>
<b>SNAP Cluster</b>				
<i>Supplemental Nutrition Assistance Program (SNAP) - (Noncash)</i>	10.551		6,858,664,805	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		909,794,440	783,082,812
<b>Total SNAP Cluster</b>			<b>7,768,459,245</b>	<b>783,082,812</b>
<b>Child Nutrition Cluster</b>				
School Breakfast Program (SBP)	10.553		511,601,637	511,601,637
<i>National School Lunch Program (Noncash)</i>	10.555		179,475,737	-
National School Lunch Program (NSLP)	10.555		1,486,762,206	1,486,762,206
<b>Total National School Lunch Program</b>			<b>1,666,237,943</b>	<b>1,486,762,206</b>
Special Milk Program for Children (SMP)	10.556		315,788	315,788
Summer Food Service Program for Children (SFSPC)	10.559		22,805,720	21,906,363
<b>Total Child Nutrition Cluster</b>			<b>2,200,961,088</b>	<b>2,020,585,994</b>
<b>Forest Service Schools and Roads Cluster</b>				
Schools and Roads - Grants to States	10.665		9,680,767	9,679,609
<b>Total Forest Service Schools and Roads Cluster</b>			<b>9,680,767</b>	<b>9,679,609</b>
<b>Research and Development Cluster</b>				
Specialty Crop Block Grant Program - Farm Bill	10.170		7,817,629	7,817,629
<b>Total Research and Development Cluster</b>			<b>7,817,629</b>	<b>7,817,629</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>Food Distribution Cluster</b>				
Commodity Supplemental Food Program	10.565		4,869,808	4,686,236
<i>Commodity Supplemental Food Program (Noncash)</i>	10.565		20,084,417	-
Total Commodity Supplemental Food Program			<u>24,954,225</u>	<u>4,686,236</u>
Emergency Food Assistance Program (Administrative Costs)	10.568		10,518,476	9,831,027
<i>Emergency Food Assistance Program (Food Commodities - Noncash)</i>	10.569		73,377,128	-
<b>Total Food Distribution Cluster</b>			<u><b>108,849,829</b></u>	<u><b>14,517,263</b></u>
<b>Total U.S. Department of Agriculture</b>			<u><b>11,631,659,943</b></u>	<u><b>3,607,867,992</b></u>
<b>U.S. Department of Commerce</b>				
Economic Development_Technical Assistance	11.303		104,851	104,851
Interjurisdictional Fisheries Act of 1986	11.407		7,187	-
Coastal Zone Management Administration Awards	11.419		2,609,401	-
Coastal Zone Management Estuarine Research Reserves	11.420		915,735	642,652
Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438		11,857,273	11,857,273
Unallied Management Projects	11.454		602,048	-
Habitat Conservation	11.463		1,709,515	-
Meteorologic and Hydrologic Modernization Development	11.467		517,816	-
Unallied Science Program	11.472		2,344	-
Center for Sponsored Coastal Ocean Research Program	11.478		8,493	8,493
State and Local Implementation Grant Program	11.549		551,515	-
Other - U.S. Department of Commerce/Marine Debris Program	11.999		67,201	-
<b>Total Excluding Clusters</b>			<u><b>18,953,379</b></u>	<u><b>12,613,269</b></u>
<b>Research and Development Cluster</b>				
Interjurisdictional Fisheries Act of 1986	11.407		135,091	1,462
Unallied Science Program	11.472		643,554	554,398
<b>Total Research and Development Cluster</b>			<u><b>778,645</b></u>	<u><b>555,860</b></u>
<b>Total U.S. Department of Commerce</b>			<u><b>19,732,024</b></u>	<u><b>13,169,129</b></u>
<b>U.S. Department of Defense</b>				
Planning Assistance to States	12.110		73,744	-
Payments to States in Lieu of Real Estate Taxes	12.112		205,477	205,477
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		15,503,519	-
Basic and Applied Scientific Research	12.300		72,443	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401		88,699,254	-
National Guard ChalleNGe Program	12.404		18,922,506	-
Economic Adjustment Assistance for State Governments	12.617		531,203	432,519
Legacy Resource Management Program	12.632		17,773	-
Air Force Defense Research Sciences Program	12.800		17,974	-
Other - U.S. Department of Defense	12.999		1,921,064	2,898
<b>Total U.S. Department of Defense</b>			<u><b>125,964,957</b></u>	<u><b>640,894</b></u>
<b>U.S. Department of Housing and Urban Development</b>				
Manufactured Home Dispute Resolution	14.171		225,575	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		34,724,792	33,196,819
Emergency Solution Grant Program	14.231		6,065,122	5,174,380
Home Investment Partnerships Program	14.239		34,477,203	31,320,874
Housing Opportunities for Persons with AIDS	14.241		2,745,188	1,026,150
Equal Opportunity in Housing	14.400		1,968,552	-
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900		799,993	650,109
<b>Total Excluding Clusters</b>			<u><b>81,006,425</b></u>	<u><b>71,368,332</b></u>
<b>CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster</b>				
National Disaster Resilience Competition	14.272		121,426	-
<b>Total CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster</b>			<u><b>121,426</b></u>	<u><b>-</b></u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u><b>81,127,851</b></u>	<u><b>71,368,332</b></u>

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

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
<b>U.S. Department of the Interior</b>				
Cultural and Paleontological Resources Management	15.224		3,028	-
Fish, Wildlife and Plant Conservation Resource Management	15.231		318,671	595
Southern Nevada Public Land Management	15.235		153,459	-
Federal Oil and Gas Royalty Management State and Tribal Coordination	15.427		1,082,480	-
Flood Control Act Lands	15.433		781	781
Geothermal Resources	15.434		3,799,016	3,799,016
Minerals Leasing Act	15.437		29,139,303	29,139,303
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508		103,960	-
Central Valley Project Improvement Act, Title XXXIV	15.512		4,413,173	-
Fish and Wildlife Coordination Act	15.517		526,671	-
Recreation Resources Management	15.524		2,698,687	-
San Luis Unit, Central Valley	15.527		1,555	-
California Water Security and Environmental Enhancement	15.533		299,741	245,002
Lake Tahoe Regional Wetlands Development	15.543		173,035	-
<i>Lake Tahoe Regional Wetlands Development (Noncash)</i>	15.543		1,300,000	-
Total Lake Tahoe Regional Wetlands Development			<u>1,473,035</u>	<u>-</u>
San Joaquin River Restoration	15.555		2,860,171	22,174
Fish and Wildlife Management Assistance	15.608		11,475	-
Coastal Wetlands Planning, Protection and Restoration	15.614		1,726,719	1,550,576
Cooperative Endangered Species Conservation Fund	15.615		12,574,252	10,868,548
Clean Vessel Act	15.616		867,249	679,014
Sportfishing and Boating Safety Act	15.622		1,099,999	1,099,999
North American Wetlands Conservation Fund	15.623		141,772	106,127
Enhanced Hunter Education and Safety	15.626		206,966	-
Coastal	15.630		623	-
Landowner Incentive	15.633		17,829	17,825
State Wildlife Grants	15.634		464,248	-
Central Valley Improvement (CVI) Anadromous Fish Restoration (AFRP)	15.648		395,959	-
Endangered Species Conservation - Recovery Implementation Funds	15.657		5,181	-
Natural Resource Damage Assessment, Restoration and Implementation	15.658		1,000,000	-
Fish and Wildlife Coordination and Assistance	15.664		14,838	-
Coastal Impact Assistance	15.668		1,790,437	-
Cooperative Landscape Conservation	15.669		102,208	79,489
Earthquake Hazards Program Assistance	15.807		60,521	-
U.S. Geological Survey_ Research and Data Collection	15.808		9,527	-
National Cooperative Geologic Mapping	15.810		173,490	-
Historic Preservation Fund Grants-In-Aid	15.904		1,147,049	193,490
Outdoor Recreation_Acquisition, Development and Planning	15.916		5,147,195	4,118,977
National Center for Preservation Technology and Training	15.923		62,909	-
National Maritime Heritage Grants	15.925		327,143	-
ARRA - Redwood National Park Cooperative Management with the State of California	15.937		56,699	-
Natural Resource Stewardship	15.944		42,467	-
National Park Service Conservation, Protection, Outreach, and Education	15.954		13,189	-
Other - U.S. Department of the Interior	15.999		3,714,711	-
<b>Total Excluding Clusters</b>			<u><b>78,048,386</b></u>	<u><b>51,920,916</b></u>
<b>Fish and Wildlife Cluster</b>				
Sport Fish Restoration Program	15.605		4,622,533	-
Wildlife Restoration and Basic Hunter Education	15.611		13,239,830	137,241
<b>Total Fish and Wildlife Cluster</b>			<u><b>17,862,363</b></u>	<u><b>137,241</b></u>
<b>Research and Development Cluster</b>				
Central Valley Improvement Act, Title XXXIV	15.512		3,148,371	11,268
San Luis Unit, Central Valley Project	15.527		19,153	-
Sport Fish Restoration Program	15.605		10,412,959	474,843
Fish and Wildlife Management Assistance	15.608		82,065	-
Wildlife Restoration and Basic Hunter Education	15.611		6,124,234	393,284

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FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Cooperative Endangered Species Conservation Fund	15.615		2,115,640	1,786,188
State Wildlife Grants	15.634		1,940,060	612,663
Central Valley Project Improvement (CVPI) Anadromous Fish Restoration Program (AFRP)	15.648		27,902	-
Recovery Act Funds - Habitat Enhancement, Restoration and Improvement	15.656		2,366	2,366
Endangered Species Conservation - Recovery Implementation Funds	15.657		971	-
Natural Resource Stewardship	15.944		3,972	-
Other - U.S. Department of the Interior	15.999		87,631	19,564
<b>Total Research and Development Cluster</b>			<b>23,965,324</b>	<b>3,300,176</b>
<b>Total U.S. Department of the Interior</b>			<b>119,876,073</b>	<b>55,358,333</b>
<b>U.S. Department of Justice</b>				
Law Enforcement Assistance_Narcotics and Dangerous Drugs_Laboratory Analysis	16.001		154,201	-
Sexual Assault Services Formula Program	16.017		815,736	815,736
Juvenile Accountability Block Grants	16.523		811,900	811,768
Juvenile Justice and Delinquency Prevention	16.540		4,501,790	3,849,448
National Criminal History Improvement Program (NCHIP)	16.554		494,317	-
Crime Victim Assistance	16.575		108,738,125	103,400,067
Crime Victim Compensation	16.576		23,904,176	-
Crime Victim Assistance/Discretionary Grants	16.582		505,881	291,263
Violence Against Women Formula Grants	16.588		13,133,404	12,046,247
Residential Substance Abuse Treatment for State Prisoners	16.593		846,930	762,767
State Criminal Alien Assistance Program	16.606		50,600,084	-
Project Safe Neighborhoods	16.609		450,046	354,403
Regional Information Sharing Systems	16.610		-	-
<i>Pass-Through from Western States Information Network</i>		2015-RS-CX-0002	1,544,698	-
Public Safety Partnership and Community Policing Grants	16.710		758,369	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		20,795,700	19,939,661
DNA Backlog Reduction Program	16.741		1,218,305	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		863,325	787,969
Support for Adam Walsh Act Implementation Grant Program	16.750		105,346	-
Edward Byrne Memorial Competitive Grant Program	16.751		338,618	-
Harold Rogers Prescription Drug Monitoring Program	16.754		25,640	-
Second Chance Act Prisoner Reentry Initiative	16.812		441,864	-
John R. Justice Prosecutors and Defenders Incentive Act	16.816		52,008	52,008
Postconviction Testing of DNA Evidence to Exonerate the Innocent	16.820		801,489	801,489
Justice Reinvestment Initiative	16.827		44,938	-
Equitable Sharing Program	16.922		2,478,721	-
Other - Department of Justice	16.999		528,563	-
<b>Total U.S. Department of Justice</b>			<b>234,954,174</b>	<b>143,912,826</b>
<b>U.S. Department of Labor</b>				
Labor Force Statistics	17.002		7,317,327	-
Compensation and Working Conditions	17.005		759,136	-
Unemployment Insurance	17.225		5,955,006,008	-
Senior Community Service Employment Program	17.235		6,989,787	6,683,276
Trade Adjustment Assistance	17.245		4,795,872	-
WIOA Pilots, Demonstrations, and Research Projects	17.261		143,075	-
Work Opportunity Tax Credit Program (WOTC)	17.271		2,586,655	-
Temporary Labor Certification for Foreign Workers	17.273		1,295,937	250,000
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277		20,109,017	19,520,908
WIOA Dislocated Worker National Reserve Demonstration Grants	17.280		1,094,966	1,087,677
WIOA Dislocated Worker National Reserve Technical Assistance and Training	17.281		280,970	-
Apprenticeship USA Grants	17.285		143,371	-
Occupational Safety and Health_State Program	17.503		28,901,394	-
Consultation Agreements	17.504		5,937,025	-
Mine Health and Safety Grants	17.600		287,950	-
<b>Total Excluding Clusters</b>			<b>6,035,648,490</b>	<b>27,541,861</b>

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



FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
<b>Employment Service Cluster</b>				
Employment Service/Wagner-Peyser Funded Activities	17.207		82,014,242	2,920,082
Disabled Veterans' Outreach Program (DVOP)	17.801		21,592,050	-
<b>Total Employment Service Cluster</b>			<b>103,606,292</b>	<b>2,920,082</b>
<b>WIOA Cluster</b>				
WIA/WIOA Adult Program	17.258		111,248,418	102,097,191
WIA/WIOA Youth Activities	17.259		124,197,392	110,920,166
WIA/WIOA Dislocated Worker Formula Grants	17.278		158,721,759	143,769,499
<b>Total WIOA Cluster</b>			<b>394,167,569</b>	<b>356,786,856</b>
<b>Total U.S. Department of Labor</b>			<b>6,533,422,351</b>	<b>387,248,799</b>
<b>U.S. Department of Transportation</b>				
Highway Research and Development Program	20.200		104,264	-
National Motor Carrier Safety	20.218		12,693,829	-
Performance and Registration Information Systems Management	20.231		17,563	-
Commercial Driver's License Program Improvement Grant	20.232		7,004	-
Fuel Tax Evasion-Intergovernmental Enforcement Effort	20.240		55,977	-
ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319		1,051,520,086	-
High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319		16,520,647	4,450,268
<b>Total High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants</b>			<b>1,068,040,733</b>	<b>4,450,268</b>
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research Formula Grants for Rural Areas	20.505		58,409,346	58,409,346
Public Transportation Research, Technical Assistance, and Training	20.509		21,505,431	20,636,983
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Program	20.514		149,009	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.528	Grant	1,974,773	-
Pipeline Safety Program State Base Grant	20.608		61,481,821	22,501,381
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.700		5,735,902	-
	20.703		1,762,771	51,660
<b>Total Excluding Clusters</b>			<b>1,231,938,423</b>	<b>106,049,638</b>
<b>Highway Planning and Construction Cluster</b>				
Highway Planning and Construction	20.205		4,169,633,967	1,119,322,426
Recreational Trails Program	20.219		2,391,658	2,083,347
<b>Total Highway Planning and Construction Cluster</b>			<b>4,172,025,625</b>	<b>1,121,405,773</b>
<b>Transit Services Programs Cluster</b>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		11,776,809	7,510,936
Job Access and Reverse Commute Program	20.516		625,065	414,253
New Freedom Program	20.521		533,672	401,905
<b>Total Transit Services Programs Cluster</b>			<b>12,935,546</b>	<b>8,327,094</b>
<b>Federal Transit Cluster</b>				
Bus and Bus Facilities Formula Program	20.526		1,123,413	885,646
<b>Total Federal Transit Cluster</b>			<b>1,123,413</b>	<b>885,646</b>
<b>Highway Safety Cluster</b>				
State and Community Highway Safety	20.600		24,538,833	11,925,701
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		112,887	-
Safety Belt Performance Grants	20.609		35,796	-
State Traffic Safety Information System Improvements Grants	20.610		1,028,732	-
Incentive Grant Program to Increase Motorcyclist Safety	20.612		18,901	-
National Priority Safety Programs	20.616		22,307,344	13,533,336
<b>Total Highway Safety Cluster</b>			<b>48,042,493</b>	<b>25,459,037</b>

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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>Research and Development Cluster</b>				
Highway Planning and Construction	20.205		5,783,676	-
<b>Total Research and Development Cluster</b>			<u>5,783,676</u>	<u>-</u>
<b>Total U.S. Department of Transportation</b>			<u>5,471,849,176</u>	<u>1,262,127,188</u>
<b>Equal Employment Opportunity Commission</b>				
Other - Equal Opportunity Employment Commission	30.999		1,980,600	-
<b>Total Equal Employment Opportunity Commission</b>			<u>1,980,600</u>	<u>-</u>
<b>General Services Administration</b>				
<i>Donation of Federal Surplus Personal Property (Noncash)</i>	39.003		3,454,989	-
Election Reform Payments	39.011		377,087	-
<b>Total General Services Administration</b>			<u>3,832,076</u>	<u>-</u>
<b>National Endowment for the Arts</b>				
Promotion of the Arts_Partnership Agreements	45.025		1,057,095	-
Grants to States	45.310		13,834,391	8,853,548
<b>Total National Endowment for the Arts</b>			<u>14,891,486</u>	<u>8,853,548</u>
<b>Small Business Administration</b>				
State Trade Expansion	59.061		844,214	64,002
<b>Total Small Business Administration</b>			<u>844,214</u>	<u>64,002</u>
<b>U.S. Department of Veterans Affairs</b>				
Burial Expenses Allowance for Veterans	64.101		499,713	-
Veterans Housing Guaranteed and Insured Loans	64.114		135,529,993	-
All-Volunteer Force Educational Assistance	64.124		1,219,085	-
Veterans Cemetery Grants Program	64.203		188,212	-
<b>Total U.S. Department of Veterans Affairs</b>			<u>137,437,003</u>	<u>-</u>
<b>Environmental Protection Agency</b>				
Air Pollution Control Program Support	66.001		5,219,757	49,996
State Indoor Radon Grants	66.032		106,253	-
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		966,294	-
State Clean Diesel Grant Program	66.040		948,607	415,905
The San Francisco Bay Water Quality Improvement Fund	66.126		280,104	265,164
Congressionally Mandated Projects	66.202		365,317	309,278
Multipurpose Grants to State and Tribes	66.204		71,843	62,255
Water Pollution Control State, Interstate, and Tribal Program Support	66.419		11,115,689	3,993,554
State Public Water System Supervision	66.432		10,058,653	22,028
State Underground Water Source Protection	66.433		403,777	-
Water Quality Management Planning	66.454		1,086,705	372,754
Nonpoint Source Implementation Grants	66.460		7,046,005	2,867,512
Regional Wetland Program Development Grants	66.461		538,909	404,472
Beach Monitoring and Notification Program Implementation Grants	66.472		504,906	375,075
Performance Partnership Grants	66.605		1,233,032	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608		420,489	83,634
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707		471,588	-
Pollution Prevention Grants Program	66.708		128,243	97,043
Hazardous Waste Management State Program Support	66.801		6,521,811	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		1,007,136	-
Underground Storage Tank Prevention, Detection and Compliance Program	66.804		771,772	433,662
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805		2,301,641	-
State and Tribal Response Program Grants	66.817		893,700	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		204,291	157,101
<b>Total Environmental Protection Agency</b>			<u>52,666,522</u>	<u>9,909,433</u>

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<b>U.S. Department of Energy</b>				
State Energy Program	81.041		4,088,093	-
Weatherization Assistance for Low-Income Persons	81.042		6,220,456	5,279,221
Nuclear Waste Disposal Siting	81.065		842,918	-
Environmental Remediation and Waste Processing and Disposal	81.104		463,701	-
Long-Term Surveillance and Maintenance	81.136		22,086	-
Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214		83,827	-
<b>Total U.S. Department of Energy</b>			<b>11,721,081</b>	<b>5,279,221</b>
<b>U.S. Department of Education</b>				
Adult Education - Basic Grants to States	84.002		91,331,881	80,608,353
Title I Grants to Local Educational Agencies	84.010		1,773,331,834	1,756,667,434
Migrant Education_State Grant Program	84.011		127,030,634	115,070,474
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		1,231,385	1,215,000
Career and Technical Education -- Basic Grants to States	84.048		120,826,718	77,646,754
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126		301,367,208	-
Migrant Education Coordination Program	84.144		21,473	21,473
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177		3,183,619	2,923,239
Special Education-Grants for Infants and Families	84.181		59,104,608	-
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187		3,107,892	-
Education for Homeless Children and Youth	84.196		9,770,906	9,386,151
Charter Schools	84.282		21,184,404	20,671,338
Twenty-First Century Community Learning Centers	84.287		124,466,657	121,021,443
Special Education - State Personnel Development	84.323		2,497,548	-
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330		10,249,975	10,249,975
Rural Education	84.358		1,458,860	1,436,000
English Language Acquisition State Grants	84.365		154,147,099	148,752,781
Mathematics and Science Partnerships	84.366		29,359,928	28,510,787
Supporting Effective Instruction State Grants	84.367		244,558,379	237,444,162
Competitive Grants for State Assessments	84.368		46,065	-
Grants for State Assessments and Related Activities	84.369		27,637,702	585,815
School Improvement Grants	84.377		32,313,905	31,346,359
Race to the Top - Early Learning Challenge	84.412		3,046,902	1,154,275
Promoting Readiness of Minors in Supplemental Security Income	84.418		11,798,552	-
Disability Innovation Fund (DIF)	84.421		76,714	-
<b>Total Excluding Clusters</b>			<b>3,153,150,848</b>	<b>2,644,711,813</b>
<b>Special Education Cluster (IDEA)</b>				
Special Education - Grants to States (IDEA, Part B)	84.027		1,464,098,300	1,420,612,424
Special Education - Preschool Grants (IDEA Preschool)	84.173		48,134,849	45,728,652
<b>Total Special Education Cluster (IDEA)</b>			<b>1,512,233,149</b>	<b>1,466,341,076</b>
<b>Total U.S. Department of Education</b>			<b>4,665,383,997</b>	<b>4,111,052,889</b>
<b>U.S. Election Assistance Commission</b>				
Help America Vote Act Requirements Payments	90.401		23,203,049	-
<b>Total U.S. Election Assistance Commission</b>			<b>23,203,049</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		404,606	-
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		414,487	414,487
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042		1,475,617	1,400,971
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043		1,445,568	1,445,568
Alzheimer's Disease Demonstration Grants to States	93.051		191,117	191,117
National Family Caregiver Support, Title III, Part E	93.052		13,227,174	12,756,840
Public Health Emergency Preparedness	93.069		49,723,734	35,061,771

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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
Environmental Public Health and Emergency Response	93.070		1,341,794	462,889
Medicare Enrollment Assistance Program	93.071		652,889	633,889
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		495,362	-
Guardianship Assistance	93.090		52,078,091	51,960,449
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		6,479,121	4,635,614
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094		919,191	679,725
Food and Drug Administration_Research	93.103		2,060,526	-
Maternal and Child Health Federal Consolidated Programs	93.110		414,296	58,190
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		8,531,861	4,481,398
Preventive Medicine and Public Health Residency Training Program, Integrative Medicine Program, and National Center for Integrative Primary Healthcare	93.117		311,354	284,511
Emergency Medical Services for Children	93.127		120,446	-
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130		423,499	-
Injury Prevention and Control Research and State and Community Based Programs	93.136		4,018,117	-
Projects for Assistance in Transition from Homelessness (PATH)	93.150		6,406,029	6,394,310
Health Program for Toxic Substances and Disease Registry	93.161		872,769	-
Grants to States for Loan Repayment Program	93.165		974,855	-
Grants to States to Support Oral Health Workforce Activities	93.236		163,266	-
State Rural Hospital Flexibility Program	93.241		442,309	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243		2,749,315	1,359,291
Universal Newborn Hearing Screening	93.251		169,151	100,000
Immunization Cooperative Agreements	93.268		30,187,843	15,583,223
<i>Immunization Cooperative Agreements (Noncash)</i>	93.268		516,599,059	-
Total Immunization Cooperative Agreements			546,786,902	15,583,223
Adult Viral Hepatitis Prevention and Control	93.270		174,037	-
Substance Abuse and Mental Health Services - Access to Recovery	93.275		(68,093)	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283		12,634,722	10,000
Small Rural Hospital Improvement Grant Program	93.301		473,673	-
National State Based Tobacco Control Programs	93.305		2,839,307	958,756
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314		51,352	-
State Health Insurance Assistance Program	93.324		5,118,352	4,416,056
Behavioral Risk Factor Surveillance System	93.336		437,111	-
ACL Independent Living State Grants	93.369		1,124,983	259,247
Food Safety and Security Monitoring Project	93.448		306,557	-
ACL Assistive Technology	93.464		801,877	-
Pregnancy Assistance Fund Program	93.500		1,621,563	976,563
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long-Term Care Facilities and Providers	93.506		(201,749)	-
PPHF National Public Health Improvement Initiative	93.507		(162)	-
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511		1,611,772	-
Affordable Care Act (ACA) - Consumer Assistance Program Grants	93.519		60,000	-
The Affordable Care Act Medicaid Incentives for Prevention of Chronic Disease Demonstration Project	93.536		308,437	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539		739,787	-
Promoting Safe and Stable Families	93.556		32,485,622	30,121,582
Child Support Enforcement	93.563		645,431,570	508,031,191
Child Support Enforcement Research	93.564		341,513	341,513
Refugee and Entrant Assistance/Replacement Designee Administered Programs	93.566		38,150,530	25,334,163
Low-Income Home Energy Assistance	93.568		194,046,591	183,841,775
Community Services Block Grant	93.569		62,863,228	59,608,458
Refugee and Entrant Assistance_Discretionary Grants	93.576		1,530,355	1,456,155
U.S. Repatriation	93.579		18,658	-
Refugee and Entrant Assistance_Targeted Assistance Grants	93.584		5,142,121	5,014,726
State Court Improvement Program	93.586		1,405,694	35,648
Community-Based Child Abuse Prevention Grants	93.590		3,662,027	1,963,341
Grants to States for Access and Visitation Programs	93.597		331,289	-
Chafee Education and Training Vouchers Program (ETV)	93.599		2,930,361	-

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

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Head Start	93.600		6,148,631	4,270,285
Adoption and Legal Guardianship Incentive Payments	93.603		3,532	2,969
The Affordable Care Act - Medicaid Adult Quality Grants	93.609		(3,871)	-
Voting Access for Individuals with Disabilities_Grants to States	93.617		390,766	-
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624		1,864,808	-
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		359,993	332,396
Affordable Care Act Implementation Support for State Demonstrations to Integrate Care for Medicare-Medicaid Enrollees	93.628		(998,322)	-
Developmental Disabilities Basic Support and Advocacy Grants	93.630		6,391,658	-
ACA Support for Demonstration Ombudsman Programs Serving Beneficiaries of State Demonstrations to Integrate Care for Medicare-Medicaid	93.634		773,302	-
Children's Justice Grants to States	93.643		1,318,523	1,108,302
Adult Medicaid Quality: Improving Maternal and Infant Health Outcomes in Medicaid and CHIP	93.644		72,865	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645		30,021,652	30,021,652
Child Welfare Research Training or Demonstration	93.648		1,368,833	891,014
ARRA - Foster Care_Title IV-E	93.658		(1,086)	(1,086)
Foster Care_Title IV-E	93.658		1,303,864,790	1,232,258,426
Total Foster Care_Title IV-E			<u>1,303,863,704</u>	<u>1,232,257,340</u>
ARRA - Adoption Assistance	93.659		(601)	(601)
Adoption Assistance	93.659		492,597,769	470,194,364
Total Adoption Assistance			<u>492,597,168</u>	<u>470,193,763</u>
Social Services Block Grant	93.667		539,235,613	272,744,465
Child Abuse and Neglect State Grants	93.669		2,564,656	134,625
Child Abuse and Neglect Discretionary Activities	93.670		278,351	-
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		8,130,574	7,827,792
Chafee Foster Care Independence Program	93.674		18,563,530	16,890,119
ARRA - Advance Interoperable Health Information Technology Services to Support Health Information Exchange	93.719		1,248,671	704,675
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by the Prevention and Public Health Fund (PPHF)	93.733		1,284,492	79,643
State Public Health Approaches for Ensuring Qutline Capacity - Funded in part by Prevention and Public Health Funds (PPHF)	93.735		1,613,461	1,013,677
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke (PPHF)	93.757		7,614,757	7,331,944
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758		10,702,223	1,513,256
Children's Health Insurance Program	93.767		2,848,509,343	182,951,959
Money Follows the Person Rebalancing Demonstration	93.791		23,507,661	-
Organized Approaches to Increase Colorectal Cancer Screening	93.800		656,142	186,421
Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	93.810		688,689	76,872
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817		1,738,555	1,738,555
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829		909,374	-
The Health Insurance Enforcement and Consumer Protections Grant Program	93.881		86,984	-
National Bioterrorism Hospital Preparedness Program	93.889		26,390,868	18,313,729
Grants to States for Operation of State Offices of Rural Health	93.913		140,748	-
HIV Care Formula Grants	93.917		194,937,281	179,221,154
HIV Prevention Activities_Health Department Based	93.940		21,413,023	15,996,678
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		3,734,830	431,063
Assistance Programs for Chronic Disease Prevention and Control	93.945		2,729,800	703,270
Tuberculosis Demonstration, Research, Public and Professional Education	93.947		211,679	-

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

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Block Grants for Community Mental Health Services	93.958		60,965,180	59,870,096
Block Grants for Prevention and Treatment of Substance Abuse	93.959		357,780,582	341,509,973
Sexually Transmitted Diseases (STD) Preventing and Control Grants	93.977		6,105,750	1,236,741
Mental Health Disaster Assistance and Emergency Mental Health	93.982		463,489	381,646
Maternal and Child Health Services Block Grant to the States	93.994		48,866,094	19,265,764
Other - Department of Health and Human Services	93.999		22,923,513	-
<b>Total Excluding Clusters</b>			<b>7,777,835,686</b>	<b>3,829,475,255</b>
<b>Aging Cluster</b>				
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044		32,697,237	30,744,129
Special Programs for the Aging Title III, Part C Nutrition Services	93.045		58,358,517	56,602,331
Nutrition Services Incentive Program	93.053		11,328,944	11,328,944
<b>Total Aging Cluster</b>			<b>102,384,698</b>	<b>98,675,404</b>
<b>Maternal, Infant, and Early Childhood Home Visiting Center</b>				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505		14,867,166	11,449,179
Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870		8,783,975	8,099,244
<b>Total Maternal, Infant, and Early Childhood Home Visiting Center</b>			<b>23,651,141</b>	<b>19,548,423</b>
<b>TANF Cluster</b>				
Temporary Assistance for Needy Families (TANF) State Programs	93.558		3,569,540,287	2,436,684,551
<b>Total TANF Cluster</b>			<b>3,569,540,287</b>	<b>2,436,684,551</b>
<b>CCDF Cluster</b>				
Child Care and Development Block Grant	93.575		319,902,739	301,079,093
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		307,679,170	292,998,233
<b>Total CCDF Cluster</b>			<b>627,581,909</b>	<b>594,077,326</b>
<b>Medicaid Cluster</b>				
State Medicaid Fraud Control Units	93.775		27,267,621	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777		44,997,618	6,450,894
Medical Assistance Program	93.778		56,493,307,704	3,303,295,967
<b>Total Medicaid Cluster</b>			<b>56,565,572,943</b>	<b>3,309,746,861</b>
<b>Research and Development Cluster</b>				
Food and Drug Administration Research	93.103		47,867	-
<b>Total Research and Development Cluster</b>			<b>47,867</b>	<b>-</b>
<b>Total U.S. Department of Health and Human Services</b>			<b>68,666,614,531</b>	<b>10,288,207,820</b>
<b>Corporation for National and Community Service</b>				
State Commissions	94.003		910,856	-
AmeriCorps	94.006		21,194,967	21,064,228
Training and Technical Assistance	94.009		67,632	-
Volunteer Generation Fund	94.021		356,194	-
Operation AmeriCorps	94.025		52,525	52,525
<b>Total Excluding Clusters</b>			<b>22,582,174</b>	<b>21,116,753</b>
<b>Foster Grandparent/Senior Companion Cluster</b>				
Foster Grandparent Program	94.011		1,169,887	-
<b>Total Foster Grandparent/Senior Companion Cluster</b>			<b>1,169,887</b>	<b>-</b>
<b>Total Corporation for National and Community Service</b>			<b>23,752,061</b>	<b>21,116,753</b>
<b>Executive Office of the President</b>				
High Intensity Drug Trafficking Areas Program	95.001	G15SC0001A,	39,649	-
Pass-Through from CA Border Alliance Group / City of San Diego		G16SC0001A	356,028	-
Pass-Through from LA Police Chief's Association / City of Monrovia		G15LA0006A,	110,646	-
		G16LA0006A	1,389,213	-

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
<i>Pass-Through from LA Police Chief's Association / Riverside County</i>		G15LA0007A	20,775	-
		G16LA0007A	62,448	-
<i>Pass-Through from LA Police Chief's Association / Sacramento County</i>		G15CV0002A	2,749	-
		G16CV0002A	68,689	-
<b>Total Executive Office of the President</b>			<b>2,050,197</b>	<b>-</b>
<b>Social Security Administration</b>				
<b>Disability Insurance/SSI Cluster</b>				
Social Security - Disability Insurance (DI)	96.001		238,073,186	-
<b>Total Social Security Administration</b>			<b>238,073,186</b>	<b>-</b>
<b>U.S. Department of Homeland Security</b>				
Non-Profit Security Program	97.008		1,402,259	1,402,259
Boating Safety Financial Assistance	97.012		6,686,988	1,914,785
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023		568,113	-
Flood Mitigation Assistance	97.029		62,749	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		132,391,848	129,321,491
Hazard Mitigation Grant	97.039		8,505,717	7,449,540
National Dam Safety Program	97.041		96,021	-
Emergency Management Performance Grants	97.042		27,734,938	15,686,972
State Fire Training Systems Grants	97.043		21,121	-
Cooperating Technical Partners	97.045		274,004	58,641
Fire Management Assistance Grant	97.046		28,627,751	27,906,068
Pre-Disaster Mitigation	97.047		2,888,349	2,641,179
Homeland Security Grant Program	97.067		157,800,837	138,134,358
Severe Repetitive Loss Program	97.110		364,084	359,369
Rural Emergency Medical Communications Demonstration Project	97.120		(25,556)	(25,556)
<b>Total U.S. Department of Homeland Security</b>			<b>367,399,223</b>	<b>324,849,106</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 98,428,435,775</b>	<b>\$ 20,311,026,265</b>

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

## **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, 2017**

**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, 2017, except for federal awards received by the University of California system, a component unit of the State, the California State University system, the California Housing Finance Fund of the California Housing Finance Agency, a component unit of the State, the State Water Resources Control Board Water Pollution Control Revolving Fund, and the California State Water Resources Control Board Safe Drinking Water State Revolving Fund. These entities engaged other auditors to perform an audit in accordance with the U.S. Office of Management and Budget, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200) also referred to as the “Uniform Guidance”.

The Schedule presents only a portion of the State’s operations. It is not intended to and does not present the financial position, changes in net position/fund balance, or cash flows of the State.

**2. BASIS OF ACCOUNTING**

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

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

**3. CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)**

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

The CFDA is a five digit number. The first two digits represent the federal funding agency and the last three digits identify the specific federal program. If a CFDA number is unknown or unavailable, the two digit number identifying the federal funding agency is used along with a .999 federal program number.

**4. NONCASH FEDERAL AWARDS**

The State is the recipient of federal award programs that do not result in cash receipts or disbursements. These noncash federal awards include a variety of items, such as food and nutritional purchase assistance, commodities, vaccines, or federal excess property. Noncash awards received by the State are included in the Schedule and are italicized. Noncash awards for fiscal year ended June 30, 2017 are as follows:

Federal Catalog Number	Federal Program Title	Noncash Awards for the Fiscal Year Ended June 30, 2017
10.551	Supplemental Nutrition Assistance Program (SNAP)	\$ 6,858,664,805
10.555	National School Lunch Program	179,475,737
10.565	Commodity Supplemental Food Program	20,084,417
10.569	Emergency Food Assistance Program (Food Commodities)	73,377,128
15.543	Lake Tahoe Regional Wetlands Development	1,300,000
39.003	Donation of Federal Surplus Personal Property	3,454,989
93.268	Immunization Cooperative Agreements	490,966,260
<b>Total</b>		<b>\$ 7,627,323,336</b>

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

Loans and loan guarantees outstanding, and insurance in effect at June 30, 2017 are included in the Schedule and are summarized below:

Federal Catalog Number	Federal Program Title	Loans/Loan Guarantees Outstanding for the Fiscal Year ended June 30, 2017	Insurance In Effect at June 30, 2017
64.114	Veterans Housing Guaranteed and Insured Loans	\$ -	\$ 135,529,993
81.041	State Energy Program	1,394,920	-
<b>Total</b>		<b>\$ 1,394,920</b>	<b>\$ 135,529,993</b>

**6. PASS-THROUGH**

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

## **7. SUBRECIPIENTS**

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

## **8. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

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

## **8. INDIRECT COST RATE**

The majority of State entities claim indirect costs in accordance with a federally approved indirect cost rate plan. The California Secretary for Natural Resources Agency and the Emergency Medical Services Authority utilize the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

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Reference Number: **2016-001**

State Administering Department: California Department of Finance (Finance)

- Audit Finding:
1. The State of California (State) has a decentralized financial reporting process, which requires State agencies and departments to provide specific financial information to the Department of Finance (Finance) in order to annually compile the Schedule of Expenditures of Federal Awards (Schedule). In its effort to more efficiently and accurately prepare the Schedule in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Finance developed the Single Audit Expenditures Reporting Database (Database). Finance developed the Database to include all of the relevant data fields necessary to compile and produce the Schedule. Finance also created a Single Audit Database User Manual which provides specific guidance to users for accessing and navigating through the database. Departments are given access to the centralized Database by Finance in order to upload and report federal award information for all of their federal award programs which they administer. During our testing of the Schedule we identified the following errors, which were subsequently corrected by Finance, that are indicative of a lack of adequate controls for ensuring its completeness and accuracy:
  2. Education erroneously reported \$6.2 million and \$21.9 million of contractor payments as pass-through expenditures for Adult Education – Basic Grants to States (CFDA #84.002) and Child Care and Development Block Grant (CFDA #93.575).
  3. Education included a \$10.0 million transfer of funds from the Temporary Assistance for Needy Families (TANF) program (CFDA #93.558) in total federal expenditures for the Child Care and Development Block Grant (CFDA #93.575).
  4. Public Health combined the federal expenditures for Public Health Emergency Preparedness (CFDA #93.069) and the National Bioterrorism Hospital Preparedness Program (CFDA #93.889) and reported the amount under Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements (CFDA #93.074).

5. Health Care Services incorrectly reported \$123.0 million of pass-through expenditures for the Children's Health Insurance Program (CFDA #93.767) under the Medical Assistance Program (CFDA #93.778).
6. The California Emergency Medical Services Authority (EMSA) administers a portion of the Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (CFDA #93.758) program, and did not timely report its federal award expenditures to Finance via the Database

Status of Corrective Action: Partially Corrected. Finance developed and disseminated on-line training and tips to provide guidance on federal expenditure reporting requirements. State entities were required to certify their completion of the on-line training through the Single Audit Expenditure Reporting Database prior to submitting current year expenditures. Finance also performed outreach through scheduled site visits and conference calls to state reporting entities to assist in their understanding of the federal reporting requirements. Further, Finance developed additional analytical procedures to more accurately identify potential reporting errors.

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Reference Number: **2016-002**

Federal Catalog Number: 10.557

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

Audit Finding: Eligibility and Reporting. During testing of user access termination to Public Health's Women, Infants and Children (WIC) Management Information Systems (MIS), one user access termination was not completed for 130 days. The routing form used to request and authorize termination of user access was not routed to the appropriate information technology personnel. Public Health's current policies and procedures do not include monitoring controls to assess the effectiveness of existing controls over time.

Status of Corrective Action: Fully Corrected. Public Health's WIC Division Workforce Planning Unit sends to the Information Technology Services Division (ITSD) a departed staff listing at the end of each month, notifying ITSD of the staff who left the WIC Division that month. ITSD then deactivates any user IDs or log-ons associated with the departed staff member(s), if it has not already been done.

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Reference Number: **2016-003**

Federal Catalog  
Number: 10.557

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

Audit Finding: Subrecipient Monitoring. The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) are subject to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Public Health did not evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and terms and conditions of the subaward. Public Health did not develop policies and procedures for evaluating each subrecipient's risk of noncompliance with federal statutes, regulations, and terms and conditions of the subaward in a timely manner.

Status of Corrective  
Action: Fully Corrected. Public Health's WIC Division evaluated all 83 subrecipients and assigned a risk category of low, medium, or high. The WIC Division Local Services Branch will conduct additional monitoring on the subrecipients that are assigned medium or high risk during fiscal year 2017-18.

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Reference Number: **2016-004**

Federal Catalog  
Number: 20.205

State  
Administering  
Department: California Department of Transportation (Caltrans)

Audit Finding: Subrecipient Monitoring. Although Caltrans monitors its subrecipients of the Highway Planning and Construction program on the basis of risk, primarily based on review of independent single audits of the subrecipients, it has not yet developed and documented a formal risk assessment process over its subrecipients of federal awards to determine the frequency and extent of subrecipient monitoring activities to be performed. Caltrans did not develop formal policies and procedures for evaluating each subrecipient's risk of noncompliance with federal statutes, regulations, and terms and conditions of the subaward in a timely manner.

Status of Corrective Action: Partially Corrected. Caltrans Division of Local Assistance (DLA) has a corrective action plan that includes identifying existing risk assessment activities that DLA performs (June 2017 milestone), identifying gaps in the current risk assessment activities (August 2017 milestone), and identifying necessary actions to take to close the gaps in the current risk assessment activities (October 2017 milestone).

Currently, DLA has completed the first phase of the corrective action plan by identifying the existing risks in DLA's activities relating to the risk assessment process over its subrecipients of federal awards. The DLA has entered into its second phase of identifying the gaps in its current risk assessment activities, which is currently under review and evaluation by subject matter experts. Each corrective action will be incorporated into a formal risk assessment plan due in December 2017, and will be ready for implementation beginning January 2018.

Reference Number: **2016-005**

Federal Catalog Number: 84.010  
 84.365

State Administering Department: California Department of Education (Education)

Audit Finding: Level of Effort – Maintenance of Effort For 9 of the 33 local educational agencies (LEAs) tested, Education could not provide evidence that they substantiated whether the LEAs met the maintenance of effort (MOE) as required under the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act of 2001. All 9 of the LEAs were charter schools.

Status of Corrective Action: Fully Corrected. Education implemented an updated maintenance of effort calculation process, which includes the current calculation for all school districts, county offices of education, and all independently reporting charter schools.

Reference Number: **2016-006**

Federal Catalog Number: 84.002  
 84.010  
 84.365

State Administering Department: California Department of Education (Education)



**Audit Finding:** Subrecipient Monitoring. Education did not communicate the universal identifier and system for award management requirements to subaward applicants in accordance with 2 CFR 25.200. Additionally, Education did not collect the unique entity identifier prior to awarding funds in accordance with 2 CFR 25.205. Education does not have a process in place to ensure the required information is communicated and collected, nor was Education aware of this pre-award requirement for pass-through entities.

**Status of Corrective Action:** Fully Corrected. Education updated its processes to effectively communicate the submission requirements to applicants and ensure collection of the unique entity identifier number prior to awarding funds as required by 2 CFR 25.200. Specifically, the programs included in the recommendation (84.002, 84.010, and 84.365) implemented procedures for collecting and maintaining Data Universal Numbering System (DUNS) numbers for subrecipients receiving federal funds from Education. Additionally, in March 2018, Education implemented the following corrective actions:

- Revised the Funding Handbook to include collection, retention, and verification of the DUNS number; and
- Updated the 2017-18 General Assurances for grants to include the following language, “The Federal grant subrecipient has complied with the Federal Funding Accountability and Transparency Act, as defined in CFR Part 25 (PL-109-282; PL 110-252) regarding the establishment of a Data Universal Numbering System (DUNS) number and maintaining a current/active registration in the System for Award Management.”

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**Reference Number:** **2016-007**

**Federal Catalog Number:** 84.010  
84.365

**State Administering Department:** California Department of Education (Education)

**Audit Finding:** Subrecipient Monitoring. Education's methodology to disburse funds to subrecipients does not sufficiently analyze subrecipient information to reasonably determine a subrecipient's potential noncompliance with federal statutes, regulations, and terms and conditions of the subaward. Education's subrecipient monitoring efforts do not take into account whether it is reasonable that the negative cash balance reported by subrecipients or that over 50 percent of the entitlement award was spent by July, which could be an indication of noncompliance with federal statutes, regulations, and terms and conditions of the subaward.

Status of Corrective Action: Fully Corrected. Education revised its processes to limit the first apportionment of a new grant year to only 25 percent of the allocation; implementation of the updated process began in July 2017 for the fiscal year 2017-18 grants. Education continues to review and verify selected subrecipient's quarterly cash balances as reported in the Federal Cash Management Data Collection system, ensuring continued accuracy of information used to determine cash needs.

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Reference Number: **2016-008**

Federal Catalog Number: 93.069  
93.889

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

Audit Finding: Allowable Costs. Public Health charges personnel costs to the award based on budgeted amounts but does not perform an after-the-fact review of the actual effort applied toward the administration of the award. As such, Public Health did not determine if an adjustment was necessary to final charges in accordance with 2 CFR 200.430 (i)(1)(viii)(C). Public Health does not have a system of recordkeeping that accurately reflects the work performed in order to perform the required adjustment analysis and support charges to federal awards for salaries and wages.

Status of Corrective Action: Fully Corrected. The Emergency Preparedness Office (EPO) has completed two one-week time studies. One was conducted in February 2017 and the other in May 2017. EPO management has created a schedule so that the time study is conducted every three months and lasts for one week. The next study will be conducted in August 2017 and then again in November 2017. The scheduling of the time studies provides necessary data for management to make funding decisions with regard to personnel for the annual renewal of both the Public Health Emergency Preparedness and Hospital Preparedness Program grants, which are submitted to the Center of Disease Control and Prevention and Office of the Assistant Secretary for Preparedness and Response in May of every budget year.

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Reference Number: **2016-009**

Federal Catalog Number: 93.767

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

**Audit Finding:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles. Four cash drawdowns tested amounting to \$1,527,285 were for Local Education Agency (LEA) expenditures that are not allowable under the Children's Health Insurance Program. A coding error associated with aid code 7X, One Month Bridge to Healthy Family, resulted in payments claimed under the Children's Health Insurance Program for the title XIX Funding that were not allowable.

**Status of Corrective Action:** No Longer Valid. Health Care Services conducted a paid claims analysis based on the four cash drawdown dates identified in the audit by aid codes to determine if the amount of \$1,527,285 is allowable under the LEA Billing Option Program (BOP). The analysis included reviewing the '0109 Table' (which is used by the Fiscal Intermediary to adjudicate claims based on aid codes under the LEA BOP), review of the Aid Code Master List to identify the appropriate funding source for each aid code, the Bridge to Reform Waiver, Welfare and Institutions Code, sections 14005.26 and 14005.27, and State Plan Amendment 13-005.

As a result of the analysis, it was discovered the entire amount identified in the audit is allowable and eligible to be paid under the LEA BOP. These aid codes are for the Optional Target Low Income Children (OTLIC) population who are identified as Title XIX Medi-Cal eligible and approved by the Centers for Medicare and Medicaid Services to be funded under Title XXI; therefore, the Department disagrees with the audit findings and will be appealing the questioned costs of \$1,527,285 and \$3,685,271 identified in the 2016 and 2015 audits as items 2016-009 and 2015-008, respectively.

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**Reference Number:** **2016-010**

**Federal Catalog Number:** 93.575  
95.596

**State Administering Department:** California Department of Education (Education)

**Audit Finding:** Cash Management. Education failed to ensure that federal fund drawdowns for payments to child care providers were in compliance with the funding technique required by the Cash Management Improvement Act (CMIA) Agreement. For seven of the ten drawdowns tested, the draw down occurred after the first ten working days of the month. Internal reports used by Education for calculating the estimated monthly expenditures were not prepared in a timely manner for the drawdown to occur within the first ten working days of the month. Education's current process does not allow for the estimated monthly expenditure calculation to occur without the internal reports.

Status of Corrective Action: Fully Corrected. In June 2016, Education was notified of the issue and immediately took steps to ensure the timing of the drawdowns was corrected and in compliance with the funding technique required by the CMIA. In instances where internal monthly reports are unavailable for calculating drawdowns within the first ten working days of the month, verbal estimates will be obtained from the appropriate program offices to meet the required timing of the CMIA Agreement.

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Reference Number: **2016-011**

Federal Catalog Number: 93.959

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

Audit Finding: Cash Management. The cash management process of the Substance Use Disorder Program, Policy and Fiscal Division (Division) of Health Care Services does not provide for appropriate monitoring to ensure that subrecipients are minimizing the time elapsing between the receipt and disbursement of federal funds. The Division was unaware of the requirement to monitor the cash needs of their subrecipients.

Status of Corrective Action: Partially Corrected. Health Care Services was unable to implement the previously proposed quarterly line-item invoicing process for Substance Abuse Prevention and Treatment Block Grant (SABG) Substance Use Disorder (SUD) services beginning with the federal fiscal year 2017 SABG award.

The currently established SABG allocation and cost reporting processes have been in place since 1999 and would require significant collaborative efforts by Health Care Services and California's 58 counties to amend current processes and procedures for implementation. Additionally, prior to implementation of a quarterly invoicing process, the *California Health and Safety Code - HSC §11758.10* would need to be amended as it currently requires advance SABG payments to counties.

After further consultation with the federal cognizant, the Substance Abuse and Mental Health Services Administration (SAMHSA), it has been determined that Health Care Services will strengthen the currently established Quarterly Federal Financial Management Report (QFFMR) process to minimize the time elapsing between the receipt and disbursement of federal funds to subrecipients (counties). Health Care Services will require county subrecipients to provide actual SABG expenditures with supporting detail from accounting ledgers and actual SABG cash on hand prior to any additional disbursement of federal funds. Health Care Services will implement the enhanced QFFMR process

following consultation with Health Care Services Internal Audits, Accounting, the California Behavioral Health Director's Association and County Alcohol and Drug (AOD) Administrators.

Health Care Services and SAMHSA will confer and develop a corrective action plan in state fiscal year 2018-19.

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Reference Number: **2016-012**

Federal Catalog Number: 93.959

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

Audit Finding: Cash Management. The Cash Management Unit of Health Care Services failed to ensure that the drawdown of federal funds for payments to local agencies were in compliance with the funding technique requirements for the Block Grants for Prevention and Treatment of Substance Abuse program. For three of the eight pre-issuance drawdowns tested, the related disbursements occurred more than three business days after deposit of the related federal funds. Funds were drawn in error by the Cash Management Unit, which caused the warrant issue dates to exceed the required number of business days.

Status of Corrective Action: Partially Corrected. Health Care Services conducted a training with staff in March 2017 to review existing policies and procedures. Health Care Services will monitor the fund draws to ensure staff follow procedures on a regular basis. Health Care Services will work with the State Controller's Office and other necessary oversight entities to ensure compliance on an ongoing basis.

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Reference Number: **2016-013**

Federal Catalog Number: 93.778

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

Audit Finding: Eligibility. Eligibility redeterminations for 7 beneficiaries out of 69 reviewed were not performed within the required interval of once every 12 months. Health Care Services has delegated the performance of eligibility redeterminations to county welfare agencies in subawards. Excessive case management workload at the county welfare agency level resulted in

insufficient resources to ensure compliance with the redetermination requirements.

Status of Corrective Action: Remains Uncorrected. Health Care Services began systematic data collection and review of County welfare agencies' performance of timely eligibility redeterminations on a monthly basis to ensure that redeterminations occur within the required timeline. Ongoing, this data is used to select counties for audits that focus on timeliness of redeterminations. Health Care Services began performing random audits of counties focusing on the renewal process in March 2017. Upon completion of each audit, counties that do not meet the redetermination timeliness processing standard must submit a corrective action plan to Health Care Services. Health Care Services will review all corrective action plans and measure the effectiveness of each plan by monitoring redeterminations data that demonstrates a gradual increase in the number of redeterminations performed timely.

The Medi-Cal Eligibility Division Information Letter 17-12 notifying counties of Macias Gini & O'Connell LLP's findings was released on August 11, 2017.

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Reference Number: **2016-014**

Federal Catalog Number: 93.069  
93.889

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

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

Status of Corrective Action: Fully Corrected. EPO has created an annual certification process with Los Angeles County that outlines the set-aside portion of the County's Measure B Tax Revenue to contribute to the State's match requirement. The Certification Memo that is signed by the County includes evidence that meets the criteria of 2 CFR 200.306(b). EPO will have the fiscal year 2016-17 and fiscal year 2017-18 Certification Memo by September 1, 2017.

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Reference Number: **2016-015**

Federal Catalog Number: 93.069  
93.889

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

Audit Finding: Level of Effort. Public Health did not maintain expenditures for health care preparedness at a level that is not less than the average level of such expenditures maintained by the entity for the preceding two-year period for the grant award that closed during the fiscal year ended June 30, 2016. Additionally, Public Health cannot calculate compliance with the requirement for each program individually as the expenditures are not tracked separately. Public Health has historically calculated the maintenance of effort using a budgeted allocation amount rather than actual expenditures. Public Health has not been properly calculating the base against which compliance is measured.

Status of Corrective Action: Partially Corrected. Process change and documentation to switch from using budgeted amounts to actual expenditures for the purposes of calculating annual Level of Effort has been completed. The 2016-17 fiscal year calculation was completed in September 2017, as stated in the corrective action plan. The natural outcome of switching from using budgeted amounts to actual expenditures is a lower average Level of Effort. Therefore, our calculation of Level of Effort for 2016-17 and forward no longer meets the past year amounts at the time of our required calculation, which is when we submit our annual application – March/April of each year, which is prior to the completion of the state mandated encumbrance/liquidation period per Government Code §16304-16304.1. The Emergency Preparedness Office (EPO) has requested that the Centers for Disease Control (CDC) provide us with a long-term solution to this issue by either acknowledging that we can permanently reduce our Level of Effort calculation to match the new expenditures reflected at the grant application point in time or that we can update our Level of Effort amounts after the encumbrance/liquidation period is closed.

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Reference Number: **2016-016**

Federal Catalog  
Number: 93.758

State  
Administering  
Department: California Department of Public Health (Public Health)  
and California Emergency Medical Services Authority (EMSA)

Audit Finding: Earmarking. Total administrative expenditures for the 2014 Preventive Health and Health Services Block Grant award exceeded the 10 percent administrative cost limit. Public Health and EMSA do not have processes and procedures in place to monitor spending against the 10 percent limit during the grant period, nor do they have a process and procedure to perform an after-the-fact review of compliance with the limit to adjust charges prior to final close-out of the grant.

Status of Corrective  
Action: Partially Corrected. Public Health and EMSA both agree with this finding. In January 2017, Public Health/Chronic Disease Control Branch (CDCB) reviewed its internal monitoring processes pertaining to the 10 percent administrative costs limit. This process included obtaining clarification from the Centers for Disease Control and Prevention (CDC) regarding the definition of program costs vs. administrative costs. Per CDC, personnel utilized to manage the grant should be considered a direct cost because it is a direct benefit to the grant. Additionally, states must adhere to their respective policy on what to charge to administrative costs.

CDC shared the following excerpt from the U.S. Department of Health and Human Services (HHS) Policy Statement: “HHS recognizes that under block grant programs the grantee is primarily responsible for interpreting the governing statutory provisions. As a result, grantees may reach different interpretations of the same statutory provisions. This circumstance is consistent with the intent of and statutory authority for the block grant programs, which are intended to allow grantees maximum flexibility in design and operation of their grant-supported programs. For those block grant programs subject to 45 CFR part 96 (see Attachment 1 to this GPD), in resolving any issue raised by a complaint (under 45 CFR 96.50) or a federal audit, unless otherwise specified by the program’s authorizing statute (e.g., 42 USC 300x-60 regarding the Substance Abuse and Mental Health Services Administration’s block grants), HHS will defer to a grantee’s interpretation of its assurances and the provisions of the block grant statutes unless the interpretation is clearly erroneous.”



On February 15, 2017, Public Health/CDCB hosted a Program Updates Meeting and shared the 10 percent administrative costs restriction with Public Health and EMSA programs. On February 24, 2017, Public Health/CDCB shared with programs a memorandum of understanding and a budget template that contained the 10 percent limit. Programs were instructed to complete their budget and identify a non-federal expenditure Program Cost Account (PCA) that will be used if the 10 percent limit is exceeded. The programs submitted a budget that was within the 10 percent limit or provided an alternate PCA. On July 14, 2017, Public Health/CDCB hosted an orientation and reminded programs of the 10 percent limit and suggested alternative ways to meet their deliverables and spend their funds without exceeding the 10 percent limit. On August 4, 2017, Public Health/CDCB distributed written guidance on the new processes and requirements, including the 10 percent administrative costs restriction. Public Health/CDCB monitors compliance by requiring Public Health programs to complete a monthly expenditure report identifying all expenditures including administrative costs. EMSA submits Draw Requests (DR) for payment. Public Health/CDCB processes the DR and audits them to ensure the 10 percent limit is not exceeded. The DR is then submitted to the Public Health Accounting Office for payment. Public Health/CDCB also monitors the 10 percent limit during the fiscal year-end close-out process and will perform potential adjustments prior to the final close-out of the grant (September 30, 2017).

EMSA’s Administrative staff met during May 2017 to discuss the audit findings and reviewed existing processes. The review process was completed before September 8, 2017. EMSA has implemented an internal monitoring process to ensure that the 10% administrative cost limit is not exceeded. Each month EMSA receives from the Department of General Services/Contract Fiscal Services (DGS/CFS) a monthly invoice that identifies all PHHSBG expenditures including administrative costs which is reviewed to ensure that all expenditures are allowable, allocable, and the 10 % administrative cost limit has not been exceeded.

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Reference Number:	<b>2016-017</b>
Federal Catalog Number:	93.568
State Administering Department:	California Department of Community Services and Development (CSD)
Audit Finding:	<u>Period of Performance</u> . CSD carried over and re-obligated federal funds related to the grant award years which are outside the period of performance. CSD misinterpreted the period of performance compliance requirement and understood the obligation period to be five federal fiscal years. However, CSD must obligate the funds within the first two federal

fiscal years, but then has five federal fiscal years in which to expend and liquidate the federal funds awarded under the grants awards.

Status of Corrective Action: Fully Corrected. CSD has developed new allocation methodologies for Low Income Home Energy Assistance Program (LIHEAP) network contractors. This methodology applies the use of historical expenditure analysis to evaluate the capacity of local agencies to fully expend contract funds during a contract period. The methodology also helps to identify additional opportunities to expend contract funds. Using this methodological approach, CSD will make necessary adjustments to annual contract allocation determinations to ensure funding allocations align with an agency's demonstrated expenditure performance, and will also support the timely expenditure of carry over fund balances and future LIHEAP grant funds. The new allocation methodologies will be applied immediately to all future LIHEAP funding awards.

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Reference Number: **2016-018**

Federal Catalog Number: 93.069  
93.889

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

Audit Finding: Subrecipient Monitoring. The Public Health Emergency Preparedness and the National Bioterrorism Hospital Preparedness Programs had 61 subrecipients during fiscal year 2015-2016. For 6 subrecipients tested, the Emergency Preparedness Office (EPO) program management could not provide evidence that sufficient monitoring was performed to determine subrecipient use of funds is in accordance with federal statutes, regulations, and the terms and conditions of the subaward. Current monitoring procedures primarily focus on cost allowability and do not consistently cover other compliance areas such as reporting and subrecipient monitoring, and whether programmatic objectives are achieved. EPO did not properly design their monitoring policies and procedures to provide evidence that EPO monitors subrecipients' use of funds in accordance with federal statutes, regulations, and the terms and conditions of the subaward.

Status of Corrective Action: Fully Corrected. The Local Emergency Preparedness Section released newly implemented comprehensive monitoring tools to subrecipients with the fiscal year 2017-18 Local Guidance. The monitoring tools incorporate provisions for the review of subrecipient compliance with federal statutes, regulations, and the terms and conditions of the subaward; and examines whether subaward performance goals are achieved. The monitoring tools

for subrecipient subcontracts and invoicing has been implemented and will be reviewed and updated as necessary. Grant Compliance Unit performed compliance audits and risk assessment as part of the subrecipient monitoring for EPO subrecipients.

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Reference Number: **2016-019**

Federal Catalog  
Number: 93.069  
93.268  
93.758  
93.889

State  
Administering  
Department: California Department of Public Health (Public Health) and  
California Emergency Medical Services Authority (EMSA)

Audit Finding: Subrecipient Monitoring. Public Health and EMSA did not evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and condition of the subaward of the Public Health Emergency Preparedness, Immunization Cooperative Agreements, Preventive Health and Health Services Block Grant (PHHSBG), and National Bioterrorism Hospital Preparedness Programs. Public Health and EMSA did not have policies and procedures for evaluating each subrecipient's risk of noncompliance with federal statutes, regulations, and terms and conditions of the subaward in a timely manner.

Status of Corrective  
Action: Partially Corrected. Each subrecipient has been given a risk assessment and score for state fiscal year 2016-17, which predicts their level of grant compliance for the fiscal year 2017-18 grant year. The risk assessment matrix and grant compliance criteria is reviewed annually and updated as necessary. Annually, each subrecipient will have their risk assessment evaluated and scored.

In January 2017, Public Health/Chronic Disease Control Branch (CDCB) reviewed all federal statutes, regulations, and the terms and conditions of the federal PHHSBG award to determine whether or not policies and procedures existed and were operating effectively to ensure compliance with all requirements. In February 2017, Public Health/CDCB developed policies and procedures to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the sub-award. On February 15, 2017, Public Health/CDCB hosted a PHHSBG Program Updates Meeting and shared the new processes and requirements with Public Health and EMSA PHHSBG programs. On February 24, 2017, Public Health/CDCB shared a Memorandum of Understanding (MOU) containing the requirements and restrictions with PHHSBG Programs and requested it be signed. The signed MOUs are retained in Public Health/CDCB's files. On July 14, 2017, Public Health/CDCB hosted a PHHSBG orientation to share

updated information pertaining to the requirements and restrictions, and to answer programs' questions. On August 4, 2017, Public Health/CDCB distributed written guidance on the new processes and requirements, including evaluating subrecipient's risk of noncompliance.

Since November 2017, EMSA has been utilizing the Public Health Risk Assessment Tool for evaluating each subrecipient's risk of noncompliance with federal statutes, regulations and the terms and conditions of the subaward.

Public Health is currently working to centralize and streamline the subrecipient monitoring process. PHHSBG subrecipients will be monitored according to the assessed risk.

Effective July 2017, the Immunization Branch implemented the use of a Request For Application (RFA) to ensure all potential subrecipients of federal funding were provided with federal grant information, compliance requirements, and terms and conditions in advance of submitting an application for funding. The RFA includes an acknowledgement form, which confirms the applicant has received and reviewed the information.

Public Health is continuing to work on developing a tool to assess each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the federal award, as well as monitor subrecipients around the same items. Public Health has been researching appropriate items to include in the submonitoring checklist. The Immunization Branch is collaborating with both the state and Centers for Disease Control and Prevention (CDC) to determine what best practices exist to help in the development of the form. Public Health anticipates that a draft of the form will be completed by the end of August 2017 and then will solicit feedback from the state and CDC in the month of September 2017 in order to complete the form by October 2017.

Emergency Preparedness Office (EPO) in collaboration with Grant Compliance Unit, part of the Office of Compliance, performed its risk assessment for noncompliance with federal statutes, regulations, and the terms and conditions of the federal award for all of its subrecipients.

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Reference Number: **2016-020**

Federal Catalog Number: 93.268  
93.758

State Administering Department: California Department of Public Health (Public Health) and California Emergency Medical Services Authority (EMSA)

Audit Finding: Subrecipient Monitoring. The Immunization Branch and Chronic Disease Control Branch (CDCB) of Public Health and EMSA did not communicate the universal identifier and system for award management requirements to applicants in accordance with 2 CFR 25.200. Additionally, the unique entity identifier was not collected prior to awarding funds in accordance with 2 CFR 25.205. Public Health and ESMA did not communicate to its subrecipients the required federal award data elements upon making a subaward, including identifying the award as a subaward in accordance with 2 CFR 200.331. Public Health and EMSA were not aware of these pre-award and post-award requirements for pass-through entities, and had not established a process to ensure required information is communicated to subrecipients.

Status of Corrective Action: Partially Corrected. Public Health/CDCB and EMSA agree with this finding. In February 2017, Public Health/CDCB created policies and procedures to ensure the required information is communicated to applicants in accordance with 2 CFR 25.200, and that the unique entity identifier is collected prior to making subawards in accordance with 2 CFR 25.205. On February 15, 2017, Public Health/CDCB hosted a Program Updates Meeting and shared the new processes and requirements with Public Health and EMSA's Preventive Health and Health Services Block Grant (PHHSBG) Programs. On February 24, 2017, Public Health/CDCB shared with programs a Memorandum of Understanding (MOU) containing the requirement to comply with 2 CFR 25.205 and requested it be signed. The signed MOUs are retained in Public Health/CDCB's files. On July 14, 2017, Public Health/CDCB hosted an orientation to share updated information including the requirement to comply with 2 CFR 25.205. On August 4, 2017, Public Health/CDCB distributed written guidance on this requirement. CDCB plans to work with the Public Health Contract Management Unit to develop a PHHSBG specific contract checklist that will be required for all PHHSBG contracts. These requirements will be included in the PHHSBG Checklist. Public Health/CDCB will implement all aspects of this corrective action and maintain records demonstrating that such communications occurred.

EMSA's administrative staff met during May 2017 to discuss the audit findings and reviewed existing processes. The review process was completed before December 31, 2017. EMSA received in November 2017 the Public Health "Program Instructions for Potential PHHSBG

Contractors and Sub Recipients Checklist” which was distributed to all PHHSBG programs. EMSA is utilizing this document to ensure that EMSA communicates to applicants in accordance with 2 CFR 25.200 and that the unique entity identifier is collected prior to making sub awards in accordance with 2 CFR 25.205. Additionally, this document also provides for the timely and proper communication of all applicable subaward information in accordance with 2 CFR 200.331 and ensures that EMSA maintain records demonstrating that such communications occurred.

Effective July 2017, the Immunization Branch implemented the use of a Request For Application (RFA) to ensure all potential subrecipients of federal funding were provided with federal grant information, compliance requirements, and terms and conditions in advance of submitting an application for funding. The RFA includes an acknowledgement form, which confirms the applicant has received and reviewed the information. The universal identifier of each applicant is one data element collected through the RFA while the cover letter to the RFA identifies potential awards as subawards and provides required federal award information.

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Reference Number: **2016-021**

Federal Catalog Number: 93.575  
 93.596

State Administering Department: California Department of Education (Education)

Audit Finding: Subrecipient Monitoring. Education did not communicate the universal identifier and system for award management requirements to subaward applicants in accordance with 2 CFR 25.200. Additionally, Education did not collect the unique entity identifier prior to awarding funds in accordance with 2 CFR 25.205. Education does not have a process in place to ensure the required information is communicated and collected, nor was Education aware of this pre-award requirement for pass-through entities.

Status of Corrective Action: Partially Corrected. Education is reviewing federal statutes, regulations, and the terms and conditions of the federal award to determine what policies and procedures are operating effectively and in compliance with all requirements. In addition, to strengthen internal controls over subawards, Education is updating its processes to provide effective communication to applicants regarding submitting the unique entity identifier to Education as required by 2 CFR 25.200. Additional steps to streamline processes and increase communication within Education will be taken to ensure that the unique entity identifier is collected and stored prior to making subawards in accordance with 2 CFR 25.205.

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Reference Number: **2016-022**

Federal Catalog Number: 93.575  
93.596

State Administering Department: California Department of Education (Education)

Audit Finding: Subrecipient Monitoring. Education did not evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and terms and conditions of the subaward of the Child Care and Development Block Grant and Child Care Mandatory and Matching Funds of the Child Care and Development Fund. Education did not develop policies and procedures for evaluating each subrecipient's risk of noncompliance with federal statutes, regulations, and terms and conditions of the subaward in a timely manner.

Status of Corrective Action: Fully Corrected. Education formalized its risk assessment process to include the following attributes: 1) contractors not reviewed in the past five years; 2) contractors on conditional contract status; 3) contractors with pending issues on their Program Self-Evaluation; 4) contractors with unresolved audit findings for the most recent year; 5) contractors with pending program and fiscal monitoring findings; 6) contractors with at least three late fiscal reports and/or late audit reports; and 7) contractors with concerns reported by "whistleblowers" within the year. The updated risk assessment process was approved and included in the fiscal year 2016-17 review agreement and implemented immediately. Education will continue to use this criteria moving forward.

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Reference Number: **2016-023**

Federal Catalog Number: 93.658  
93.659  
93.667

State Administering Department: California Department of Social Services (Social Services)

Audit Finding: Subrecipient Monitoring. Although Social Services monitors its subrecipients on the basis of using some risk factors, primarily on reviews of the subrecipients independent single audits, Social Services has not yet developed and documented a formal risk assessment process for its subrecipients to determine the frequency and extent of subrecipient monitoring activities to be performed. Social Services did not formally develop policies and procedures for evaluating each subrecipient's risk of

noncompliance with federal statutes, regulations, and the terms and conditions of the subaward in a timely manner.

Status of Corrective Action: Partially Corrected. The Adoption Services Bureau created a draft risk assessment process that is currently in the review process. Once the process has been approved, it will be shared in an All County Information Notice and will be released by September 30, 2017.

As of July 2017, the finding regarding on-site fiscal monitoring has been partially corrected. The process of assessing risk when prioritizing county selection for Fiscal Monitoring Reviews has been formally documented. Social Services has a risk criteria “tracker” (or spreadsheet) described in the procedure and the explanation of weight criteria. Social Services is using these procedures for fiscal year 2017-18 as a pilot and will make any necessary modifications to the procedures before the next cycle to implement in fiscal year 2018-19.

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Reference Number: **2016-024**

Federal Catalog Number: 93.767  
93.778

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

Audit Finding: Subrecipient Monitoring. The Mental Health Division of Health Care Services did not take the required action of notifying subrecipients in writing within 30 days of the noncompliance regarding timeliness of submitting reports. Even when cost reports are submitted timely, Mental Health Division will often not review them for up to two years after submission. The Mental Health Division did not perform the required follow-up action for late cost reports because they are not tracking cost report submission.

Status of Corrective Action: Partially Corrected. Health Care Services has developed and released a Cost Report Submission Requirements Information Notice. The information notice contains a form that Mental Health Plans (MHPs) may use to request an extension to file a cost report. Health Care Services has begun sending out letters to MHPs whose cost reports are late.



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Reference Number: **2016-025**

Federal Catalog Number: 93.767  
93.778

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

Audit Finding: Subrecipient Monitoring. Health Care Services could not provide evidence that the required subrecipient versus contractor determinations were performed for the Children's Health Insurance Program and Medical Assistance Program. Health Care Services does not have policies and procedures in place to perform and document the required determinations.

Status of Corrective Action: Remains Uncorrected. Health Care Services is in periodic meetings with counsel and is reviewing and working towards finalizing the policies and procedures that will be used to perform and document the required subrecipient and contractor determinations. Health Care Services is on track to meet the originally proposed implementation date.

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Reference Number: **2016-026**

Federal Catalog Number: 93.767  
93.778

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

Audit Finding: Subrecipient Monitoring. Health Care Services did not evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward of the Children's Health Insurance Program and Medical Assistance Program. Health Care Services did not develop policies and procedures for evaluating each subrecipient's risk of noncompliance in a timely manner.

Status of Corrective Action: Remains Uncorrected. Health Care Services is working on reviewing all federal requirements that will be used to develop policies and procedures to evaluate each subrecipient's risk of noncompliance. Health Care Services plans to develop the policies and procedures by March 31, 2018.

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Reference Number: **2016-027**

Federal Catalog Number: 93.767  
93.778  
State Administering Department: California Department of Health Care Services (Health Care Services)

Audit Finding: Subrecipient Monitoring. The Mental Health Division of Health Care Services did not communicate the universal identifier and system for award management requirements to applicants of Short-Doyle funding in accordance with 2 CFR 25.200. Additionally, the Mental Health Division did not collect the unique entity identifier prior to awarding funds in accordance with 2 CFR 25.205. Further, the Mental Health Division did not communicate to its subrecipients the required federal award data upon making a subaward including identifying the award as a subaward in accordance with 2 CFR 200.331. The Mental Health Division does not have a process in place to ensure the required information is communicated to subrecipients, nor was the Mental Health Division aware of these pre-award and post-award requirements for pass-through entities.

Status of Corrective Action: Remains Uncorrected. Health Care Services embarked on the following approach to satisfy Data Universal Numbering System (DUNS) requirement;

1. Adding it to the Mental Health Block Grant policy letters – Health Care Services implemented this policy on May 22, 2014.
2. Health Care Services plans to include the information in the Mental Health Plan (MHP) Contract (not the cost report as indicated in the corrective action plan) indicating that the payments are considered a subaward and identifying the regulations with which they need to comply. Health Care Services is currently working to amend the MHP contract to implement changes to Federal Medi-Cal managed care regulations; therefore, the sub award language has not yet been implemented in the MHP contract. Once the MHP Contract amendment is complete, Health Care Services will include the DUNS reporting requirement in the annual cost report policy letters and add it to the annual cost report template as a required field in the county information page.

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Reference Number: **2016-028**

Federal Catalog Number: 93.069  
93.889

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

Audit Finding: Reporting. The Emergency Preparedness Office (EPO) of Public Health combined federal expenditures for the Public Health Emergency Preparedness and the National Bioterrorism Hospital Preparedness Program and reported the amount as a single award in the Federal Financial Report. EPO should review the report filing instructions and revise policies and procedures in order to ensure the report is complete and accurate. Additionally, EPO should submit corrected reports to the granting agency.

Status of Corrective Action: Fully Corrected. In fiscal year 2016-17, the Public Health Accounting Section completed the corrections for Federal Trust Fund's Report 13 (CALSTARS Q34 report). The deficiency noted for fiscal year 2015-16 has been corrected in the CALSTARS accounting system, and the expenditures have been properly separated into Catalog of Federal Domestic Assistance (CFDA) numbers 93.069 and 93.889. Public Health is using the correct CFDA numbers to prepare the SEFA report due to the Department of Finance on September 8, 2017.

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Reference Number: **2016-029**

Federal Catalog Number: 93.777

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

Audit Finding: Special Tests and Provisions - Provider Health and Safety Standards. For 1 of the 40 Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID) tested, the annual survey was not performed in accordance with the required interval. Public Health's Center for Health Care Quality did not have sufficient resources.

Status of Corrective Action: Fully Corrected. In addition to the controls reported in March 2017, Public Health completed all required skilled nursing facility surveys by September 30, 2016.

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Reference Number: **2016-030**

Federal Catalog  
Number: 93.778

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

Audit Finding: Special Tests and Provisions – ADP Risk Analysis and System Security Review. The California Medicaid Management Information System (CAMMIS) Division of Health Care Services uses a service organization/fiscal intermediary (Conduent) to perform many fiscal components of the administration of the Medical Assistance Program. The CAMMIS Division obtained a Statement on Standards for Attestation Engagement (AT) Section 801, Report on Controls at a Service Organization (SOC 1 type 2) for the period of July 1, 2015 to June 30, 2016 from Conduent on the Suitability of the Design and Operating Effectiveness of Controls. There were a number of significant exceptions in the report, three of which were significant enough to warrant a modified opinion on controls. The three significant exceptions were that Conduent did not have: 1) adequate controls that restrict access to promote changes to the production environment to authorized personnel, 2) an adequate process to terminate employees' access to the network and applications upon notification, and 3) adequate controls that restrict access to Automatic Transaction Generators (ATGs) to authorized personnel, nor an adequate process to approve ATGs prior to implementation.

Status of Corrective  
Action: Remains Uncorrected. Health Care Services and Conduent meet semi-regularly to track corrective actions on the SOC 1 type 2 findings for the period July 1, 2015 to June 30, 2016. Conduent completed remediation steps for the three exceptions warranting a modified opinion. Of the remaining SOC 1 exceptions noted in the finding, only one remains open as it requires a system change that will take time to implement or process through change control. The finding remains active and Health Care Services will continue to monitor until closed.

# **Department of Finance Response Letter**





DEPARTMENT OF  
**FINANCE**  
OFFICE OF THE DIRECTOR

EDMUND G. BROWN JR. ■ GOVERNOR

STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

October 19, 2018

Macias Gini & O'Connell<sup>LLP</sup>  
3000 S Street, Suite 300  
Sacramento, CA 95816

Thank you for the opportunity to respond to the reissued federal compliance audit report for the fiscal year ended June 30, 2017. This report was the result of your examination of the state's administration of federal programs and will be part of the Single Audit Report covering this period. State entities with findings and recommendations responded directly to Macias Gini & O'Connell<sup>LLP</sup> (MGO). The responses and corrective action plans, compiled by MGO and provided to the California Department of Finance (Finance), are attached. Finance will remind state entities of their responsibility for implementing corrective actions.

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

Sincerely,

KEELY MARTIN BOSLER  
Director

Enclosure





# **Management's Response and Corrective Action Plan**

**STATE OF CALIFORNIA**  
**MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Reference No. 2017-002:

CalFresh Quality Control acknowledges the finding from MGO. However, it should be noted that the California Department of Social Services (Social Services) Quality Control complies with all requirements mandated by USDA Food and Nutrition Service (FNS) in terms of communication with counties regarding Quality Control case reviews. Not only does FNS regularly conduct an intensive re-review of a sample of State Quality Control (SQC) and County Quality Control (CQC) case reviews (approximately 35% of transmitted cases per year), but FNS also conducted a California Quality Control Integrity Review in 2016. During the course of these thorough monitoring activities, Social Services has not been cited by FNS for failing to communicate results to a county (subrecipient).

Because Social Services does not have unfettered access to the three eligibility systems in the state, the SQC reviewer cannot review the case without contacting the county. There is no scenario in which the SQC reviewer covertly conducts a case review and does not communicate with the county. Because the SQC reviewers develop good, positive working relationships with the county point of contacts, communication often occurs via the telephone, rather than via email or formal letter. Counties are eager to address deficiencies and opportunities for improvement as soon as they are identified by SQC. Additionally, each of the 58 counties have access to error rate reports in which they can view their county's case review results.

Furthermore, the SQC program extends to performance improvement by analyzing and sharing trends, convening a bimonthly collaborative forum with counties to discuss opportunities for improvement (see January FAAC agenda), offering in-person targeted 1:1 assistance to counties, and designing technical assistance interventions and tools to address error trends.

Social Services acknowledges that, for the purposes of this extensive audit, we were not able to formally substantiate communication that occurred between SQC and the subrecipient for 3 out of 25 sampled case reviews from sample months August 2016 – April 2017. To that end, we will strengthen our record-keeping per the recommendation of this finding. Social Services has outlined the following steps that will be taken to address this opportunity for improvement:

- Reinforce at the next Food Assistance Action Committee (FAAC) meeting, that all 19 CQC units, which complete their own county's QC cases, are also mandated to issue timely case disposition letters (CDLs) and complete follow-up corrective action(s) on cases identified as errors in their county – (March 27-28, 2018).
- Release official guidance on this process via a QC transmittal (method for communicating with CQC and SQC analysts regarding Quality Control topics – (Released by May 15, 2018).
- Social Services QC and Management Evaluation (ME) staff will inquire from counties during its Management Evaluation that the aforementioned process is consistently being followed – (incorporated into ME's starting in April 2018).

Estimated Implementation Date: June 2018

Contact: Debbie Richardson, Chief  
Audits Bureau  
Division of Administration  
California Department of Social Services

Reference No. 2017-003:

Nutrition Education Section: Social Services Nutrition Education Section currently conducts Management Evaluations of SNAP-Ed based on the Food and Nutrition Service SNAP-Ed risk-assessment direction. Based on the audit recommendations, the Social Services Nutrition Education Section is developing and documenting a formal process for performing risk assessments related to SNAP-Ed management evaluations and on-site reviews of subrecipients. The risk assessment will be used to determine the frequency and extent of such monitoring activities to ensure they are commensurate with the identified risk for each subrecipient. As part of the correction plan, the SNAP-Ed risk assessment process will be formalized and completed by June 1, 2018, and upon completion, will be included in Social Services' formal audit submission. Social Services Nutrition Section will implement this process with its SNAP-Ed subrecipients prior to the next federal fiscal year's SNAP-Ed Management Evaluations.

Fiscal Policy and Analysis Bureau (FPAB): Due to the timing of the issuance of this finding (March 2017), the process could not be implemented until the next fiscal year (2017-18), with full implementation in fiscal year 2018-19. The FPAB concurs with and continues implementation of the recommendation related to the annual risk assessment for subrecipient fiscal monitoring purposes.

Estimated Implementation Date: Fiscal year 2018-19

Contact: Debbie Richardson, Chief  
Audits Bureau  
Division of Administration  
California Department of Social Services

Reference No. 2017-004:

The California Department of Rehabilitation (Rehabilitation) agrees that 1 of 40 individuals' cases audited, Rehabilitation did not determine an applicant's eligibility for services within the 60-day time period to which the consumer and Rehabilitation agreed.

While Rehabilitation strives to meet deadlines in every case, Rehabilitation notes that one case in 40 represents 2.5 percent of all audited cases. Therefore, it is notable that 97.5 percent of cases audited demonstrated timely eligibility determination or appropriate completion of an extension and adequate controls. Rehabilitation does not agree that this single instance, in a sample of this size, is a significant deficiency that requires additional controls.

Within 90 days, Rehabilitation will work with the local District Administrator to address the circumstances in this one case that resulted in the late eligibility determination.

Estimated Implementation Date: June 2018

Contact: Peter Harsch, Deputy Director, Vocational  
Rehabilitation Employment Division  
California Department of Rehabilitation

Reference No. 2017-005:

Rehabilitation agrees that in the 3 instances noted by the auditors, Rehabilitation staff did not complete Individualized Plan for Employment (IPE) development or an extension within the 90 day timeframe allowed by regulation. These three cases represent five percent of the sample of 60 cases reviewed for IPE completion. Therefore, it follows that 95 percent of the audited sample was compliant with applicable regulations and policy.

While Rehabilitation believes 95 percent to be a good result and indicator that controls are working, Rehabilitation always strives to achieve 100 percent compliance with all aspects of case management, particularly eligibility and plan development to ensure that consumers are served in a timely manner.

Within 30 days, Rehabilitation will remind all team service delivery staff of the importance of completing IPEs within 90 days and to reach out to their supervisor for assistance if workload may impact the ability to meet the deadline. Rehabilitation appreciates the auditors' recommendation of an additional control (copying the team manager when a team member receives an Agency Activity Due reminder of upcoming eligibility or IPE development deadlines) to those currently in place that include monthly pending and overdue cases reports to managers. After careful consideration of the auditors' recommendation, Rehabilitation has determined that an additional control statewide need not be established.

Estimated Implementation Date: June 2018

Contact: Peter Harsch, Deputy Director, Vocational  
Rehabilitation Employment Division  
California Department of Rehabilitation

Reference No. 2017-006:

The California Department of Public Health's (Public Health) Chronic Disease Control Branch (CDCB) agrees with this finding, because the Public Health/CDCB implemented the correction after June 30, 2017.

- Public Health/CDCB developed policies and procedures to comply with the standards for documentation of personnel expenses.
- On July 14, 2017, Public Health/CDCB shared the following guidance with all Public Health Preventive Health and Health Services Block Grant (PHHSBG) programs.
- Staff funded by the PHHSBG at 100% are required to complete and sign the CDPH 2361 Form – Federal Certification of Activity.
- Employees' supervisors are required to complete and sign the CDPH 2361E Form, certifying the employee's time on the project.
- In August 2017, the Public Health/CDCB distributed a Time Study Template and Instructions to all Public Health programs.
- In November 2017, the Public Health/CDCB distributed a Revised Time Study Template and Instructions to all Public Health programs.
- In December 2017, Public Health/CDCB distributed the CDPH 2361 Forms and CDPH 2361E Forms and Instructions to all Public Health programs.
- Public Health/CDCB requests copies of the completed CDPH 2361 Forms, CDPH 2361E Forms, and the Time Study Reports from Public Health.
- Public Health/CDCB will file and maintain copies of completed CDPH 2361 Forms, CDPH 2361E Forms, and the Time Study Reports. This approach will ensure compliance with this requirement.
- Public Health will analyze personnel expenditures to ensure the level of effort matches the level charged to the PHHSBG. Public Health staff will submit necessary Expenditure Corrections (EC) to the Public Health Accounting Office for processing. Public Health/CDCB will collect, file, and maintain copies of the EC documentation.

Estimated Implementation Date: June 30, 2018

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

Reference No. 2017-007:

The California Department of Health Care Services (DHCS) agrees with the finding. For CHIP, 14 claim schedules representing \$28,462,018 is 1.0% of the total. For Medicaid, 38 claim schedules representing \$56,194,743,889 is 0.74% of the total. DHCS processed more than 99% of the claim schedules within the 3 days requirement.

Corrective Action Plan:

- DHCS will thoroughly review claim schedules before sending to the State Controller's Office (SCO).
- DHCS will increase communication with the SCO and provide the SCO with additional or needed information to avoid claim cuts and delays in the SCO process.
- DHCS Payable Unit will work with the Cash Management Unit to make appropriate federal draw adjustments to eliminate or reduce claim cuts by the SCO.

Estimated Implementation Date: Ongoing

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

Reference No. 2017-008:

This is a repeat finding from last year's audit (2016-011). DHCS agrees with the audit finding that DHCS's current allocation and cost reporting processes are insufficient to ensure county first-tier subrecipients are minimizing the time elapsing between receipt of quarterly advances of Substance Abuse Prevention and Treatment Block Grant (SABG) funds and the related expenditure. This could potentially result in an interest liability, required to be returned to the Federal granting agency.

DHCS was unable to implement the previously proposed quarterly line-item invoicing process for SABG substance use disorder (SUD) services beginning with the federal fiscal year (FFY) 2017 SABG award, as outlined in the response to last year's audit finding. Revising the currently established SABG allocation and cost reporting processes would require significant collaborative efforts by DHCS and California's 58 Counties to amend current procedures for implementation. Additionally, prior to implementation of a quarterly invoicing process, the *California Health and Safety Code – HSC §11758.10* would need to be amended as it currently requires advance SABG payments to counties.

After further consultation with the federal cognizant agency, the Substance Abuse and Mental Health Services Administration (SAMHSA), it has been determined that DHCS will strengthen the currently established Quarterly Federal Financial Management Report (QFFMR) process to minimize the time elapsing between the receipt and disbursement of federal funds to subrecipients (counties). DHCS will require county subrecipients to provide actual SABG expenditures with supporting detail from accounting ledgers and actual SABG cash on hand prior to any additional disbursement of federal funds. DHCS will

implement the enhanced QFFMR process following consultation with DHCS Internal Audits, Accounting, the California Behavioral Health Director's Association and County Alcohol and Drug (AOD) Administrators.

DHCS will implement this corrective action plan in state fiscal year 2018-19, beginning with the FFY 2018 SABG award.

Estimated Implementation Date: Fiscal year 2018-19

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

Reference No. 2017-009:

DHCS agrees with the findings. DHCS currently performs quality control reviews that focus on timeliness and accuracy of renewals. The intent of these reviews is to identify issues that contribute to delays in renewal processing time, and isolate areas in policy that may need clarification. Counties are selected for review based on the following criteria:

1. Size of Medi-Cal population
2. Performance in prior external/internal audits
3. Data capturing the percentage of renewals processed timely

DHCS will utilize renewal timeliness reports generated monthly to quickly identify counties that are out of compliance with renewal processing timeframes. DHCS will work directly with these counties to implement policies and procedures that address this issue. If counties do not demonstrate improvement, DHCS will require counties to submit a corrective action plan, and DHCS will perform additional quality control reviews on a regular basis until the issue is resolved.

DHCS is developing a quality control process to monitor all critical and urgent level Medi-Cal Eligibility Data System (MEDS) alerts, including those associated with social security numbers, to ensure that these alerts are resolved timely. Monitoring these alerts will assist in quickly identifying those counties that are not resolving MEDS alerts timely. DHCS will work directly with those counties to provide technical assistance and guidance to address the issue, thereby reducing the number of potential findings associated with failed electronic verification of demographic information and ineligibility to coverage group. In addition, this process will decrease the number of individuals placed on a hold due to unresolved MEDS issues.

These processes will allow DHCS the opportunity to work collaboratively with county staff to develop policies and employ strategies designed to reduce the potential of similar findings in future audits, and isolate areas in policy where additional guidance from the state is needed. DHCS will utilize various regularly scheduled meetings with county staff as a forum to communicate responsibilities and expectations, and to provide guidance and training as needed.

DHCS staff will continue to conduct county site visits to observe county business practices, and workflow process to better understand challenges counties may be experiencing, and work with county staff towards resolution.

Implementation Date: April 2018

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

Reference No. 2017-010:

The Immunization Branch of Public Health agrees with the finding regarding subrecipient monitoring. The Immunization Branch identified information and requirements which must be disclosed to all subrecipients of federal funding and has taken the necessary steps to revise and implement operational procedures effective fiscal year 2017-18 to ensure compliance with the various disclosure requirements. All necessary information and requirements regarding the federal funding have been included in our Request for Application (RFA) which is a precursor to initiate grant agreements with the subrecipients.

Estimated Implementation Date: June 30, 2018

Contact: Maria Volk, Assistant Branch Chief  
Immunization Branch  
Center for Infectious Diseases  
California Department of Public Health

Noemi Marin, Chief of Operations Support Section  
Immunization Branch  
Center for Infectious Diseases  
California Department of Public Health

Reference No. 2017-011:

The Immunization Branch of Public Health agrees with the finding regarding subrecipient monitoring. The Immunization Branch developed a tool to assess each subrecipient's risk of noncompliance with federal statutes, regulations and the terms of conditions of the federal award as well as monitor subrecipients around the same items. The Immunization Branch implemented the use of the assessment tool effective fiscal year 2017-18. Additionally, the single audit workgroup within Public Health has developed a Single Audit Report Review Checklist as a tool to monitor subrecipients. The Immunization Branch will review and integrate as needed in order to improve existing risk assessment procedures.

Estimated Implementation Date: June 30, 2018

Contact: Maria Volk, Assistant Branch Chief  
Immunization Branch  
Center for Infectious Diseases  
California Department of Public Health

Noemi Marin, Chief of Operations Support Section  
Immunization Branch  
Center for Infectious Diseases  
California Department of Public Health

Reference No. 2017-012:

The Performance Monitoring and Research Bureau (PMRB) will formalize a corrective action process in the following order:

- 1) Effective October 2018 for FFY 2017 case file reviews, PMRB will update procedure questions counties are required to complete during a review and document what changes were made since the counties last review to address inaccuracies;
- 2) Effective October 2019 for FFY 2018 case file reviews, PMRB will release an All County Letter notifying counties of the new corrective action process. PMRB will follow-up with counties to ensure receipt of the new corrective action process and address questions when necessary;
- 3) Effective October 2020 for FFY 2019 case file reviews, PMRB will update instructions sent to counties before a review informing them of the correction action process if inaccuracies are identified; and
- 4) Effective October 2020 for FFY 2019, PMRB will update the Preliminary Report of Findings sent to counties after a review with information regarding corrective action improvements or changes that are needed.

PMRB anticipates corrective actions may include adding information to a form used by a county to track participation hours, ensuring contact information is included in case files, modifying county processes to ensure documentation supports reported activity hours and training new and current staff on the appropriate ways to collect and report activity hours. PMRB will issue corrective action plans to counties through the Final Report of Findings and will ensure actions were taken by counties during the following review year; two years for non-Performance Monitoring Counties (PMCs) and three years for PMCs. Please note that PMRB's validation reviews do not affect work participation rates. PMRB verifies work participation activity hours reported by clients, not work participation rates calculated by counties. Cases are reviewed for a FFY that is closed, therefore no cases can be modified.

Estimated Implementation Date: October 2019

Contact: Debbie Richardson, Chief  
Audits Bureau  
Division of Administration  
California Department of Social Services

Reference No. 2017-013:

The CalWORKs Eligibility Bureau will develop and document a risk assessment process that meets the criteria identified in the Code of Federal Regulations (CFR) §200.331 to more formally determine the frequency and extent of the monitoring activities to be performed.

Estimated Implementation Date: July 2018 for the 2019 CalWORKs Eligibility Case File Review County Selection

Contact: Debbie Richardson, Chief  
Audits Bureau  
Division of Administration  
California Department of Social Services



Reference No. 2017-014:

Education continues to update its processes to effectively communicate the submission requirements to applicants and ensure collection of the unique entity identifier number prior to awarding funds as required by 2 CFR 25.200. As of March 2018, Education implemented the following corrective actions:

- Reviewed federal statutes, regulations, and the terms and conditions of the federal award;
- Revised the Funding Handbook to include collection, retention, and verification of the Data Universal Numbering System (DUNS) number; and
- Updated the 2017-18 General Assurances for grants to include the following language, “The Federal grant subrecipient has complied with the Federal Funding Accountability and Transparency Act, as defined in CFR Part 25 (PL-109-282; PL 110-252) regarding the establishment of a DUNS number and maintaining a current/active registration in the System for Award Management.”

Estimated Implementation Date: June 2019

Contact Person: Kimberly Tarvin, Director  
Audits and Investigations Division  
California Department of Education

Reference No. 2017-015:

Public Health’s Chronic Disease Control Branch (CDCB) agrees with this finding.

Public Health/CDCB:

- Reviewed all federal statutes, regulations, and the terms and conditions of the federal PHHSBG award to identify the necessary components of the subrecipient monitoring process, during the subaward period.
- Will develop comprehensive Subrecipient During-the-Award Policies and Procedures for utilization during the subaward period. The policies and procedures will include provisions for the review of subrecipient compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that the subawardee achieves its performance goals.
- Will continue working with the Public Health Office of Compliance/Internal Audits to develop a comprehensive During-the-Award Subrecipient Monitoring Tool.
- Will distribute the During-the-Award Subrecipient Monitoring Tool to Public Health programs.
- Will follow up with Public Health programs to ensure they complete the During the Award Subrecipient Monitoring Tool for each subrecipient funded in state fiscal year 2017-18.
- Will collect, file, and maintain completed Monitoring Tools to demonstrate compliance with these requirements.
- Will revise the comprehensive Subrecipient During-the-Award Policies and Procedures, if necessary.

Implementation Date: October 2018

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

Reference No. 2017-016:

Public Health's CDCB and Emergency Medical Services Authority (EMSA) agrees with this finding, because the departments implemented some of the corrections after June 30, 2017.

- In approximately January 2017, Public Health/CDCB reviewed all federal statutes, regulations, and the terms and conditions of the federal award to determine whether policies and procedures existed and were operating effectively to ensure compliance with all requirements. Public Health/CDCB determined policies and procedures needed to be developed.
- On February 24, 2017, Public Health/CDCB: Distributed a Memorandum of Understanding (MOU) to Public Health programs and EMSA that identified the requirements for ensuring the required information is communicated to applicants in accordance with 2 CFR 25.200 and 2 CFR 331 and that the unique identifier is collected prior to making subawards in accordance with 2 CFR 25.205.
- Each Public Health program and EMSA was required to sign the MOU acknowledging receipt of it and an understanding of these terms.
- On July 14, 2017, Public Health/CDCB: Hosted a PHHSBG orientation and provided additional guidance on the requirement to obtain the unique identifier prior to awarding funds and for communicating the required federal award information to subrecipients timely. Public Health/CDCB allowed Public Health and EMSA to ask questions or request additional clarification.
- On August 4, 2017, Public Health/CDCB: Issued a reminder on the requirement to obtain the unique identifier prior to awarding funds and for communicating the required federal award information to subrecipients timely.
- In November 2017, Public Health/CDCB: Created and distributed a "Program Instructions for Potential PHHSBG Contractors and Subrecipients Checklist" to all Public Health programs and EMSA.
- Public Health/CDCB will continuously collect, file, and maintain completed "Program Instructions for Potential PHHSBG Contractors and Subrecipients Checklists" to demonstrate compliance with this requirement.

Estimated Implementation Date: June 2018

Contacts:

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

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

Reference No. 2017-017:

Public Health's CDCB and Emergency Medical Services Authority (EMSA) agree with this finding, because Public Health/CDCB implemented the correction after June 30, 2017.

- In approximately May 2017, Public Health/CDCB reviewed all federal statutes, regulations, and the terms and conditions of the federal award to determine whether policies and procedures existed and were operating effectively to ensure compliance with all requirements. Public Health/CDCB determined policies and procedures needed to be developed and we worked to create them.
- In August 2017, Public Health/CDCB developed a Risk Assessment Tool and distributed it to Public Health programs and EMSA.

- In October 2017, Public Health revised the Risk Assessment Tool.
- In November 2017, Public Health/CDCB distributed the Risk Assessment Tool.

Public Health/CDCB will:

- Re-review all federal statutes, regulations, and the terms and conditions of the federal PHHSBG award to determine if the existing policies, procedures, and the Risk Assessment Tool are operating appropriately.
- Develop new or revise existing Subrecipient Risk Assessment Policies, Procedures, and the Risk Assessment Tool.
- Distribute the revised Subrecipient Risk Assessment Tool to Public Health programs and EMSA, if necessary.
- Follow-up with Public Health programs and EMSA to ensure they complete the finalized Risk Assessment Tool for each subrecipient.
- Maintain files for completed risk assessments.
- EMSA will utilize Public Health's Risk Assessment Tool to monitor subrecipients or develop a new Risk Assessment Tool. If EMSA develops a new Tool, they will share it with Public Health/CDCB for review and approval, prior to using it. Public Health will review and approve the Tool or request edits. This approach will ensure consistency with the Public Health developed Tool.

Estimated Implementation Date: October 2018

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

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

Reference No. 2017-018:

DHCS has continued its meetings with counsel and is reviewing and working towards finalizing the policies and procedures that will be used to perform and document the required subrecipient and contractor determinations. DHCS is on track to meet the originally proposed implementation date.

Implementation Date: Fiscal year 2017-18

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

Reference No. 2017-019:

DHCS agrees with the recommendation and is developing and implement policies and procedures to ensure recipients of Short-Doyle funding are required to furnish information on unique entity identifiers prior to receiving sub awards in accordance with 2 CFR 25.205. First, DHCS will be amending the contract with each Mental Health Plan. The amendment will require each MHP to submit its Data Universal Number System (DUNS) to DHCS prior to the start of each fiscal year. DHCS will validate each MHPs DUNS number upon receipt. The amendment will also inform each MHP that payments made through the contract are considered a sub award and identify the regulations with which each MHP must comply.

Estimated Implementation Date: December 2018

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

Reference No. 2017-020:

DHCS has continued its meetings with counsel and is reviewing and working towards finalizing the policies and procedures that will be used to perform and document the required subrecipient and contractor determinations. DHCS is on track to meet the originally proposed implementation date.

Estimated Implementation Date: Fiscal year 2017-18

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

Reference No. 2017-021:

DHCS agrees with this recommendation. DHCS is currently finalizing its policy regarding Sanctions, Fines and Penalties. DHCS plans to implement this policy when counties are late in submitting cost reports.

Estimated Implementation Date: June 2018

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

Reference No. 2017-022:

The Department of Public Health (Public Health) has changed its process and documentation to switch from using budgeted amounts to actual expenditures for the purposes of calculating annual Level of Effort. The natural outcome of switching from using budgeted amounts to actual expenditures is a lower average Level of Effort. Therefore, Public Health's calculation of Level of Effort for fiscal year 2016-17 and forward no longer meets the past year amount at the time of the required calculation, which is when we submit our annual application – March/April of each year. At that time, that Level of Effort calculation is based upon the average expenditures of the prior two years. State Law, Government Code §16304-16304.1 provides for a 1-year encumbrance and a 2-year liquidation period for General Fund appropriations. Therefore, at the time of Level of Effort calculation for the PHEP and Hospital Preparedness Program (HPP) grant application, we have not completed either of the encumbrances or liquidation periods for the fiscal years that are counted toward the average expenditures, thus resulting in an average expenditure less than what we had calculated when we used the budgeted amounts. When those expenditures are evaluated later in

time, after the end of the encumbrance and liquidation period, we have historically always spent the full appropriation. Public Health was able to demonstrate this issue in our Audit Appeal letter to the Centers for Disease Control and Prevention of this finding, in which Public Health demonstrated that by the time we submitted the Audit Appeal letter in September 2017, we met the 2015-16 Level of Effort calculation using actual expenditures over the longer liquidation period.

Estimated Implementation Date: For fiscal year 2016-17 the Level of Effort will be completed after the 1-year encumbrance and the 2-year additional liquidation period is complete.

Contact: Barbara F. Taylor, Deputy Director  
Emergency Preparedness Office

Frances Viramontes-Maddox, Assistant Deputy Director  
Emergency Preparedness Office