

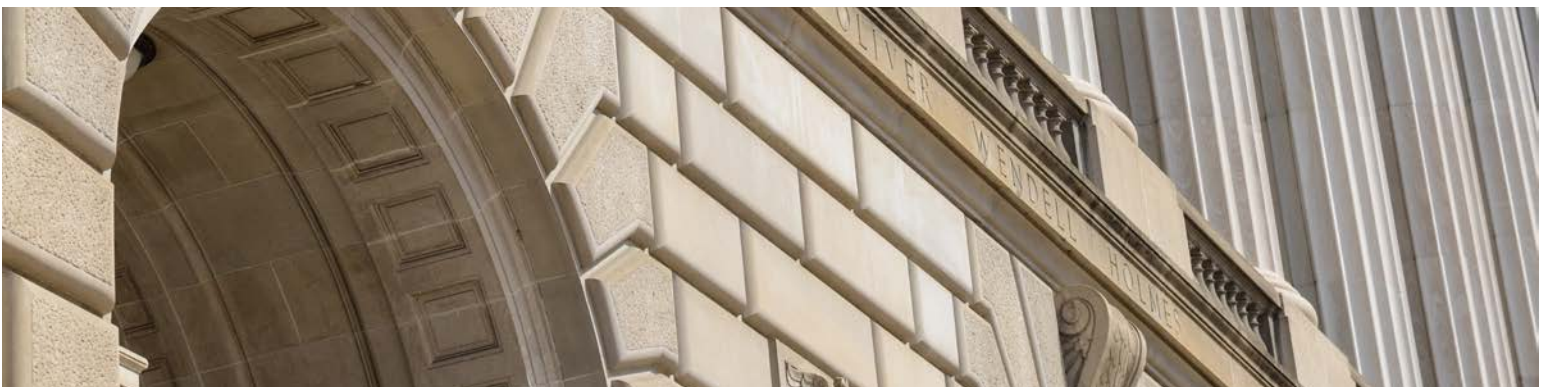


State of California

Federal Compliance Audit Report for the
Fiscal Year Ended June 30, 2018

June 2019

REPORT 2018-002





CALIFORNIA STATE AUDITOR

621 Capitol Mall, Suite 1200 | Sacramento | CA | 95814



916.445.0255 | TTY **916.445.0033**



For complaints of state employee misconduct,
contact us through the **Whistleblower Hotline:**

1.800.952.5665

Don't want to miss any of our reports? Subscribe to our email list at

auditor.ca.gov





June 5, 2019
2018-002

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

Dear Governor and Legislative Leaders:

As required by Government Code section 8543 et seq., the California State Auditor (State Auditor) presents this audit report concerning the review of the State of California's internal controls and compliance with federal laws and regulations for the year ended June 30, 2018. The State Auditor contracted with Macias Gini & O'Connell LLP (MGO) to perform this audit for fiscal year 2017–18.

This report concludes that the State did not materially comply with certain requirements for six of the 18 federal programs or clusters of programs (federal programs) MGO audited. Additionally, although MGO concluded that the State materially complied with requirements for the remaining federal programs it audited, MGO reported various instances of noncompliance relating to those programs. Further, the State continues to experience certain deficiencies in its accounting and administrative practices that affect its internal controls over compliance with federal requirements. Deficiencies in the State's internal control system could adversely affect its ability to administer federal programs in compliance with applicable requirements.

Respectfully submitted,

A handwritten signature in black ink that reads "Elaine M. Howle". The signature is written in a cursive, flowing style.

ELAINE M. HOWLE, CPA
California State Auditor

Contents

AUDITOR'S SECTION	1
Independent Auditor's Report on the Schedule of Expenditures of Federal Awards as Required by the Uniform Guidance	2
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 <i>Government Auditing Standards</i>	4
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	6
Schedule of Findings and Questioned Costs	10
Schedule of Expenditures of Federal Awards Finding	14
Schedule of Federal Award Findings and Questioned Costs	18
U.S. Department of Agriculture	19
U.S. Department of Justice	21
U.S. Department of Health and Human Services	23
Social Security Administration	60
AUDITEE'S SECTION	62
Schedule of Expenditures of Federal Awards	63
Notes to the Schedule of Expenditures of Federal Awards	75
Summary Schedule of Prior Audit Findings	79
Department of Finance Response Letter	95
Management's Response and Corrective Action Plan	99

Auditor's Section



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

The Governor and the Legislature of the State of California:

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying Schedule of Expenditures of Federal Awards (the Schedule) of the State of California (State) for the fiscal year ended June 30, 2018, and the related notes to the Schedule (the financial statement).

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards of the State of California for the fiscal year ended June 30, 2018, 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 \$5.7 billion, \$2.7 billion, \$72.8 million, \$83.3 million, and \$52.6 million, respectively, in federal awards, which are not included in the Schedule for the fiscal year ended June 30, 2018. Our audit, described above, did not include the federal awards of the University of California system, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency because these entities engaged other auditors to perform an audit in accordance with the Uniform Guidance. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2019 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.



Sacramento, California

May 29, 2019



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

The Governor and the Legislature of the State of California:

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the Schedule of Expenditures of Federal Awards (the Schedule) of the State of California (State) for the fiscal year ended June 30, 2018, and the related notes to the Schedule (the financial statement), and have issued our report thereon dated May 29, 2019. Our report includes an emphasis of matter paragraph to describe those entities which are audited by other auditors and whose federal award expenditures are not included in the Schedule. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 item 2018-001 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 item 2018-001.

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

May 29, 2019



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, 2018. The State's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

As described in Note 1 to the Schedule of Expenditures of Federal Awards (Schedule), the State of California's basic financial statements include the operations of the University of California system, a component unit of the State of California, the California State University system, the State Water Resources Control Board Water Pollution Control Revolving Fund, the State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency, a component unit of the State of California, which reported \$5.7 billion, \$2.7 billion, \$72.8 million, \$83.3 million, and \$52.6 million, respectively, in federal awards, which are not included in the State's Schedule for the fiscal year ended June 30, 2018. Our audit, described below, did not include the federal awards of the University of California system, the California State University system, the State Water Resources Control Board Water Pollution Control Revolving Fund, the State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency because these entities engaged other auditors to perform an audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Management's Responsibility

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

Auditor's Responsibility

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

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about the State’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for 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
2018-004	93.767	Children's Health Insurance Program	Activities Allowed or Unallowed	Department of Health Care Services
2018-004	93.778	Medical Assistance Program (Medicaid Cluster)	Activities Allowed or Unallowed	Department of Health Care Services
2018-006	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Cash Management	Department of Health Care Services
2018-007	93.778	Medical Assistance Program (Medicaid Cluster)	Eligibility	Department of Health Care Services
2018-008	93.917	HIV Care Formula Grants	Eligibility	Department of Public Health
2018-011 2018-012 2018-013	93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	Subrecipient Monitoring	Department of Public Health
2018-014	93.767	Children's Health Insurance Program	Subrecipient Monitoring	Department of Health Care Services
2018-014	93.778	Medical Assistance Program (Medicaid Cluster)	Subrecipient Monitoring	Department of Health Care Services
2018-015	93.268	Immunization Cooperative Agreements	Special Tests and Provisions	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, 2018.

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, 2018.

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
2018-005	93.767	Children's Health Insurance Program	Cash Management	Department of Health Care Services
2018-005	93.778	Medical Assistance Program (Medicaid Cluster)	Cash Management	Department of Health Care Services
2018-010	93.563	Child Support Enforcement	Subrecipient Monitoring	Department of Child Support Services
2018-017	96.001	Social Security Disability Insurance (Disability Insurance/SSI Cluster)	Special Tests and Provisions	Department of Social Services

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

Report on Internal Control Over Compliance

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

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


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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-002, 2018-004, 2018-006, 2018-007, 2018-008, 2018-011, 2018-013, 2018-014, and 2018-016 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 2018-003, 2018-005, 2018-009, 2018-010, and 2018-017 to be significant deficiencies.

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

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


Sacramento, California
May 29, 2019

Schedule of Findings and Questioned Costs

**STATE OF CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Section I – Summary of Auditor’s Results

Financial Statements

Issued under a separate cover. Refer to California State Auditor’s 2018-001.1 report entitled *State of California: Internal Control and Compliance Audit Report for the Fiscal Year Ended June 30, 2018*.

Schedule of Expenditures of Federal Awards (Schedule)

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

Internal control over financial reporting:

Material weakness(es) identified? 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 report issued on compliance for major federal programs: Refer to the tables that follow

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

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

Qualified	
<u>CFDA Number</u>	<u>Federal Program or Cluster</u>
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
93.917	HIV Care Formula Grants
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Unmodified	
<u>CFDA Number</u>	<u>Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
10.558	Child and Adult Care Food Program
16.575	Crime Victim Assistance
64.114	Veterans Housing Guaranteed and Insured Loans
	Special Education Cluster (IDEA):
84.027	Special Education Grants to States
84.173	Special Education Preschool Grants
84.287	Twenty-First Century Community Learning Centers
84.367	Supporting Effective Instruction State Grants
93.069	Public Health Emergency Preparedness
93.563	Child Support Enforcement
	Disability Insurance/SSI Cluster:
96.001	Social Security Disability Insurance
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
97.067	Homeland Security Grant Program

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
10.558	Child and Adult Care Food Program
16.575	Crime Victim Assistance
64.114	Veterans Housing Guaranteed and Insured Loans
	Special Education Cluster (IDEA):
84.027	Special Education Grants to States
84.173	Special Education Preschool Grants
84.287	Twenty-First Century Community Learning Centers
84.367	Supporting Effective Instruction State Grants
93.069	Public Health Emergency Preparedness
93.268	Immunization Cooperative Agreements
93.563	Child Support Enforcement
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
93.917	HIV Care Formula Grants
93.959	Block Grants for Prevention and Treatment of Substance Abuse
	Disability Insurance/SSI Cluster:
96.001	Social Security Disability Insurance
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: \$141,376,109

Auditee qualified as low-risk auditee? No

Schedule of Expenditures of Federal Awards Finding

**DEPARTMENT OF PUBLIC HEALTH and EMERGENCY
MEDICAL SERVICES AUTHORITY**

Reference Number: 2018-001

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 §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). 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 noted the following:

- The Department of Public Health (Public Health) over-reported subrecipient expenditures by \$3,450,660, or approximately 11% of the corrected amount for the Public Health Emergency Preparedness (PHEP) program (CFDA No. 93.069).
- Public Health over-reported subrecipient expenditures for the HIV Care Formula Grants (CFDA No. 93.917) by \$70,564,822, or approximately 159% of the corrected amount.
- The Emergency Medical Services Authority (EMSA) over-reported subrecipient expenditures by \$60,068, or approximately 4% of the corrected amount for the Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF) program (CFDA No. 93.758).

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

Cause

Public Health

The Emergency Preparedness Office (EPO) that manages the PHEP program is responsible for submitting subrecipient expenditures to the Public Health Accounting Unit (Accounting Unit). The Accounting Unit reviews and makes necessary adjustments before reporting the information to Finance. However, adjustments made were not properly communicated to and approved by EPO. The identified overstatement related to support costs expenditures from the prior fiscal year that were inadvertently included in the Schedule.

The overstated subrecipient expenditures for the HIV Care Formula Grants were related to one external party. The AIDS Drug Assistance Program (ADAP) properly determined the external party to be a contractor instead of a subrecipient, but did not communicate the results of its determination to the Accounting Unit for SEFA reporting, which included the amounts as subrecipient expenditures.

EMSA

EMSA 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

Insufficient communication and oversight controls create an increased risk for material errors to occur in the Schedule that may not be prevented, or detected and corrected on a timely basis.

Questioned Costs

No questioned costs were identified.

Recommendation

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

Views of Responsible Officials and Corrective Action Plan

Public Health

As noted, this error has already been corrected for the 2017-18 fiscal year. To prevent future errors of this type, the EPO will draft a memo to the Public Health Accounting Unit clearly outlining the procedures, timelines, and notification process for finalizing the expenditures related to the PHEP grant and the Hospital Preparedness Program (HPP) grant. In addition, EPO will issue a policy memo to all the Public Health Centers/Programs that receive funding from PHEP and/or HPP with the deadlines for submission of invoices and a reminder that any invoices received by Accounting after the specified deadline will not be processed.

These two actions will help ensure there is accurate PHEP and HPP expenditure data after the final close-out date of September 30th for reporting on the Schedule and the PHEP and HPP Federal Fiscal Reports.

The ADAP Branch and the HIV Care Branch have an internal review process which includes that the ADAP Program, Policy, and Fiscal Section Chief will review, verify, and approve all ADAP expenditures prior to submission to the HIV Care Branch for reporting purposes. The HIV Care Branch Chief will review, verify, and approve the overall expenditures prior to submission to the Public Health Accounting Office. The Office of AIDS (OA) and Public Health Accounting Office will communicate on a regular basis to ensure all expenditures are accurate for the appropriate reporting category.

EMSA

EMSA agrees with the recommendation and is in the process of strengthening its internal review process to ensure that information submitted to the Finance for compilation of the Schedule is complete, accurate, and timely.

Schedule of Federal Award Findings and Questioned Costs

U.S. DEPARTMENT OF AGRICULTURE

Reference Number:	2018-002
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Material Weakness
State Administering Department:	Department of Education (Education)
Federal Catalog Numbers:	10.553/10.555/10.556/10.559
Federal Program Title:	School Breakfast Program National School Lunch Program Special Milk Program for Children Summer Food Service Program for Children
Federal Award Number and Year:	187CACA3N1099; 2018 177CACA3N1099; 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).

Condition

Education established two primary controls over the Nutrition Services Division (NSD) Administrative Review (AR) process – (1) the Field Services Unit (FSU) Manager review and (2) the Program Integrity Unit (PIU) Analyst review. For 20 out of 25 Administrative Reviews (AR) tested, there was no review performed by the FSU Manager of the AR documentation; however, the PIU Analyst review was performed. An AR is Education’s onsite monitoring of subrecipients for compliance with requirements of the subaward and was designed to follow the AR manual provided to States by the United States Department of Agriculture (USDA). The AR includes review of supporting documentation for meals claimed and the nutritional requirements of meals, which relates to the allowability of program costs incurred by the subrecipients. Education uses the Child Nutrition Information and Payment System (CNIPS) to electronically document the AR conducted by the NSD.

Cause

Education experienced an unusual circumstance where four of the eight FSU Managers within NSD all retired within a short time frame during the year. This temporarily resulted in a lack of sufficient staffing of FSU Managers to review the AR files.

Effect

Education is at risk for inadequate and/or insufficient monitoring of subrecipients. The FSU Manager reviews all compliance areas for completeness and adequacy in accordance with the USDA AR manual. The PIU Analyst reviews and follows up, as necessary, on any corrective action(s) required for compliance areas with a fiscal impact (e.g., a finding for nutritional meal requirements resulting in disallowed meals.) The lack of a FSU Manager review creates the potential for subrecipient noncompliance with the requirements of the subaward to go undetected and any corrective action(s) required by subrecipients to have untimely follow-up.

Questioned Costs

No questioned costs were identified.

Context

A total of 406 subrecipient Administrative Reviews were conducted by NSD during fiscal year 2017-18.

The sample was not a statistically valid sample.

Recommendation

Education should establish a plan and alternate process when there are planned retirements or other staffing shortages at the manager level to ensure that a sufficient review of AR monitoring documents is performed to mitigate the potential for noncompliance with federal award requirements.

Views of Responsible Officials and Corrective Action Plan

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

U.S. DEPARTMENT OF JUSTICE

Reference Number:	2018-003
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency
State Administering Department:	Governor’s Office of Emergency Services (CalOES)
Federal Catalog Numbers:	16.575
Federal Program Title:	Crime Victim Assistance
Federal Award Number and Year:	2015-VA-GX-0058; 2015 2016-VA-GX-0057; 2016 2017-VA-GX-0084; 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).

Condition

The CalOES Victim Services Branch conducts program site visits of its subrecipients on a three year cycle. The review is focused on ensuring the subrecipient’s services provided to victims are meeting the requirements of the specific category of victims, for example domestic violence versus child abuse. In 2 out of 25 program site visits tested, the Victim Services Branch’s site visit tracking spreadsheet was not updated to accurately reflect the status of their site visits. CalOES Victim Services Branch current process for tracking the status of site visits assigned to program specialists is inconsistently used by program managers. As a result, workload status cannot be effectively monitored and/or reassigned during a statewide disaster requiring the activation/deployment of its personnel.

Cause

These two site visits were scheduled during September 2017, during a period of time when the Victim Services Branch was operating at approximately 50% capacity for the non-emergency response functions of CalOES. This reduced capacity was due to the heightened activation or deployment of CalOES staff to their State Operations Center(s) because of ongoing statewide disasters. Additionally, the Crime Victim Assistance program experienced a significant increase in funding over the two-year period of fiscal years 2016-17 and 2017-18, which resulted in an increase in the number of program subrecipients and site-visits conducted since fiscal year 2015-16.

Effect

CalOES' program site visit tracking process relies heavily on the individual program specialists and unit chiefs to maintain the status of program site visits within the centralized tracking spreadsheet. CalOES is at risk for any identified subrecipient noncompliance findings and related corrective action to not be addressed or remediated in a timely manner.

Questioned Costs

No questioned costs were identified.

Context

CalOES provided funding to 322 subrecipients and the Victim Services Branch conducted 203 separate program site visits during fiscal year 2017-18.

The sample was not a statistically valid sample.

Recommendation

CalOES' Victim Services Branch should develop a more formalized tracking process and consider updating its methodology for tracking the status of site visits, findings and corrective action plans to accommodate the increase in the size of the program. An effective tracking process will facilitate management's ability to monitor workload and re-assign monitoring personnel during prolonged periods of activation or deployment associated with statewide disasters to ensure that ongoing subrecipient monitoring work is addressed in a timely manner.

Views of Responsible Officials and Corrective Action Plan

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

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Reference Number:	2018-004
Category of Finding:	Activities Allowed or Unallowed
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Health Care Services (Health Care Services)
Federal Catalog Number:	93.767
Federal Program Title:	Children's Health Insurance Program
Federal Award Numbers and Years:	1805CA5021; 2018 1805CA5R21; 2018 1705CA5021; 2017 1705CA0301; 2017 05-1605CA5021; 2016
Federal Catalog Number:	93.778
Federal Program Title:	Medical Assistance Program
Federal Award Numbers and Years:	1805CA5ADM; 2018 1805CA5MAP; 2018 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).

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

§14705:

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

§14712:

- (e) Whenever the department determines that a mental health plan has failed to comply with this chapter or any regulations, contractual requirements, state plan, or waivers adopted pursuant to this chapter, the department shall notify the mental health plan in writing within 30 days of its determination and may

impose sanctions, including, but not limited to, fines, penalties, the withholding of payments, special requirements, probationary or corrective actions, or any other actions deemed necessary to promptly ensure contract and performance compliance.

Condition

Twenty-three of 56 contractor counties of Short-Doyle funding were tested and eight had not submitted their cost reports timely. Two of the eight contractor counties had not submitted their cost reports for fiscal years 2014-15 (more than 34 months late), 2015-16 (more than 22 months late), and 2016-17 (more than 10 months late); one of the eight contractor counties had not submitted its cost reports for fiscal years 2015-16 (more than 22 months late) and 2016-17 (more than 10 months late); and the other five contractor counties had not submitted their cost reports for fiscal year 2016-17 (more than 10 months late).

Although the Mental Health Division of Health Care Services did take the required action of notifying the eight contractor counties 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 contractor counties providing mental health services to eligible beneficiaries and serve to provide the Mental Health Division with fiscal oversight for contract and performance compliance. 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 contractor counties for use in reporting.

Identification as a Repeat Finding

Finding 2017-021 was reported in the immediate prior year in the subrecipient monitoring category. However, in response to prior year finding 2017-018, this year Health Care Services updated its assessment of the counties' Short-Doyle funding contracts and determined they better fit the definition of contractors as opposed to subrecipients under the Uniform Guidance. Therefore, Health Care Services is no longer reporting these as subrecipient expenditures in the schedule of expenditures of federal awards. In addition, this condition was tested and is being reported this year in the activities allowed or unallowed category.

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 contract monitoring. Inaccurate or untimely cost reports could result in under/over funding each contractor county and increases the risk of statewide noncompliance with contract requirements.

Questioned Costs

Questioned costs were not determinable because the cost reports were not available.

Context

For the fiscal year ended June 30, 2018, disbursements of Short-Doyle funding from the Medical Assistance Program to the eight noncompliant contractor counties totaled \$1,060,018,234, the twenty-three tested contractor counties totaled \$2,087,340.853, and all 56 contractor counties totaled \$2,448,803,137.

For the fiscal year ended June 30, 2018, disbursements of Short-Doyle funding from the Children's Health Insurance Program to the eight noncompliant contractor counties totaled \$121,798,550, the twenty-three tested contractor counties totaled \$249,377,911, and all 56 contractor counties totaled \$278,536,410.

The sample was not a statistically valid 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:	2018-005
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:	1805CA5021; 2018 1705CA5021; 2017
Federal Catalog Number:	93.778
Federal Program Title:	Medical Assistance Program
Federal Award Numbers and Year:	1805CA5ADM; 2018 1805CA5MAP; 2018

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, Subtitle B - Regulations Relating to Money and Finance (Continued), Chapter II - Fiscal Service, Department of the Treasury, Subchapter A - Bureau of the Fiscal Service, 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). Ten 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 2017-007 was reported in the immediate prior year.

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 receipt of the related federal funds, which ranged from 1-12 excess business days for CHIP and 1-16 excess 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 the 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 328 pre-issuance funding technique drawdowns totaling \$3,229,518,887 related to 1,727 disbursements during the fiscal year ended June 30, 2018, of which the ten noncompliant disbursements totaled \$32,933,159 and resulted in 65 interest days in excess of 3 business days. It was noted that two of the ten noncompliant disbursements occurred after May 16, 2018, the date Health Care Services implemented steps to correct this condition noted in prior year finding 2017-007.

For Medicaid, the Cash Management Unit performed 154 pre-issuance funding technique drawdowns totaling \$53,181,114,300 related to 5,385 disbursements during the fiscal year ended June 30, 2018, of which the 38 noncompliant disbursements totaled \$276,983,988 and resulted in 206 interest days in excess of 3 business days. It was noted that none of the 38 noncompliant disbursements occurred after May 16, 2018, the date Health Care Services implemented steps to correct this condition noted in prior year finding 2017-007.

The drawdowns tested were not based upon a statistically valid sample. For the fiscal year ended June 30, 2018, based upon the Cash Management Improvement Act – 2018 Annual Report Interest Calculation Cost Certification submitted to the U.S. Department of the Treasury, CHIP incurred a net of 2,048 interest days, resulting in a net interest liability of \$386,872 and Medicaid incurred a net of 5,589 interest days, resulting in a net interest liability of \$9,934,530. 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 follow its new policies and procedures implemented on May 16, 2018, and monitor those procedures, to ensure that payment submissions to the State Controller's Office are correct 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:	2018-006
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:	2B08TI010062-17; 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 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 2017-008 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 2016 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 \$279,109,291 for the fiscal year ended June 30, 2018.

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: 2018-007
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: 1805CA5ADM; 2018
1805CA5MAP; 2018
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):

- (a) 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;

Title 42 - The Public Health and Welfare, Chapter 7 - Social Security, Subchapter XI - General Provisions, Peer Review, and Administrative Simplification, Part A - General Provisions, §1320b-7 - Income and eligibility verification system, (d) Citizenship or immigration status requirements; documentation; verification by Immigration and Naturalization Service; denial of benefits; hearing (42 USC 1320b-7(d)):

The requirements of this subsection, with respect to an income and eligibility verification system of a State, are as follows:

- (1)(A) The State shall require, as a condition of an individual's eligibility for benefits under a program listed in subsection (b), a declaration in writing, under penalty of perjury—
 - (i) by the individual,
 - (ii) in the case in which eligibility for program benefits is determined on a family or household basis, by any adult member of such individual's family or household (as applicable), or
 - (iii) in the case of an individual born into a family or household receiving benefits under such program, by any adult member of such family or household no later than the next redetermination of eligibility of such family or household following the birth of such individual, stating whether the individual is a citizen or national of the United States, and, if that individual is not a citizen or national of the United States, that the individual is in a satisfactory immigration status.

Condition

Out of 140 beneficiaries tested, there were 47 beneficiaries with the following eligibility exceptions:

- There were three instances in which a completed initial application was not on file to establish eligibility (42 CFR 435.907);
- There were two instances in which a social security number had not been verified with the Social Security Administration (42 CFR 435.910);
- There were 38 instances in which redeterminations had not been performed within a year (42 CFR 435.916), two instances in which a discontinued beneficiary was reinstated without eligibility being found to exist, and one instance in which benefits were prematurely discontinued;
- There were seven instances where the Income and Eligibility Verification Requirements were not met (42 CFR 435.948); and
- There was one instance in which a permanent resident that should have been receiving full benefits was classified as an undocumented resident, and therefore, receiving restricted benefits (42 USC 1320b-7).

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

Supplemental Information to Provide Additional Perspective on the Condition

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

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

Both of these reports came to the attention of the United States Senate Committee on Homeland Security and Governmental Affairs, which requested CMS' plans to address the findings noted in these reports.

Identification as a Repeat Finding

Finding 2017-009 was reported in the immediate prior year.

Cause

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

- County welfare agencies' eligibility caseworkers made errors that Health Care Services represented may be the result of deploying the new eligibility and enrollment system, the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) and the significant increase in Medi-Cal enrollment due to California adopting Medicaid expansion pursuant to the Affordable Care Act. The increase in enrollment created a backlog of Medi-Cal applications and eligibility redeterminations. Also, Health Care Services had not established new procedures to monitor whether county welfare agencies were effectively managing this increased workload to ensure eligibility caseworkers were appropriately applying the eligibility procedures and documentation requirements. In 2017, Health Care Services resumed performing focus reviews on select county welfare agencies that were suspended during the early stages of health care reform implementation.
- The MEDS alert functionality is used to communicate information to county welfare agencies on MEDS updates or changes. A MEDS alert will trigger for various reasons that include:
 - Problems encountered in processing updates submitted by county welfare agencies;
 - Problems encountered in processing updates generated as a result of a reconciliation of county welfare agencies records with MEDS records;
 - Updates submitted by other entities that impact beneficiaries' eligibility or require action by county welfare agencies; and
 - Upcoming changes in a beneficiaries' status that will require action by county welfare agencies.

Currently, Health Care Services does not have an established process for monitoring the county welfare agencies' progress in addressing these alerts. To address this, Health Care Services started developing a quality control process to monitor all critical and urgent level MEDS alerts to be able to quickly identify county welfare agencies that are not resolving MEDS alerts timely; however, this process has not yet been implemented.

In addition, Health Care Services has represented that MEDS also has the functionality to alert county welfare agencies when Medi-Cal eligibility redeterminations are required or overdue. However, currently this functionality is not being used to ensure that county welfare agencies are in compliance with renewal processing time.

Effect

Twenty-seven of the 47 beneficiaries with eligibility exceptions were determined to be ineligible and benefits were ultimately discontinued; however, since those redeterminations were late, they received ineligible benefits between the date they should have been discontinued and the date they were actually discontinued. Another eight of the 47 beneficiaries were determined to be ineligible and benefits were not discontinued; therefore, they received ineligible benefits from the date they should have been discontinued. The remaining 12 beneficiaries were determined to be eligible.

Questioned Costs

Benefits paid to beneficiaries after they were determined to be ineligible totaled \$103,617 (\$66,110 Managed Care, \$27,303 Fee for Service, and \$10,204 Premiums) for the fiscal year ended June 30, 2018.

Due to the extent of the errors identified in the sample population, likely questioned costs could be significant.

Context

For the fiscal year ended June 30, 2018, a total of \$222,419 (\$142,089 Managed Care, \$57,745 Fee for Service, and \$22,585 Premiums) was disbursed on behalf of the 47 beneficiaries with eligibility exceptions and \$169,009 (\$114,459 Managed Care, \$35,837 Fee for Service, and \$18,713 Premiums) was disbursed on behalf of the 35 beneficiaries later determined to be ineligible.

Total benefits paid on behalf of the 140 beneficiaries tested were \$585,068 (\$332,001 Managed Care, \$181,294 Fee for Service, and \$71,773 Premiums).

The 140 tested beneficiaries were selected from ten of California's 58 counties. Only one county did not have any exceptions.

The total federal Medical Assistance Program benefits paid on behalf of approximately 13.3 million beneficiaries for the fiscal year ended June 30, 2018 was \$41,939,052,406 (\$26,028,925,349 Managed Care, \$14,409,334,963 Fee for Service, and \$1,500,792,094 Premiums).

The sample was not a statistically valid sample.

Recommendation

Health Care Services should continue its practice of performing regular focus reviews on county welfare agencies to identify factors contributing to the delays and errors in the redetermination process such as misinterpretations of policies, systems issues, business practices, etc., and then work with county welfare agencies to provide appropriate training and/or creating corrective action plans.

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

Views of Responsible Officials and Corrective Action Plan

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

Reference Number:	2018-008
Category of Finding:	Eligibility
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	93.917
Federal Program Title:	HIV Care Formula Grants (HIV)
Federal Award Numbers and Years:	2 X07HA12778-09; 2017 6 X07HA12778-10; 2018 2 X09HA28342-03; 2017 2 X09HA28342-04; 2018

Criteria

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

The non-Federal entity must:

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

Title 42 – The Public Health and Welfare, Chapter 6A – Public Health Service, Subchapter XXIV - HIV Health Care Services Program, Part B - Care Grant Program, Subpart I - General Grant Provisions, Section 300ff-26 - Provision of Treatments:

- (a) In general

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

- (b) Eligible individual

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

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

California State AIDS Drug Assistance Program Guidelines March 2017:

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

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

- Have a positive HIV/AIDS diagnosis.
- Be at least 18 years old.
- Be a resident of California.
- Have an annual Modified Adjusted Gross Income (MAGI) that does not exceed 500 percent of the Federal Poverty Level (FPL) based on household size and income.
- Not be fully covered by Medi-Cal or any other third-party payers (an entity that reimburses and manages health care expenses such as private insurance or governmental agencies, employers, etc.).

Condition

Out of 60 beneficiaries reviewed, 7 beneficiaries did not submit all required documentation including income documentation and medical reports to prove that they have a positive HIV/AIDS diagnosis or their annual Modified Adjusted Gross Income did not exceed 500 percent of the Federal Poverty Level based on household size and income. These individuals were placed on a 30-day temporary access period but continued to receive full benefits from the program after the temporary access period ended.

Cause

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

Effect

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

Questioned Costs

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

Context

Pharmacy benefits management services are provided by a contractor who received administrative fees and reimbursements for prescription drug costs to program participants. Payments to the contractor totaled \$70,564,822 for 12,953 program participants for the fiscal year ended June 30, 2018. Based on the budget in the contract, the contractor's administrative fees and other charges are estimated to be \$657,876 annually. As such, net prescription drug costs are estimated to be \$69,906,946 for the fiscal year ended June 30, 2018.

The sample was not a statistically valid sample.

Recommendation

In December 2018, the HIV Care Formula Grants unit updated the ADAP guidelines to include a secondary review of ADAP applications that requires a review of specified eligibility criteria. The ADAP Branch should continue to monitor compliance with its policies to ensure enrollment workers follow the established guidelines and retain acceptable documentation to support eligibility determinations.

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:	2018-009
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	93.069
Federal Program Title:	Public Health Emergency Preparedness (PHEP)
Federal Award Numbers and Years:	6NU90TP000506-05; 2017 6NU90TP921845-01; 2017 6NU0TP921928-01; 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 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:
 - (1) Reviewing financial and performance reports required by the pass-through entity.
 - (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
 - (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.
- (e) Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:
 - (1) Providing subrecipients with training and technical assistance on program-related matters; and
 - (2) Performing on-site reviews of the subrecipient's program operations;
 - (3) Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services.

- (f) Verify that every subrecipient is audited as required by Subpart F - Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.
- (g) Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.

Condition

The pass-through entity is responsible for ensuring its subrecipients comply with applicable compliance requirements. One of the required monitoring efforts includes ensuring the subrecipients meets the single audit requirement and to follow-up on any deficiencies identified in the subrecipients' audits. For 7 out of 56 subrecipients tested, Public Health did not have the subrecipients' most recently available single audit report (for year ended June 30, 2017) on file to support that Public Health obtained and reviewed the subrecipients' audit results in a timely manner. There was no evidence of follow-up efforts. Search results from the Federal Audit Clearinghouse indicate the seven subrecipients were subject to single audits for the fiscal year ended June 30, 2017.

Cause

Public Health's monitoring files for the seven subrecipients included copies of the subrecipients' financial statement audit reports. The lack of evidence of follow-up for the subrecipients' single audit reports suggests the reviewers did not fully understand the single audit requirements or did not perform proper follow-up.

Effect

Public Health is at risk of failing to issue management decisions for audit findings in a timely manner, and to follow-up and ensure that the subrecipients take timely and appropriate action on deficiencies identified in the subrecipients' single audit reports.

Questioned Costs

No questioned costs were identified.

Context

Total disbursements of \$32,726,144 were made to 58 subrecipients for the fiscal year ended June 30, 2018.

The sample was not a statistically valid sample.

Recommendation

Public Health should strengthen existing controls to ensure subrecipient monitoring includes procedures to obtain and review subrecipients' single audit reports and to perform follow-up procedures as applicable in a timely manner.

Views of Responsible Officials and Corrective Action Plan

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

Reference Number: 2018-010
Category of Finding: Subrecipient Monitoring
Type of Finding: Significant Deficiency and Instance of Noncompliance

State Administering Department: California Department of Child Support Services (Child Support Services)
Federal Program Title: Child Support Enforcement
Federal Catalog Number: 93.563
Federal Award Numbers and Years: 1704CACSES; 2017
1804CACSES; 2018

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

Child Support Services did not evaluate each subrecipient’s risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for determining the frequency and extent of the monitoring activities to be performed. Child Support Services does evaluate subrecipient risk during its planning process prior to conducting their subrecipient site monitoring. However, since Child Support

Services does not conduct a site monitoring visit for each of its subrecipients on an annual basis, the risk assessment is only performed when a site monitoring visit is conducted.

Cause

Child Support Services did not develop nor implement policies and procedures for evaluating each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

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

For the fiscal year ended June 30, 2018, disbursements to subrecipients of the Child Support Enforcement program totaled \$521,640,595, which represents 83.7% of the total federal expenditures for the fiscal year ended June 30, 2018.

Recommendation

Child Support 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 to determine the frequency and extent of monitoring activities commensurate with identified risks. The annual risk assessments should be documented.

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: 2018-011
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: 93.758
Federal Program Title: Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)
Federal Award Numbers and Years: 6NO01OT009177-01; 2017
1NO01OT009177-01; 2017
NB01OT009078-01; 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 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.

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.

Identification as a Repeat Finding

Finding 2017-015 was reported in the immediate prior year.

Cause

During the fiscal year ended June 30, 2018, the Chronic Disease Control Branch of Public Health began to develop monitoring policies and procedures to include monitoring of compliance areas other than cost allowability to ensure the subrecipients' use of funds is in accordance with federal statutes, regulations, and the terms and conditions of the subawards. However, the new subrecipient monitoring tool had not been completed and implemented during the fiscal year.

Effect

The monitoring performed during the fiscal year ended June 30, 2018, was not sufficient to ensure subrecipients' use of funds was in accordance 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, 2018, the Chronic Disease Control Branch of Public Health passed a total of \$1,362,467 to subrecipients of Preventive Health and Health Services Block Grant funding.

Recommendation

The Chronic Disease Control Branch of Public Health should continue its effort to develop a comprehensive monitoring tool, conduct training for program monitors, and implement the new policies and procedures to enhance its subrecipient monitoring process.

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:	2018-012
Category of Finding:	Subrecipient Monitoring
Type of Finding:	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:	6NO01OT009177-01; 2017 1NO01OT009177-01; 2017 NB01OT009078-01; 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 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

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 Chronic Disease Control 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. During the fiscal year ended June 30, 2018, Public Health had developed and implemented certain corrective actions, including the creation and distribution of a checklist to assist in the collection of the required information. However, the new policies and procedures were not implemented for subawards under which expenditures were made during the year.

Identification as a Repeat Finding

Finding 2017-016 was reported in the immediate prior year.

Cause

The Chronic Disease Control 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, 2018.

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, 2018, disbursements to Preventive Health and Health Services Block Grant subrecipients totaled \$1,362,467.

Recommendation

The Chronic Disease Control Branch of Public Health 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 should 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 Plan" included in a separate section at the end of this report.

Reference Number: 2018-013
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: 6NO01OT009177-01; 2017
1NO01OT009177-01; 2017
NB01OT009078-01; 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 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 2017-017 was reported in the immediate prior year.

Cause

During the fiscal year ended June 30, 2018, Public Health developed and circulated a risk assessment tool for review by affected parties. However, the tool was not finalized for use during the fiscal year.

Effect

Public Health did not perform the required risk assessments to determine the level of monitoring for its subrecipients during the fiscal year ended June 30, 2018.

Questioned Costs

No questioned costs were identified.

Context

For the fiscal year ended June 30, 2018, disbursements to Preventive Health and Health Services Block Grant subrecipients totaled \$1,362,467.

Recommendation

Public Health should continue its effort and finalize the risk assessment tool to determine the level of monitoring for its subrecipients based on the results of risk assessments, in the fiscal year ending June 30, 2019.

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: 2018-014
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: 1805CA5021; 2018
1805CA5R21; 2018
1705CA5021; 2017
1705CA0301; 2017
05-1605CA5021; 2016

Federal Catalog Number: 93.778
Federal Program Title: Medical Assistance Program
Federal Award Numbers and Years: 1805CA5ADM; 2018
1805CA5MAP; 2018
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 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).
- (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:
 - (1) Reviewing financial and performance reports required by the pass-through entity.
 - (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
 - (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.
- (e) Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:
 - (1) Providing subrecipients with training and technical assistance on program-related matters; and
 - (2) Performing on-site reviews of the subrecipient's program operations;
 - (3) Arranging for agree-upon-procedures engagements as described in §200.425 Audit services.

Condition

Health Care Services did not evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward and, therefore, did not evaluate additional monitoring activities to ensure proper accountability and compliance with program requirements.

Identification as a Repeat Finding

Finding 2017-020 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.

Furthermore, Health Care Services' corrective action plan for last year's finding 2017-020 indicated that it is working towards finalizing the policies and procedures that will be used to perform and document the required subrecipient and contractor determinations, which did not specifically address developing policies and procedures to perform the subrecipient risk assessment required by 2 CFR 200.331 noted in the Criteria section of this finding.

Effect

The monitoring performed during the fiscal year ended June 30, 2018, 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, 2018 to the Children's Health Insurance Program and the Medical Assistance Program subrecipients totaled \$7,203,683 and \$1,414,315,187, respectively, representing 0.2% and 2.6% of the respective programs' total federal expenditures.

Recommendation

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 for purposes of determining the appropriate subrecipient monitoring required under 2 CFR 200.331. The information needed to evaluate factors 2 CFR 200.331(b)(1), (2) and (4) is already available to Health Care Services and can be used to document the risk assessment of subrecipients. Factor 2 CFR 200.331(b)(3) may require additional outreach to subrecipients. The following is a summary of the factors and suggested considerations:

2 CFR 200.331(b)(1): Health Care Services' primary subrecipients are counties with annual program funding. Accordingly, Health Care Services is already aware of its subrecipients' prior experiences with its programs and can readily document this fact. In evaluating risk, Health Care Services should consider those subrecipients with a history of inaccurate and/or late reports, incorrectly determined eligibility, and/or payments of unallowed activities as having higher risk.

2 CFR 200.331(b)(2): The State Controller's Office currently reviews all Single Audit reports submitted by subrecipients of the State of California and provides Health Care Services copies of those Single Audit reports for subrecipients that have audit findings related to its programs in order for Health Care Services to work with its subrecipients to put into place actions to correct those findings. Health Care Services should consider those subrecipients that have a history of repeated findings as having higher risk.

Additionally, Health Care Services should determine from review of its subrecipients' Single Audit reports the extent to which its programs are audited as major programs. Also, Health Care Services should review each subrecipient's Single Audit report to determine whether its programs are properly reported in their Schedule of Expenditures of Federal Awards. Health Care Services should consider those subrecipients' programs that are not periodically audited as major programs or that do not properly report its programs in their Schedule of Expenditures of Federal Awards as having higher risk.

In addition, Health Care Services should determine which subrecipients, if any, do not regularly receive a Single Audit. As a general rule, all counties will meet the requirements for a Single Audit each year. Health Care Services should consider those subrecipients that do not regularly receive a Single Audit as having higher risk.

2 CFR 200.331(b)(3): Health Care Services should periodically reach out to subrecipients to determine if they have new personnel or new or substantially changed systems. In evaluating risk, Health Care Services should consider those subrecipients with a high number of new personnel or new personnel in high levels and those counties with new or substantially changed systems as having higher risk.

2 CFR 200.331(b)(4): Health Care Services is the primary recipient of federal awards under the Medical Assistance Program and the Children's Health Insurance Program in the state. Accordingly, its subrecipients will not generally have direct funding from the U.S. Department of Health and Human Services and, therefore, subrecipients would not be subject to federal monitoring by the federal awarding agency. Based on the information obtained, Health Care Services should evaluate and document 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 2 CFR 200.331(d) and (e).

Health Care Services already performs the subrecipient monitoring required by 2 CFR 200.331(d) for subrecipients who have Single Audits. However, as required by 2 CFR 200.331(e), Health Care Services should consider providing its subrecipients that it determines to have higher risk with appropriate training and technical assistance on program-related matters and consider performing on-site reviews of the subrecipient's operations of Health Care Services' programs. In addition, for any of its subrecipients that were determined to be higher risk because they do not regularly obtain a Single Audit, Health Care Services should consider arranging for an agreed-upon-procedures engagement as described in 2 CFR 200.425 Audit services.

Health Care Services should document the required risk assessments, its evaluation of the need to perform additional monitoring activities, and additional monitoring activities performed. To facilitate this documentation, we suggest utilizing a checklist documenting who completed the procedures, the supervisory review and approval of the assessment, additional monitoring procedures, and the date procedures were completed and reviewed and approved.

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:	2018-015
Category of Finding:	Special Tests and Provisions
Type of Finding:	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:	5NH23IP000717-05-00; 2017 6NH23IP000717-05-01; 2018 6NH23IP000717-05-02; 2018

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 and Welfare, Chapter VII - Social Security, Subchapter XIX - Grants to States for Medical Assistance Programs, Section 1396s Program for Distribution of Pediatric Vaccines:

- (a) Establishment of program
 - (1) In general

In order to meet the requirement of section 1396a(a)(62) of this title, each State shall establish a pediatric vaccine distribution program (which may be administered by the State department of health), consistent with the requirements of this section, under which

(A) each vaccine-eligible child (as defined in subsection (b) of this section), in receiving an immunization with a qualified pediatric vaccine (as defined in subsection (h)(8) of this section) from a program-registered provider (as defined in subsection (c) of this section) on or after October 1, 1994, is entitled to receive the immunization without charge for the cost of such vaccine; and

(B) (i) each program-registered provider who administers such a pediatric vaccine to a vaccine-eligible child on or after such date is entitled to receive such vaccine under the program without charge either for the vaccine or its delivery to the provider, and (ii) no vaccine is distributed under the program to a provider unless the provider is a program- registered provider.

Centers for Disease Control and Prevention, National Center for Immunization and Respiratory Diseases, 2013 - 2018 Immunization Program Operations Manual (IPOM) for January 1, 2013 to June 30, 2018 Immunization Project Period:

Required Awardee Objective:

A-6. Assure that Vaccines for Children Program (VFC) enrolled providers comply with VFC program requirements through performance of VFC site visits as defined in the current VFC Operations Guide.

Required Activities:

1) Conduct standardized Provider, Education, Assessment and Reporting (PEAR) compliance site visits with each enrolled VFC provider at least every other year (once every two years).

National Center for Immunization and Respiratory Diseases, Immunization Services Division, January 1, 2017 – June 30, 2018 Vaccines for Children Operations Guide:

A. Identifying and selecting providers:

Requirement:

- All enrolled and active VFC providers must receive a VFC Compliance Site Visit every 24 months. Enrolled and active providers are providers that are enrolled in the VFC program and have ordered vaccine within the past 12 months.
- Conducting a VFC Compliance Site Visit with providers every 24 months is a minimum-level requirement. Awardees who wish to conduct more compliance site visits are encouraged to do so.

Condition

For the period from January 1, 2017 to June 30, 2018, there were a total of 278 active providers that are overdue for a site visit as required by the Center for Disease Control and Prevention and 297 overdue follow-up actions.

Cause

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

Effect

The Immunization Branch of Public Health did not monitor the overdue providers to ensure that they maintained proper control and accountability for vaccines and adequately safeguarded and used vaccines solely for authorized purposes during the fiscal year ended June 30, 2018.

Questioned Costs

No questioned costs were identified.

Context

The Immunization Branch of Public Health has approximately 4,000 enrolled and active VFC providers located in the State of California. For the fiscal year ended June 30, 2018, the total value of federally funded vaccine which was distributed, in lieu of cash, directly to Immunization Cooperative Agreements vaccinating providers totaled \$490,964,860, representing 94.5% of the program's total federal expenditures.

Recommendation

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

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:	2018-016
Category of Finding:	Special Tests and Provisions – ADP Risk Analysis and System Security Review
Type of Finding:	Material Weakness
State Administering Department:	California Department of Health Care Services (Health Care Services)
Federal Catalog Number:	93.778
Federal Program Title:	Medical Assistance Program
Federal Award Numbers and Years:	1705CA5MAP; 2017 1705CA5ADM; 2017 1805CA5MAP; 2018 1805CA5ADM; 2018

Criteria

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

The non-Federal entity must:

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

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

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

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

Condition

The California Medicaid Management Information System (CA-MMIS) Division of Health Care Services is responsible for appropriate, cost-effective safeguards over the information systems used in the administration of the Medical Assistance Program. The CA-MMIS Division uses a service organization/fiscal intermediary to perform many fiscal components of the administration of the program.

The CA-MMIS Division obtained from the fiscal intermediary an independent service auditor's service organization control report on the suitability of the design and operating effectiveness of controls for the period July 1, 2015 to June 30, 2016, which was performed in accordance with AICPA Statement on Standards for Attestation Engagements Section 801, Reporting on Controls at a Service Organization (SOC 1 type 2 report). The report included a number of deficiencies, three of which were significant enough to warrant the service auditor to modify its opinion on controls. This condition was previously reported in fiscal year finding 2016-030.

During the biennial period July 1, 2016 through June 30, 2018, the CA-MMIS Division continuously monitored the fiscal intermediary's efforts to implement required corrective actions to resolve these deficiencies. However, the fiscal intermediary has demonstrated its inability to implement the required corrective actions as supported by the sample testing performed as described in the context section below.

Cause

The three significant exceptions noted in the SOC 1 type 2 report were that the fiscal intermediary did not have (1) adequate controls that restrict access to authorized personnel to promote changes to the production environment, (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.

Furthermore, the fiscal intermediary has not been effectively implementing the corrective actions required by the CA-MMIS Division to resolve the significant deficiencies identified in the SOC 1 type 2 report.

Effect

There is an increased risk of unauthorized access to the CA-MMIS system, which could result in unauthorized modifications being made to the production environment and/or the information within it. As a result, given the continued inability of the fiscal intermediary to timely remove terminated users' logical access and the findings in the SOC 1 type 2 report, we were not able to place reliance on the ADP Risk Analysis and System Security Review for testing compliance with Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility for Individuals for the federal program.

Questioned Costs

No questioned costs were identified.

Context

Limited testing was performed on a sample of seven high-level developer and employee users judgmentally selected from a population of 304 users terminated from the fiscal intermediary during the year ended June 30, 2018, of which six users' logical access was not removed from all applications and/or networks in a complete and timely manner.

Recommendation

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

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.

SOCIAL SECURITY ADMINISTRATION

Reference Number:	2018-017
Category of Finding:	Special Tests and Provisions – Consultative Examination Process
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	California Department of Social Services (Social Services)
Federal Program Title:	Social Security Disability Insurance
Federal Catalog Number:	96.001
Federal Award Numbers and Years:	N/A

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).

Program Operations Manual System, DI – Disability Insurance, Chapter DI 395: DDS Fiscal and Administrative Management, Subchapter DI 39569.300: Disability Determination Services Requirements for Ensuring Proper Licensures, Credentials, and Exclusions of Consultative Examinations (CE) Providers, CE Provider’s Employees, Medical and Psychological Consultants (MC/PC), Section C – Procedure for Verifying and Documenting Medical Licenses, Credentials, and Exclusions, Subsection 1b – Existing CE Providers:

Conduct license checks of CE providers (including treating sources) used by the DSS on a rolling basis, including providers who perform CEs near and across the board of neighboring States, specifically:

- (1) Verify license renewals within 30 days of renewal date
- (2) Conduct periodic license reviews prior to renewal dates to ensure that licenses are active
- (3) Review the SAM for each CE provider at least annually
- (4) Confirm with the DSS in the neighboring state that the medical source has a current license and not federally excluded
- (5) Annotate the provider file with the:
 - a. Date and name of the DDS employee verifying the license and the source of verification (e.g., state licensing agency webpage, SAM database); or
 - b. Date and name of the individual who provided the credential verification

Condition

For 5 out of the 25 medical providers tested, Social Services did not annotate within the provider's file the date and name of the individual who provided the credential verification for medical providers in neighboring states. However, Social Services did verify that the medical licenses were active and medical providers were not federally excluded by reviewing neighboring states' medical websites and the SAM database.

The sample was not a statistically valid sample.

Cause

Social Services did not follow the guidance, as prescribed by the Program Operations Manual System, to annotate within the provider file with the date and name of the individual who provided the credential verification.

Effect

By not following the prescribed guidance for out of state providers and failing to include the required annotation within the provider's file as evidence of credential verification of the medical providers, there is a risk that payments may be made to ineligible providers.

Questioned Costs

No questioned costs were identified.

Context

For the fiscal year ended June 30, 2018, there were 1,176 medical providers and disbursements to the medical providers totaled \$33,563,370.

Recommendation

Social Services should ensure that the Public Relation Specialist responsible for checking medical licenses and federal exclusion are annotating within the provider's file the date and name of the individual who performed the credential verification.

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, 2018**

STATE OF CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of Agriculture				
Agricultural Research Basic and Applied Research	10.001		\$ 19,037	\$ 16,719
Plant and Animal Disease, Pest Control, and Animal Care	10.025		52,815,666	26,419,044
<i>Pass-Through from Florida Department of Agriculture</i>	10.025	59-2883965	41,783	-
Total Plant and Animal Disease, Pest Control, and Animal Care			52,857,449	26,419,044
Market Protection and Promotion	10.163		3,382,513	-
Specialty Crop Block Grant Program - Farm Bill	10.170		10,754,128	8,078,755
Organic Certification Cost Share Programs	10.171		1,915,594	-
Food Insecurity Nutrition Incentive Grants Program	10.331		1,092,193	1,092,193
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475		57,160	-
Meat, Poultry, and Egg Products Inspection	10.477		125,876	2,653
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		877,651,548	255,329,230
Child and Adult Care Food Program	10.558		486,214,729	482,273,007
State Administrative Expenses for Child Nutrition	10.560		36,777,447	-
WIC Farmers' Market Nutrition Program (FMNP)	10.572		1,655,536	168,870
Team Nutrition Grants	10.574		36,408	28,213
Farm to School Grant Program	10.575		50,621	5,980
Senior Farmers Market Nutrition Program	10.576		664,744	-
Child Nutrition Discretionary Grants Limited Availability	10.579		2,703,246	2,568,258
Fresh Fruit and Vegetable Program	10.582		12,910,495	12,761,209
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	10.596		2,732,449	2,660,246
Technical Assistance for Specialty Crops Program	10.604		187,040	12,332
Cooperative Forestry Assistance	10.664		3,001,514	1,225,537
Urban and Community Forestry Program	10.675		624,187	509,231
Forest Legacy Program	10.676		364,697	-
Forest Stewardship Program	10.678		142,279	109,062
Forest Health Protection	10.680		332,734	128,747
National Fish and Wildlife Foundation	10.683		8,727	8,727
Good Neighbor Authority	10.691		95,750	-
Watershed Restoration and Enhancement Agreement Authority	10.693		100,972	-
Partnership Agreements	10.699		1,103,122	-
Environmental Quality Incentives Program	10.912		18,726	-
Fire Prevention/Suppression Agreement	10.U01		2,045,000	-
Total Excluding Clusters			1,499,625,921	793,398,013
SNAP Cluster				
<i>Supplemental Nutrition Assistance Program - (Noncash)</i>	10.551		6,426,732,130	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		897,448,696	783,218,747
Total SNAP Cluster			7,324,180,826	783,218,747
Child Nutrition Cluster				
School Breakfast Program	10.553		538,633,973	538,633,973
<i>National School Lunch Program - (Noncash)</i>	10.555		179,353,348	-
National School Lunch Program	10.555		1,565,743,837	1,565,743,837
Total National School Lunch Program			1,745,097,185	1,565,743,837
Special Milk Program for Children	10.556		277,602	277,602
Summer Food Service Program for Children	10.559		21,406,626	20,690,161
Total Child Nutrition Cluster			2,305,415,386	2,125,345,573
Forest Service Schools and Roads Cluster				
Schools and Roads - Grants to States	10.665		28,367,485	28,366,057
Total Forest Service Schools and Roads Cluster			28,367,485	28,366,057
Research and Development Cluster				
Specialty Crop Block Grant Program - Farm Bill	10.170		9,309,190	9,309,190
Total Research and Development Cluster			9,309,190	9,309,190

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
Food Distribution Cluster				
Commodity Supplemental Food Program - (Noncash)	10.565		21,140,011	-
Commodity Supplemental Food Program	10.565		7,399,882	7,399,882
Total Commodity Supplemental Food Program			<u>28,539,893</u>	<u>7,399,882</u>
Emergency Food Assistance Program (Administrative Costs)	10.568		11,758,014	11,401,702
Emergency Food Assistance Program (Food Commodities - Noncash)	10.569		61,754,495	-
Total Food Distribution Cluster			<u>102,052,402</u>	<u>18,801,584</u>
Total U.S. Department of Agriculture			<u>11,268,951,210</u>	<u>3,758,439,164</u>
U.S. Department of Commerce				
Economic Development Technical Assistance	11.303		1,214	-
Interjurisdictional Fisheries Act of 1986	11.407		192,050	-
Coastal Zone Management Administration Awards	11.419		2,515,988	-
Coastal Zone Management Estuarine Research Reserves	11.420		814,633	567,074
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438		12,009,445	10,903,785
Unallied Management Projects	11.454		883,839	-
Habitat Conservation	11.463		127,178	-
Meteorologic and Hydrologic Modernization Development	11.467		590,085	-
Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478		210,201	144,391
State and Local Implementation Grant Program	11.549		1,086,602	-
Total Excluding Clusters			<u>18,431,235</u>	<u>11,615,250</u>
Research and Development Cluster				
Coastal Zone Management Estuarine Research Reserves	11.420		34,521	34,521
Unallied Science Program	11.472		870,382	773,808
Total Research and Development Cluster			<u>904,903</u>	<u>808,329</u>
Total U.S. Department of Commerce			<u>19,336,138</u>	<u>12,423,579</u>
U.S. Department of Defense				
Planning Assistance to States	12.110		36,113	-
Payments to States in Lieu of Real Estate Taxes	12.112		135,168	135,168
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		14,284,228	-
Basic and Applied Scientific Research	12.300		75,891	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401		85,642,516	-
National Guard ChalleNGe Program	12.404		20,524,220	-
Economic Adjustment Assistance for State Governments	12.617		1,524,779	1,213,813
Legacy Resource Management Program	12.632		27,103	-
Air Force Defense Research Sciences Program	12.800		21,739	-
Other - U.S. Department of Defense	12.U02		319,575	-
Total Excluding Clusters			<u>122,591,332</u>	<u>1,348,981</u>
Research and Development Cluster				
Air Force Defense Research Sciences Program	12.800		14,752	-
Other - U.S. Department of Defense	12.U03		1,455,576	4,692
Total Research and Development Cluster			<u>1,470,328</u>	<u>4,692</u>
Total U.S. Department of Defense			<u>124,061,660</u>	<u>1,353,673</u>
U.S. Department of Housing and Urban Development				
Manufactured Home Dispute Resolution	14.171		170,375	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		39,683,406	37,937,507
Emergency Solutions Grant Program	14.231		12,920,767	12,077,941
Home Investment Partnerships Program	14.239		24,764,974	21,727,850
Housing Opportunities for Persons with AIDS	14.241		3,079,797	1,318,648
Equal Opportunity in Housing	14.400		1,706,640	-
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900		721,096	629,158
Total Excluding Clusters			<u>83,047,055</u>	<u>73,691,104</u>

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster				
National Disaster Resilience Competition	14.272		945,148	248,936
Total CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster			945,148	248,936
Total U.S. Department of Housing and Urban Development				
U.S. Department of the Interior				
Cultural and Paleontological Resources Management	15.224		897	-
Fish, Wildlife and Plant Conservation Resource Management	15.231		2,999	678
Southern Nevada Public Land Management	15.235		533,285	-
Environmental Quality and Protection	15.236		107,172	-
Federal Oil and Gas Royalty Management State and Tribal Coordination	15.427		1,172,760	-
Geothermal Resources	15.434		3,887,051	3,887,051
Minerals Leasing Act	15.437		32,074,915	32,074,915
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508		108,981	-
Central Valley Project Improvement Act, Title XXXIV	15.512		2,542,384	-
Fish and Wildlife Coordination Act	15.517		412,694	-
Recreation Resources Management	15.524		3,728,452	-
California Water Security and Environmental Enhancement	15.533		223,433	67,005
Lake Tahoe Regional Wetlands Development	15.543		19,974	-
<i>Lake Tahoe Regional Wetlands Development - (Noncash)</i>	15.543		25,000	-
Total Lake Tahoe Regional Wetlands Development			44,974	-
San Joaquin River Restoration	15.555		794,595	-
Fish and Wildlife Management Assistance	15.608		48,340	3,383
Coastal Wetlands Planning, Protection and Restoration	15.614		1,647,142	1,437,024
Cooperative Endangered Species Conservation Fund	15.615		7,112,683	6,771,806
Clean Vessel Act	15.616		1,195,867	384,492
Sportfishing and Boating Safety Act	15.622		103,244	-
North American Wetlands Conservation Fund	15.623		147,944	127,944
Enhanced Hunter Education and Safety	15.626		217,336	-
State Wildlife Grants	15.634		1,459,835	227,425
Central Valley Project Improvement Act (CVPIA)	15.648		289,567	-
Endangered Species Conservation - Recovery Implementation Funds	15.657		60,427	-
Endangered Species Conservation-Wolf Livestock Loss Compensation and Prevention	15.666		541	-
Cooperative Landscape Conservation	15.669		21,277	21,277
Earthquake Hazards Program Assistance	15.807		19,224	-
National Cooperative Geologic Mapping	15.810		168,963	-
National Geological and Geophysical Data Preservation	15.814		17,858	-
Historic Preservation Fund Grants-In-Aid	15.904		766,393	306,567
Outdoor Recreation Acquisition, Development and Planning	15.916		6,979,421	5,795,931
National Maritime Heritage Grants	15.925		105,152	-
Redwood National Park Cooperative Management with the State of California	15.937		9,961	-
National Park Service Conservation, Protection, Outreach, and Education	15.954		6,230	-
Other - U.S. Department of the Interior	15.U04		2,256,874	18,277
Total Excluding Clusters			68,268,871	51,123,775
Fish and Wildlife Cluster				
Sport Fish Restoration	15.605		4,522,591	2,125
Wildlife Restoration and Basic Hunter Education	15.611		9,839,187	81,815
Total Fish and Wildlife Cluster			14,361,778	83,940
Research and Development Cluster				
Central Valley Improvement Act, Title XXXIV	15.512		5,317,222	253
San Luis Unit, Central Valley	15.527		38,383	-
Sport Fish Restoration	15.605		12,174,476	32,944
Fish and Wildlife Management Assistance	15.608		724	-
Wildlife Restoration and Basic Hunter Education	15.611		20,148,995	435,587
Cooperative Endangered Species Conservation Fund	15.615		2,517,379	2,014,341
Landowner Incentive	15.633		14,900	14,900
State Wildlife Grants	15.634		1,552,612	748,184
Central Valley Project Improvement Act (CVPIA)	15.648		92,372	63,245

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
Endangered Species Conservation - Recovery Implementation Funds	15.657		7,668	4,761
Natural Resource Stewardship	15.944		4,353	-
Other - U.S. Department of the Interior	15.U05		1,038,675	407
Total Research and Development Cluster			42,907,759	3,314,622
Total U.S. Department of the Interior			125,538,408	54,522,337
U.S. Department of Justice				
Law Enforcement Assistance Narcotics and Dangerous Drugs Laboratory Analysis	16.001		510,852	-
Sexual Assault Services Formula Program	16.017		742,390	742,390
Antiterrorism Emergency Reserve	16.321		695,822	695,822
Drug Court Discretionary Grant Program	16.523		133,232	128,232
Juvenile Justice and Delinquency Prevention	16.540		3,873,791	3,405,080
National Criminal History Improvement Program (NCHIP)	16.554		447,847	-
Crime Victim Assistance	16.575		171,669,487	164,916,807
Crime Victim Compensation	16.576		20,203,887	-
Crime Victim Assistance/Discretionary Grants	16.582		1,894,606	1,520,296
Drug Court Discretionary Grant Program	16.585		219,975	219,975
Violence Against Women Formula Grants	16.588		14,244,372	13,501,973
Residential Substance Abuse Treatment for State Prisoners	16.593		963,812	806,758
Project Safe Neighborhoods	16.609		1,108,481	1,065,010
Regional Information Sharing Systems	16.610			
<i>Pass-Through from Western States Information Network</i>		2015-RS-CX-0002	2,257,956	-
Public Safety Partnership and Community Policing Grants	16.710		986,050	-
Special Data Collections and Statistical Studies	16.734		293,323	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		11,847,526	10,847,518
DNA Backlog Reduction Program	16.741		1,652,106	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		797,682	710,750
Support for Adam Walsh Act Implementation Grant Program	16.750		468,984	-
Edward Byrne Memorial Competitive Grant Program	16.751		1,638,738	1,614,673
Economic, High-Tech, and Cyber Crime Prevention	16.752		18,170	-
Harold Rogers Prescription Drug Monitoring Program	16.754		434,572	-
Second Chance Act Reentry Initiative	16.812		8,089	-
John R. Justice Prosecutors and Defenders Incentive Act	16.816		91,015	-
Postconviction Testing of DNA Evidence	16.820		311,243	310,622
Vision 21	16.826		127,125	-
Justice Reinvestment Initiative	16.827		149,941	-
Equitable Sharing Program	16.922		1,737,499	-
<i>Pass-Through from LA IMPACT Task Force</i>		CA0192K0X	18,937	-
<i>Pass-Through from Western States Information Network</i>		2015-RS-CA-0002	1,143	-
Total Equitable Sharing Program			1,757,579	-
Other - U.S. Department of Justice	16.U06		555,419	-
Total U.S. Department of Justice			240,104,072	200,485,906
U.S. Department of Labor				
Labor Force Statistics	17.002		7,914,504	-
Compensation and Working Conditions	17.005		730,534	-
Unemployment Insurance	17.225		5,675,586,822	-
Senior Community Service Employment Program	17.235		6,267,669	5,922,748
Trade Adjustment Assistance	17.245		7,955,219	-
Work Opportunity Tax Credit Program (WOTC)	17.271		1,973,974	-
Temporary Labor Certification for Foreign Workers	17.273		1,775,000	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277		31,454,244	30,686,164
WIOA Dislocated Worker National Reserve Demonstration Grants	17.280		735,268	721,965
Apprenticeship USA Grants	17.285		913,699	-
Occupational Safety and Health State Program	17.503		26,808,014	-
Consultation Agreements	17.504		5,721,527	-
Mine Health and Safety Grants	17.600		368,995	-
Total Excluding Clusters			5,768,205,469	37,330,877

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
Employment Service Cluster				
Employment Service/Wagner-Peyser Funded Activities	17.207		73,724,843	3,626,482
Disabled Veterans' Outreach Program (DVOP)	17.801		19,890,455	-
Total Employment Service Cluster			93,615,298	3,626,482
WIOA Cluster				
WIOA Adult Program	17.258		120,426,146	110,272,365
WIOA Youth Activities	17.259		118,237,556	107,453,846
WIOA Dislocated Worker Formula Grants	17.278		143,362,598	129,625,282
Total WIOA Cluster			382,026,300	347,351,493
Total U.S. Department of Labor			6,243,847,067	388,308,852
U.S. Department of Transportation				
Highway Research and Development Program	20.200		504,888	6,453
Motor Carrier Safety Assistance	20.218		13,429,964	-
Performance and Registration Information Systems Management	20.231		104,873	-
Commercial Driver's License Program Implementation Grant	20.232		89,937	-
Border Enforcement Grants	20.233		217,743	-
Fuel Tax Evasion-Intergovernmental Enforcement Effort	20.240		39,311	-
Capital Assistance to States - Intercity Passenger Rail Service	20.317		3,146,586	3,146,586
High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319		31,980,225	19,195,876
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		69,076,394	68,935,417
Formula Grants for Rural Areas	20.509		41,250,896	39,799,009
Public Transportation Research, Technical Assistance, and Training	20.514		52,442	52,442
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528		3,420,669	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		42,088,529	21,640,637
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614		907,691	-
Pipeline Safety Program State Base Grant	20.700		6,498,446	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		960,638	6,032
Total Excluding Clusters			213,769,232	152,782,452
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205		4,403,562,011	1,139,743,825
Recreational Trails Program	20.219		5,705,550	4,194,903
Total Highway Planning and Construction Cluster			4,409,267,561	1,143,938,728
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		17,041,596	16,258,784
Job Access and Reverse Commute Program	20.516		598,267	205,429
Total Transit Services Programs Cluster			17,639,863	16,464,213
Federal Transit Cluster				
Bus and Bus Facilities Formula Program	20.526		439,220	439,220
Total Federal Transit Cluster			439,220	439,220
Highway Safety Cluster				
State and Community Highway Safety	20.600		28,268,153	14,612,511
National Priority Safety Programs	20.616		24,798,126	13,157,345
Total Highway Safety Cluster			53,066,279	27,769,856
Research and Development Cluster				
Highway Planning and Construction	20.205		3,807,119	-
State and Community Highway Safety	20.600		39,822	-
National Priority Safety Programs	20.616		28,180	-
Total Research and Development Cluster			3,875,121	-
Total U.S. Department of Transportation			4,698,057,276	1,341,394,469

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
Department of the Treasury				
Equitable Sharing	21.016		25,039	-
Total Department of the Treasury			25,039	-
Equal Employment Opportunity Commission				
Other - Equal Opportunity Employment Commission	30.U07		2,588,511	-
Total Equal Employment Opportunity Commission			2,588,511	-
General Services Administration				
Donation of Federal Surplus Personal Property - (Noncash)	39.003		9,042,336	-
Election Reform Payments	39.011		144,687	-
Total General Services Administration			9,187,023	-
National Endowment for the Arts				
Promotion of the Arts Partnership Agreements	45.025		880,432	-
Grants to States	45.310		12,748,102	9,503,352
Total National Endowment for the Arts			13,628,534	9,503,352
Small Business Administration				
State Trade Expansion	59.061		754,708	741,542
Total Small Business Administration			754,708	741,542
U.S. Department of Veterans Affairs				
Grants to States for Construction of State Home Facilities	64.005		2,757,907	-
Burial Expenses Allowance for Veterans	64.101		468,720	-
Veterans Housing Guaranteed and Insured Loans	64.114		157,754,368	-
All-Volunteer Force Educational Assistance	64.124		1,551,281	-
Veterans Cemetery Grants Program	64.203		2,084,027	-
Total U.S. Department of Veterans Affairs			164,616,303	-
Environmental Protection Agency				
Air Pollution Control Program Support	66.001		9,149,041	43,563
State Indoor Radon Grants	66.032		143,486	-
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		154,234	-
State Clean Diesel Grant Program	66.040		14,209	-
The San Francisco Bay Water Quality Improvement Fund	66.126		10,183	-
Congressionally Mandated Projects	66.202		281,118	265,705
Multipurpose Grants to States and Tribes	66.204		266,736	106,458
Water Pollution Control State, Interstate, and Tribal Program Support	66.419		9,665,648	3,417,416
State Public Water System Supervision	66.432		3,831,559	-
State Underground Water Source Protection	66.433		721,607	-
Water Quality Management Planning	66.454		1,117,030	334,791
Nonpoint Source Implementation Grants	66.460		6,853,633	3,762,079
Regional Wetland Program Development Grants	66.461		592,570	542,275
Beach Monitoring and Notification Program Implementation Grants	66.472		494,391	354,925
Performance Partnership Grants	66.605		1,424,448	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608		379,275	97,092
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707		422,302	-
Pollution Prevention Grants Program	66.708		116,760	93,903
Hazardous Waste Management State Program Support	66.801		7,114,227	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		921,370	-
Underground Storage Tank Prevention, Detection and Compliance Program	66.804		340,292	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805		2,375,020	-
State and Tribal Response Program Grants	66.817		1,400,689	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		211,175	13,337
Total Excluding Clusters			48,001,003	9,031,544

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
Research and Development Cluster				
Regional Wetland Program Development Grants	66.461		171,977	171,977
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		11,818	-
Total Research and Development Cluster			183,795	171,977
Total Environmental Protection Agency			48,184,798	9,203,521
U.S. Department of Energy				
State Energy Program	81.041		1,294,008	-
<i>State Energy Program</i>	81.041		1,270,412	-
Total State Energy Program			2,564,420	-
Weatherization Assistance for Low-Income Persons	81.042		1,460,535	1,262,449
Nuclear Legacy Cleanup Program	81.065		617,415	-
Environmental Remediation and Waste Processing and Disposal	81.104		349,726	-
Long-Term Surveillance and Maintenance	81.136		33,623	-
Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214		36,512	-
Total U.S. Department of Energy			5,062,231	1,262,449
U.S. Department of Education				
Adult Education - Basic Grants to States	84.002		96,390,870	85,310,854
Title I Grants to Local Educational Agencies	84.010		1,814,784,601	1,797,657,592
Migrant Education State Grant Program	84.011		123,404,679	112,999,131
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		1,680,262	1,662,000
Career and Technical Education -- Basic Grants to States	84.048		110,692,361	79,271,694
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		339,562,031	-
Migrant Education Coordination Program	84.144		88,268	40,947
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177		4,008,384	3,522,840
Special Education-Grants for Infants and Families	84.181		48,594,976	-
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187		3,523,198	-
Education for Homeless Children and Youth	84.196		7,588,747	7,119,947
Charter Schools	84.282		24,669,484	24,180,211
Twenty-First Century Community Learning Centers	84.287		135,141,178	131,987,246
Special Education - State Personnel Development	84.323		2,350,482	-
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330		2,394,145	2,394,145
Rural Education	84.358		3,540,692	3,511,559
English Language Acquisition State Grants	84.365		120,347,475	114,545,294
Mathematics and Science Partnerships	84.366		10,966,017	10,365,721
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367		226,137,958	208,591,231
Competitive Grants for State Assessments (formerly Grants for Enhanced Assessment Instruments)	84.368		887,275	-
Grants for State Assessments and Related Activities	84.369		26,658,573	-
School Improvement Grants	84.377		32,915,413	31,699,395
Promoting Readiness of Minors in Supplemental Security Income	84.418		14,481,360	-
Disability Innovation Fund (DIF)	84.421		1,048,286	-
Total Excluding Clusters			3,151,856,715	2,614,859,807
Special Education Cluster (IDEA)				
Special Education Grants to States	84.027		1,196,218,370	1,157,341,760
Special Education Preschool Grants	84.173		31,314,273	29,275,615
Total Special Education Cluster (IDEA)			1,227,532,643	1,186,617,375
Total U.S. Department of Education			4,379,389,358	3,801,477,182

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
U.S. Election Assistance Commission				
Help America Vote Act Requirements Payments	90.401		11,630,146	-
Total U.S. Election Assistance Commission			11,630,146	-
U.S. Department of Health and Human Services				
Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission	93.018		283,508	185,661
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		400,818	400,818
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042		1,551,671	1,467,458
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043		1,792,573	1,792,573
Alzheimer's Disease Demonstration Grants to States	93.051		206,060	206,060
National Family Caregiver Support, Title III, Part E	93.052		15,453,851	14,677,470
Public Health Emergency Preparedness	93.069		42,469,361	32,726,144
Environmental Public Health and Emergency Response	93.070		1,162,164	390,545
Medicare Enrollment Assistance Program	93.071		1,517,365	1,255,196
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073		366,317	-
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		512,825	-
Guardianship Assistance	93.090		60,712,571	60,613,986
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		5,849,686	4,552,783
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094		941,078	645,682
Food and Drug Administration Research	93.103		2,744,784	224,707
Maternal and Child Health Federal Consolidated Programs	93.110		301,917	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		8,765,952	6,908,422
Preventive Medicine and Public Health Residency Training Program, Integrative Medicine Program, and National Center for Integrative Primary Healthcare	93.117		392,548	-
Emergency Medical Services for Children	93.127		136,602	-
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130		552,000	-
Injury Prevention and Control Research and State and Community Based Programs	93.136		5,047,854	2,152,819
Projects for Assistance in Transition from Homelessness (PATH)	93.150		10,533,212	10,359,745
Health Program for Toxic Substances and Disease Registry	93.161		744,975	-
Grants to States for Loan Repayment Program	93.165		1,023,620	-
Grants to States to Support Oral Health Workforce Activities	93.236		152,456	-
State Rural Hospital Flexibility Program	93.241		620,738	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		3,456,277	2,474,220
Universal Newborn Hearing Screening	93.251		136,278	99,420
<i>Immunization Cooperative Agreements</i>	93.268		<i>490,964,860</i>	<i>-</i>
Immunization Cooperative Agreements	93.268		28,699,822	11,243,082
Total Immunization Cooperative Agreements			519,664,682	11,243,082
Viral Hepatitis Prevention and Control	93.270		73,967	-
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283		815,373	353,881
Small Rural Hospital Improvement Grant Program	93.301		156,487	-
PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	93.305		2,241,802	312,333
State Health Insurance Assistance Program	93.324		3,693,356	3,178,316
Behavioral Risk Factor Surveillance System	93.336		61,851	27,826
ACL Independent Living State Grants	93.369		1,756,035	1,274,731
Food Safety and Security Monitoring Project	93.448		299,734	-
ACL Assistive Technology	93.464		1,062,209	-
Pregnancy Assistance Fund Program	93.500		717,642	228,575
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511		212,609	-
Promoting Safe and Stable Families	93.556		31,896,986	29,433,388
Child Support Enforcement	93.563		622,828,344	521,640,595
Child Support Enforcement Research	93.564		361,707	361,707
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566		34,061,956	18,643,776
Low-Income Home Energy Assistance	93.568		191,322,779	180,962,648
Community Services Block Grant	93.569		61,370,793	58,033,873

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
Refugee and Entrant Assistance Discretionary Grants	93.576		343,733	269,190
U.S. Repatriation	93.579		59,490	-
Refugee and Entrant Assistance Targeted Assistance Grants	93.584		2,923,462	2,780,499
State Court Improvement Program	93.586		1,675,584	80,857
Community-Based Child Abuse Prevention Grants	93.590		3,576,297	1,967,453
Grants to States for Access and Visitation Programs	93.597		877,897	612,220
Chafee Education and Training Vouchers Program (ETV)	93.599		8,392,748	-
Head Start	93.600		6,973,340	4,895,955
Adoption and Legal Guardianship Incentive Payments	93.603		12,370	12,370
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		79,375	73,095
Affordable Care Act Implementation Support for State Demonstrations to Integrate Care for Medicare-Medicaid Enrollees	93.628		(33,137)	-
Developmental Disabilities Basic Support and Advocacy Grants	93.630		6,351,227	-
Support for Ombudsman and Beneficiary Counseling Programs for States Participating in Financial Alignment Model Demonstrations for Dually Eligible Individuals	93.634		1,041,468	50,801
Children's Justice Grants to States	93.643		1,360,221	1,189,602
Adult Medicaid Quality: Improving Maternal and Infant Health Outcomes in Medicaid and CHIP	93.644		86,517	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645		29,852,089	29,852,089
ARRA - Foster Care Title IV-E	93.658		(1,325)	(1,325)
Foster Care Title IV-E	93.658		1,391,568,272	1,305,567,023
Total Foster Care Title IV-E			<u>1,391,566,947</u>	<u>1,305,565,698</u>
ARRA - Adoption Assistance	93.659		(457)	(457)
Adoption Assistance	93.659		531,629,913	510,442,952
Total Adoption Assistance			<u>531,629,456</u>	<u>510,442,495</u>
Social Services Block Grant	93.667		465,706,609	217,475,835
Child Abuse and Neglect State Grants	93.669		3,121,567	134,812
Child Abuse and Neglect Discretionary Activities	93.670		179,760	-
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		7,748,585	7,350,433
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674		15,956,202	14,315,410
ARRA - Advance Interoperable Health Information Technology Services to Support Health Information Exchange	93.719		186,121	143,495
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by the Prevention and Public Health Fund (PPHF)	93.733		1,143,779	69,566
State Public Health Approaches for Ensuring Qitline Capacity - Funded in part by Prevention and Public Health Funds (PPHF)	93.735		1,092,733	722,181
PPHF: Health Care Surveillance/Health Statistics - Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745		267,445	267,445
Elder Abuse Prevention Interventions Program	93.747		29,753	29,753
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757		6,240,149	3,955,735
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758		8,776,692	1,362,467
Children's Health Insurance Program	93.767		3,231,082,495	7,203,683
Opioid STR	93.788		3,633,521	-
Money Follows the Person Rebalancing Demonstration	93.791		18,640,930	-
Organized Approaches to Increase Colorectal Cancer Screening	93.800		1,028,595	788,697

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
Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	93.810		899,657	-
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817		583,269	582,428
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829		(370)	-
The Health Insurance Enforcement and Consumer Protections Grant Program	93.881		210,599	-
National Bioterrorism Hospital Preparedness Program	93.889		22,242,793	19,024,778
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898		9,592,429	2,029,741
Grants to States for Operation of State Offices of Rural Health	93.913		195,507	-
HIV Care Formula Grants	93.917		126,241,966	44,317,192
HIV Prevention Activities Health Department Based	93.940		24,793,124	12,594,418
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		2,906,344	1,497,702
Assistance Programs for Chronic Disease Prevention and Control	93.945		1,997,636	409,210
Tuberculosis Demonstration, Research, Public and Professional Education	93.947		83,696	83,696
Block Grants for Community Mental Health Services	93.958		73,106,408	71,911,370
Block Grants for Prevention and Treatment of Substance Abuse	93.959		296,591,008	279,109,291
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977		6,537,360	1,524,423
Mental Health Disaster Assistance and Emergency Mental Health	93.982		(2,524)	-
Maternal and Child Health Services Block Grant to the States	93.994		36,294,587	18,520,244
Other - U.S. Department of Health and Human Services	93.U08		42,066,886	-
Total Excluding Clusters			8,036,371,768	3,530,044,769
Aging Cluster				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		35,071,817	32,979,778
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045		65,855,963	63,395,435
Nutrition Services Incentive Program	93.053		13,060,141	13,060,141
Total Aging Cluster			113,987,921	109,435,354
Maternal, Infant, and Early Childhood Home Visiting Center				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505		139,187	1,753
Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870		20,588,690	14,724,569
Total Maternal, Infant and Early Childhood Home Visiting Center			20,727,877	14,726,322
TANF Cluster				
Temporary Assistance for Needy Families	93.558		3,410,555,144	2,285,337,831
Total TANF Cluster			3,410,555,144	2,285,337,831
CCDF Cluster				
Child Care and Development Block Grant	93.575		326,914,263	324,240,402
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		303,889,158	289,309,748
Total CCDF Cluster			630,803,421	613,550,150
Medicaid Cluster				
State Medicaid Fraud Control Units	93.775		33,495,407	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777		55,703,777	12,584,050
Medical Assistance Program	93.778		53,505,016,293	1,414,315,187
Total Medicaid Cluster			53,594,215,477	1,426,899,237
Research and Development Cluster				
Food and Drug Administration Research	93.103		14,318	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959		4,057,760	-
Total Research and Development Cluster			4,072,078	-
Total U.S. Department of Health and Human Services			65,810,733,686	7,979,993,663

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
Corporation for National and Community Service				
State Commissions	94.003		940,439	-
AmeriCorps	94.006		24,857,504	24,681,004
Training and Technical Assistance	94.009		108,528	-
Volunteer Generation Fund	94.021		309,829	-
Volunteers in Service to America	94.013			
<i>Pass-Through from KUPU</i>		825068047	18,889	-
Total Excluding Clusters			26,235,189	24,681,004
Foster Grandparent/Senior Companion Cluster				
Foster Grandparent Program	94.011		1,474,695	-
Total Foster Grandparent/Senior Companion Cluster			1,474,695	-
Total Corporation for National and Community Service			27,709,884	24,681,004
Executive Office of the President				
High Intensity Drug Trafficking Areas Program	95.001	G16SC0001A	1	-
<i>Pass-Through from San Diego Imperial HIDTA</i>		G17SC0001A	642,834	-
<i>Pass-Through from LA Police Chief's Association / City of Monrovia</i>		G16LA0006A	208,003	-
		G17LA0006A	1,212,275	-
<i>Pass-Through from LA Police Chief's Association / Riverside County</i>		G16LA0007A	69,818	-
		G17LA0007A	31,174	-
<i>Pass-Through from LA Police Chief's Association / Sacramento County</i>		G16CV0002A	24,243	-
		G17CV0002A	2,212	-
Total Executive Office of the President			2,190,560	-
Social Security Administration				
Disability Insurance/SSI Cluster				
Social Security Disability Insurance	96.001		227,205,146	-
Total Social Security Administration			227,205,146	-
U.S. Department of Homeland Security				
Non-Profit Security Program	97.008		1,561,051	1,561,051
Boating Safety Financial Assistance	97.012		4,277,685	2,021,635
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023		474,731	-
Flood Mitigation Assistance	97.029		200,335	125,592
Crisis Counseling	97.032		9,283	9,283
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		518,137,605	502,293,150
Hazard Mitigation Grant	97.039		8,933,499	6,298,099
National Dam Safety Program	97.041		117,316	-
Emergency Management Performance Grants	97.042		24,989,227	13,226,624
State Fire Training Systems Grants	97.043		698	-
Cooperating Technical Partners	97.045		242,953	-
Fire Management Assistance Grant	97.046		10,015,155	9,538,838
Pre-Disaster Mitigation	97.047		3,925,269	3,733,680
Homeland Security Grant Program	97.067		171,054,851	148,378,028
Earthquake Consortium	97.082		5,821	-
Severe Repetitive Loss Program	97.110		(5)	-
Total U.S. Department of Homeland Security			743,945,474	687,185,980
Total Expenditures of Federal Awards			\$ 94,250,739,435	\$ 18,344,916,713

Notes to the Schedule of Expenditures of Federal Awards

STATE OF CALIFORNIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018, except for federal awards received by the University of California system, a component unit of the State, the California State University system, the, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency, a component unit of the State. These entities engaged other auditors to perform an audit in accordance with the U.S. Office of Management and Budget, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200) also referred to as the “Uniform Guidance”.

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 the 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 “U” followed by a two digit number (e.g. U01, U02, etc.).

4. NONCASH FEDERAL AWARDS

The State is the recipient of federal award programs that do not result in cash receipts or disbursements. These noncash federal awards include a variety of items, such as food and nutritional purchase assistance, commodities, vaccines, or federal excess property. Noncash awards received by the State are included in the Schedule. Noncash awards for the fiscal year ended June 30, 2018 are as follows:

Federal Catalog Number	Federal Program Title	Noncash Awards for the Fiscal Year Ended June 30, 2018
10.551	Supplemental Nutrition Assistance Program	\$ 6,426,732,130
10.555	National School Lunch Program	179,353,348
10.565	Commodity Supplemental Food Program	21,140,011
10.569	Emergency Food Assistance Program (Food Commodities)	61,754,495
15.543	Lake Tahoe Regional Wetlands Development	25,000
39.003	Donation of Federal Surplus Personal Property	9,042,336
93.268	Immunization Cooperative Agreements	490,964,860
Total		\$ 7,189,012,180

5. LOANS, LOAN GUARANTEES OUTSTANDING AND INSURANCE IN EFFECT

Loans and loan guarantees outstanding, and insurance in effect at June 30, 2018 are included in the Schedule and are summarized below:

Federal Catalog Number	Federal Program Title	Loan Guarantees Outstanding for the Fiscal Year ended June 30, 2018	Insurance In Effect at June 30, 2018
64.114	Veterans Housing Guaranteed and Insured Loans	\$ -	\$ 157,754,368
81.041	State Energy Program	1,270,412	-
Total		\$ 1,270,412	\$ 157,754,368

6. PASS-THROUGH AWARDS

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

7. SUBRECIPIENTS

The State awards federal funds to non-federal entities (subrecipients) to assist with the implementation and administration of federal programs. Subrecipients are monitored by the State to ensure federal funds are expended in accordance with authorized laws, regulations, and the provisions of 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.

9. INDIRECT COST RATE

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

- Emergency Medical Services Authority
- California Tahoe Conservancy
- Governor's Office of Planning and Research
- Board of Governors of the California Community Colleges
- California Department of Veterans Affairs
- California Exposition and State Fair

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

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

Reference Number: **2017-001**

Federal Program: 93.268
93.758

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

Audit Finding: Significant Deficiency and Instance of Noncompliance. Prior to submission to the California Department of Finance (Finance) for compilation of the Schedule of Expenditures of Federal Awards (Schedule), Public Health needs to ensure the information is complete and accurate. During the testing of the Schedule, \$25.6 million of flu vaccines in total noncash federal awards were improperly excluded by the Immunization Branch. Further, the Chronic Disease Control Branch of Public Health also under-reported subrecipient expenditures by \$0.67 million.

Status of Corrective Action: Partially Corrected. On June 27, 2018, Public Health utilized the Uniform Guidance – Subrecipient vs. Contractor Checklist to define the difference between contractors and subrecipients.

During July – August 2018, Public Health created and implemented a more thorough internal review process to ensure the information submitted to Finance for compilation of the Schedule is complete and accurate.

On August 28, 2018, Public Health utilized the internal process to complete the Preventive Health and Health Services Block Grant Schedule and ensured that the process is operating effectively and efficiently.

This finding was repeated in fiscal year 2017-2018 related to accurate reporting of federal expenditures to Finance by Public Health. Refer to finding 2018-001 regarding the cause for the recurrence and the planned corrective action.

Reference Number: **2017-002**

Federal Program: 10.561

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

Audit Finding: Subrecipient Monitoring. For 3 of the 25 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 5 of the 25 Quality Control reviews tested, CalFresh Operations could not provide evidence to substantiate whether timely and appropriate follow-up action was taken related to deficiencies identified.

Status of Corrective Action: Fully Corrected. The following corrective action(s) have been taken to ensure the Case Disposition Letter (CDL) process for

Quality Control (QC) case review results is being appropriately followed.

- Reminders of the CDL process were shared at both the March and May 2018 Food Assistance Action Committee meetings. State QC verbally answered Performance Measurement County (PMC) QC's questions and further conveyed that State QC would be following up with PMC QC units that fail to adhere to the CDL requirement by escalating the issues to PMC upper management.
- Official guidance of the CDL process was released to the PMCs (published on August 29, 2018). State QC has proactively been soliciting counties to include CDLs in its completed QC cases and has required all PMCs to retroactively create and disseminate CDLs for all federal QC cases beginning with the October 2017 sample month in order to be in compliance for federal fiscal year 2018.
- State QC/Management Evaluation (ME) staff have been following up on the PMCs QC review process as it relates to CDLs and have been reinforcing the requirement for PMC QC to inform its district staff of all QC case results via a CDL.

Reference Number:	2017-003
Federal Program:	10.561
State Administering Department:	California Department of Social Services (Social Services)
Audit Finding:	<u>Subrecipient Monitoring</u> . Although Social Services monitors its subrecipients on the basis of using some risk factors, Social Services has not yet developed and documented a formal risk assessment process to determine the frequency and extent of monitoring activities. Risk assessment procedures relating to the prioritization of its subrecipient selection for review were not implemented in fiscal year 2016-17, but rather were implemented as a pilot during fiscal year 2017-18.
Status of Corrective Action:	<u>Partially Corrected</u> . The Supplemental Nutrition Assistance Program Education (SNAP-Ed) will incorporate the risk-based assessment in the upcoming federal fiscal year 2019 SNAP-Ed Management Evaluations. Social Services will continue to adhere to the federal SNAP-Ed Guidance and Food and Nutrition Services recommendations accordingly.

The Fiscal Policy and Analysis Bureau has fully implemented the documented risk assessment process in fiscal year 2018-19.

Reference Number: **2017-004**

Federal Program: 84.126

State Administering Department: California Department of Rehabilitation (Rehabilitation)

Audit Finding: Eligibility. Rehabilitation did not determine the applicants' eligibility for services within the required 60-day time period for 1 of the 40 applicant cases reviewed. The controls in place for rehabilitation counselors to enter and track applications in Rehabilitation's Accessible Web-Based Activity Reporting Environment (AWARE) case management system was not consistently applied across all district offices.

Status of Corrective Action: Fully Corrected. Rehabilitation's Employment Division Deputy Director and Field Regional Manager met with the Rehabilitation local District Administrator on June 6, 2018 to discuss the one case (out of 40) that resulted in the late eligibility determination. Within 90 days, Rehabilitation worked with the local District Administrator to address the circumstances in this one case that resulted in the late eligibility determination.

Reference Number: **2017-005**

Federal Program: 84.126

State Administering Department: California Department of Rehabilitation (Rehabilitation)

Audit Finding: Special Tests and Provisions – Completion of Individualized Plan for Employment. Rehabilitation did not develop an Individualized Plan for Employment (IPE) within the required 90-day time period for 3 of the 60 cases files reviewed. For these cases 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 Accessible Web-Based Activity Reporting Environment (AWARE) case management system, was missed.

Status of Corrective Action: Fully Corrected. Rehabilitation reminded all district administrators, team managers and team service delivery staff on the importance of timely plan development (no more than 90 days) immediately following receipt of the audit report. Furthermore, at the May 23, 2018 statewide district administrator meeting, this was discussed again and the importance reinforced. Additionally, Rehabilitation has sent monthly reminder memos to all field managers on June 11, July 10, and August 10, 2018. 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 their 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.

Reference Number:	2017-006
Federal Program:	93.758
State Administering Department:	California Department of Public Health (Public Health)
Audit Finding:	<p><u>Allowable Costs.</u> The Chronic Disease Control Branch (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. As such, the Branch did not determine if an adjustment was necessary to the final charges in accordance with 2 CFR 200.430 (i)(1)(viii)(C).</p>
Status of Corrective Action:	<p><u>Fully Corrected.</u> The Branch developed policies and procedures to comply with the standards for documentation of personnel expenses.</p> <p>On July 14, 2017, the Branch shared the following guidance with all Public Health Preventive Health and Health Services Block Grant (PHHSBG) programs.</p> <ul style="list-style-type: none">• Staff funded by the PHHSBG at 100 percent are required to complete and sign Public Health's 2361 Form—Federal Certification of Activity.• Employees' supervisors are required to complete and sign Public Health's 2361E Form certifying the employee's time on the project. <p>In August 2017, the Branch distributed a time study template and instructions to all Public Health programs.</p> <p>In November 2017, the Branch distributed a revised time study template and Instructions to all Public Health programs.</p> <p>In December 2017, the Branch distributed the 2361 Forms and 2361E Forms and instructions to all Public Health programs.</p> <p>The Branch requested copies of the completed 2361 Forms, 2361E Forms, and the time study reports from all respective PHHSBG programs.</p> <p>The Branch filed and maintained copies of completed 2361 Forms, 2361E Forms, and the Time Study Reports. This approach ensured compliance with this requirement.</p>

From January - March 2018, the Branch:

- Revised the Monthly Time Study Report (MTSR) to ensure staff verified the personnel expenditures charged and the level of effort were consistent. All employees funded by the PHHSBG at less than 100 percent full-time equivalent (FTE) were required to complete and sign this form on a monthly basis.
- Created a Monthly Personnel Verification Form (MPVF) to ensure staff verified the personnel expenditures charged and the level of effort were consistent. All employees funded by the PHHSBG at 100 percent FTE were required to complete and sign this form on a monthly basis.
- Employees’ supervisors were required to sign their staff’s respective MTSR and MPVF.

Between January and June 2018, the Branch completed an after-the-fact analysis to verify the information provided in the MTSR and MPVF match the expenditure reports. Public Health staff submitted necessary expenditure corrections to the Public Health Accounting Office for processing. Public Health staff also collected, filed, and maintained copies of the expenditure correction documentation.

Reference Number:	2017-007
Federal Program:	93.767 93.778
State Administering Department:	California Department of Health Care Services (Health Care Services)
Audit Finding:	<u>Cash Management</u> . The Cash Management Unit of Health Care Services failed to ensure that the drawdown 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.
Status of Corrective Action:	<u>Partially Corrected</u> . Health Care Services continues to monitor the implemented procedures to ensure that payment submissions to the State Controller’s Office (SCO) are correct to ensure disbursements are made within the three business days of receipt of the related federal funds in compliance with the funding technique pursuant to the CMIA Agreement. Health Care Services has also met with the SCO to discuss better communication processes related to CMIA payments.

Reference Number: **2017-008**

Federal Program: 93.959

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

Audit Finding: Cash Management. 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 disbursements of federal funds.

Status of Corrective Action: Remains Uncorrected. Health Care Services has consulted with the Substance Abuse and Mental Health Services Administration (SAMHSA) on the proposed Quality Federal Financial Management Report (QFFMR) process to address the finding. SAMHSA has approved the proposed QFFMR process and agreed to an implementation date of January 2019. Health Care Services has developed budget and quarterly reporting forms for counties to report expenditures for reimbursement.

Health Care Services conducted two webinars in July and September 2018 for stakeholders and presented forms and processes that must be followed for reimbursement. Health Care Services has also published an Information Notice that outlines the process and deadline. Substance Abuse Block Grant (SABG) funds will no longer be advances as of January 2019, and counties must submit a QFFMR for reimbursement starting March 2019.

Reference Number: **2017-009**

Federal Program: 93.778

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

Audit Finding: Eligibility. Out of 140 beneficiaries reviewed, there were 26 beneficiaries with the following eligibility exceptions:

- One instance in which a completed initial application not on file to establish eligibility.
- 21 instances in which redeterminations had not been performed within a year 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.
- One 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, but the verification code used to support the verification was missing from the file and documented as being deleted.

One instance of an individual that was not disabled who was receiving benefits under a disabled aid code and another instance of an individual receiving benefits who did not pass a resource test.

Status of Corrective Action: Remains Uncorrected. Health Care Services resumed conducting quality control reviews that focus on timeliness and accuracy of renewals in March 2017. Health Care Services permanently incorporated this review process as part of its oversight and monitoring activities. A formal process for monitoring Medi-Cal Eligibility Data System alerts is under development with a projected implementation date of June 2019.

Reference Number: **2017-010**

Federal Program: 93.268

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

Audit Finding: Subrecipient Monitoring. 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. The unique entry identifier was not collected prior to awarding funds and the Immunization Branch did not communicate to its subrecipients the required federal award data elements upon making a subaward.

Status of Corrective Action: Fully Corrected. Public Health developed policies and procedures in March 2017. By April 24, 2017, the Immunization Branch provided the Data Universal Numbering System (DUNS) to subrecipients. The DUNS were then collected by May 15, 2017. Public Health also communicated the system for award management requirements to its subrecipients.

Reference Number: **2017-011**

Federal Program: 93.268

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

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

Status of Corrective Action: Fully Corrected. Public Health developed policies and procedures by June 29, 2018. The subrecipient risk assessments were also completed by June 29, 2018.

Reference Number: **2017-012**

Federal Program: 93.558

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

Audit Finding: Subrecipient Monitoring. There is no evidence to support that the Performance Monitoring and Research Bureau (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.

Status of Corrective Action: Partially Corrected. The Bureau is in the process of updating county procedure questions that went into effect October 2018 for federal fiscal year 2017 Work Participation Rate (WPR) validation reviews. A question will be added that will require the county to identify whether any policy, procedure, or automation changes were made since the county's last WPR validation review and to explain what changes were made.

Reference Number: **2017-013**

Federal Program: 93.558

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, Social Services has not yet developed and documented a formal risk assessment process to determine the frequency and extent of monitoring activities. Risk assessment procedures relating to the prioritization of its subrecipient selection for review were not implemented in fiscal year 2016-17, but rather were implemented as a pilot during fiscal year 2017-18.

Status of Corrective Action: Partially Corrected. All 58 counties have been ranked according to their size (largest to smallest) with the intent to visit the largest counties first and more often.

Of the 58 counties within California, 19 are the state's Performance Monitoring Counties (PMC), as they carry the majority of the state's California Work Opportunities and Responsibility to Kids (CalWORKs) cases. Because the PMCs carry larger caseloads, they will be visited every three years and the remaining 39 counties will be on a five-year rotation.

As CalWORKs Eligibility Bureau's methodology was revised after scheduling this year's case file reviews, five counties that had site visits this year will also have site visits again next year (Los Angeles, San Bernardino, Santa Barbara, Imperial and Humboldt).

Reference Number: **2017-014**

Federal Program: 93.575
93.596

State Administering Department: California Department of Education (Education)

Audit Finding: Subrecipient Monitoring. Education did not collect the unique entity identifier prior to awarding funds in accordance with 2 CFR 25.205.

Status of Corrective Action: Fully Corrected. 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.
- 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 (FFATA), 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.”

Updated and implemented the DUNS number collection process for federal fund subrecipients through the use of the FFATA Sub-Award Reporting Compliance form. The FFATA form is a required component of all Request for Applications, Continued Funding Contracts/Awards, and contracts. In addition, the FFATA forms are forwarded to Education’s Accounting Office prior to the award of funds and retained by the Early Education and Support Division.

Reference Number: **2017-015**

Federal Program: 93.758

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

Audit Finding: Subrecipient Monitoring. The Chronic Disease Control Branch (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.

Status of Corrective Action: Partially Corrected. In April – June 2018, the Branch reviewed all federal statutes, regulations, and the terms and conditions of the federal Preventive Health and Health Services Block Grant

(PHHSBG) award to identify the necessary components of the subrecipient monitoring process, during the subaward period.

The Branch also developed comprehensive subrecipient policies and procedures for utilization during the subaward period. The policies and procedures 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.

The Branch will continue working with Public Health's Office of Compliance/Internal Audits to develop a comprehensive during-the-award monitoring tool. The Branch will distribute a revised during-the-award subrecipient monitoring tool to Public Health programs, if necessary.

The Branch will follow up with Public Health programs to ensure they complete the subrecipient monitoring tool for each subrecipient.

The Branch will collect, file, and maintain completed monitoring tools to demonstrate compliance with these requirements.

The Branch will revise the comprehensive subrecipient during-the-award policies and procedures, if necessary.

Reference Number:	2017-016
Federal Program:	93.758
State Administering Department:	California Department of Public Health (Public Health) and California Emergency Medical Services Authority (EMSA)
Audit Finding:	<u>Subrecipient Monitoring</u> . The Chronic Disease Control Branch (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. The unique entry identifier was not collected prior to awarding funds and the Public Health and EMSA did not communicate to their subrecipients the required federal award data elements upon making a subaward.
Status of Corrective Action:	<u>Partially Corrected</u> . In approximately January 2017, the Branch 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. The Branch determined policies and procedures needed to be developed.

On February 24, 2017, the Branch 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 were required to sign the MOU acknowledging receipt and to confirm their understanding of the terms.

On July 14, 2017, the Branch hosted a Preventive Health and Health Services Block Grant (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. The Branch allowed Public Health and EMSA staff to ask questions or request additional clarification.

On August 4, 2017, the Branch 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, the Branch created and distributed a “Program Instructions for Potential PHHSBG Contractors and Subrecipients Checklist” to all Public Health programs and EMSA. The Branch continuously collects, files, and maintains completed checklists to demonstrate compliance with this requirement.

EMSA adopted Public Health’s policies and procedures to ensure that the requirement to obtain the unique identifier prior to awarding funds and for communicating the required federal award information is met in a timely manner.

Reference Number:	2017-017
Federal Program:	93.758
State Administering Department:	California Department of Public Health (Public Health) and California Emergency Medical Services Authority (EMSA)
Audit Finding:	<u>Subrecipient Monitoring</u> . 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.
Status of Corrective Action:	<u>Remains Uncorrected</u> . In approximately May 2017, the Branch 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.

The Branch also determined policies and procedures needed to be developed and worked to create them.

In August 2017, the Branch 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, the Branch distributed the risk assessment tool.

During September – November 2018, the Branch will:

- Re-review all federal statutes, regulations, and the terms and conditions of the federal Public Health and Health Services Block Grant (PHHSBG) Award to determine if the existing policies, procedures, and the risk assessment tool are designed appropriately.
- Develop a new or revise the 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 did not utilize its PHHSBG to fund any subrecipients agreements. EMSA will utilize Public Health's policy if they fund subrecipients in the future.

Reference Number:	2017-018
Federal Program:	93.767 93.778
State Administering Department:	California Department of Health Care Services (Health Care Services)
Audit Finding:	<u>Subrecipient Monitoring</u> . 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.
Status of Corrective Action:	<u>Fully Corrected</u> . Health Care Services issued guidance to the department to categorize subrecipient versus contractor relationships. A standard form will require analysis of specific facts and details in every contract with outside vendors to determine the appropriate category.

Reference Number: **2017-019**

Federal Program: 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 addition, the Mental Health Division did not collect the unique entity identifier prior to awarding funds, nor did they communicate the required federal award data elements to subrecipients upon making a subaward, including identifying the award as a subaward.

Status of Corrective Action: No Longer Valid. Health Care Services determined that the Mental Health Plans (MHP) are contractors and not subrecipients. The current MHP contract that has been sent to the MHPs for signature contains language in it that identifies the MHPs as contractors.

Reference Number: **2017-020**

Federal Program: 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.

Status of Corrective Action: Remains Uncorrected. Health Care Services assesses every agreement to determine whether the other entity is a contractor or subrecipient, and documents and tracks the outcome of the determination. Health Care Services is continuing work on formalizing policies and procedures for ongoing risk assessment and monitoring arising from an entity's subrecipient status.

Reference Number: **2017-021**

Federal Program: 93.767
93.778

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

Audit Finding: Subrecipient Monitoring. Twelve of the 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 year 2014-15 and 2015-16, and the other three subrecipients had not submitted their cost report for fiscal year 2015-16. 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 noncompliance, they have not taken any additional actions necessary to ensure contract and performance compliance.

Status of Corrective Action:

Partially Corrected. In response to prior year finding 2017-018, this year Health Care Services updated its assessment of the counties' Short-Doyle funding contracts and determined they better fit the definition of contractors as opposed to subrecipients under the Uniform Guidance. Therefore, Health Care Services is no longer reporting these as subrecipient expenditures in the Schedule of Expenditures of Federal Awards. As a result, this condition is being reported this year (see finding 2018-004) in the activities allowed or unallowed category. Health Care Services finalized its policy regarding sanctions, fines, and penalties. On June 5, 2018, Health Care Services posted to its website Information Notice 18-024, which communicates the Mental Health Services Division's sanctions, fines, and penalties policy to mental health plans. Health Care Services plans to implement this policy when counties are late in submitting cost reports by December 2019. Health Care Services is currently drafting a process to impose financial sanctions upon a mental health plan when it does not submit its annual cost report timely.

Reference Number:

2017-022

Federal Program:

93.069

State Administering Department:

California Department of Public Health (Public Health)

Audit Finding:

Level of Effort. For fiscal year 2016-17, 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 grant awards that closed during the fiscal year ended June 30, 2017.

Status of Corrective Action:

Fully Corrected. Public Health's Emergency Preparedness Office management was able to discuss this issue in person with the appropriate Centers for Disease Control and Prevention (CDC) staff at the annual Public Health Emergency Preparedness Grant and Hospital Preparedness Program Business Meeting held in St. Louis on March 25, 2019. CDC staff verbally confirmed that this issue was closed for them and would not be re-opened. They also stated verbally, that a written response would not be forthcoming.

Reference Number: 2016-004
2016-012
2016-015
2016-016
2019-019 For CFDA Nos. 93.069, 93.268, and 93.889
2016-020 For CFDA No. 93.268
2016-021
2016-023
2016-025
2016-027

Status of Corrective Action: Fully Corrected.

Reference Number: 2016-020 For CFDA No. 93.758 refer to Finding 2018-011
2016-024 Refer to finding 2018-004

Status of Corrective Action: Partially Corrected.

Reference Number: 2016-011 Refer to finding 2018-006
2016-013 Refer to finding 2018-007
2016-019 For CFDA No. 93.758 refer to finding 2018-013
2016-026 Refer to finding 2018-014
2016-030 Refer to finding 2018-016

Status of Corrective Action: Remains Uncorrected.

Department of Finance Response Letter



DEPARTMENT OF
FINANCE
OFFICE OF THE DIRECTOR

GAVIN NEWSOM • GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

May 29, 2019

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

Thank you for the opportunity to respond to the federal compliance audit report for the fiscal year ended June 30, 2018. 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^{LLP} (MGO). The responses and corrective action plans, compiled by MGO and provided to Finance, are attached. Finance will remind state entities of their responsibility for implementing corrective actions.

If you have any questions concerning this letter, please contact Cheryl McCormick, 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, 2018**

Reference No. 2018-002:

The Department of Education (Education) has filled three out of the four vacant manager positions. The Field Services Unit (FSU) managers are trained and performing reviews for the 2018-19 workload, including the reviews completed by staff under the vacant manager position. Education does not anticipate simultaneous manager retirements in the future, but will develop a revised plan to cover workload demands if future unexpected vacancies occur.

Education's existing process for conducting Administrative Reviews (ARs) to monitor compliance and provide technical assistance meets the USDA's requirements. Education determined that increasing the depth of the secondary review performed by the Program Integrity Unit (PIU) Manager and analysts, which focuses on the higher risk ARs that generally have a fiscal impact, was the best course of action to mitigate risks until these positions could be filled. Additionally, because the ARs follow the federal standardized process, the risk that an area of noncompliance will be undetected by the consultant performing the AR is low.

Estimated Implementation Date: June 2019

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

Reference No. 2018-003:

The VSPS has taken the following actions to strengthen the VSPS site visit tracking procedures to ensure incomplete work can be easily identified and reassigned during deployments or other extended staff absences:

1. Updated their shared tracking VSPS Branch Site Visit Spreadsheet to include the date of the Performance Assessment, Site Visit Report, and Corrective Action Completion Letter issued or mailed to the Subrecipient allowing the Unit Chief to easily identify outstanding reports or corrective actions;
2. Updated pages 18 and 19 of the *VSPS Branch Procedural Manual* to formalize the procedure that Program Specialists must update the VSPS Branch Site Visit Tracking Spreadsheet;
3. Created the Workload Summary form that Program Specialists must complete prior to all extended absences of five business days or more, from the office; and
4. Updated page 2 of the *VSPS Branch Procedural Manual* to formalize the procedure that Program Specialists must complete the Workload Summary form prior to extended absences.

Estimated Implementation Date: June 2019

Contact: Leigh Bills, Chief
Victim Services and Public Safety
Governor's Office of Emergency Services

Reference No. 2018-004:

The California Department of Health Care Services (Health Care Services) fully agrees with this finding. Health Care Services issued Mental Health Substance Use Disorder Services Information Notice (IN) Number: 18-024 on June 5, 2018. The IN outlines the authority available to Health Care Services to impose administrative and financial sanctions upon a mental health plan when it does not comply with statutory, regulatory, or contractual requirements. Health Care Services is currently drafting a process to impose financial sanctions upon a mental health plan when it does not submit its annual cost report timely.

Estimated Implementation Date: December 2019

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

Reference No. 2018-005:

Health Care Services fully agrees with the finding. Health Care Services continues to monitor the implemented procedures to ensure that payment submissions to the State Controller's Office (SCO) are correct 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. Health Care Services has also met with the SCO to discuss better communication related to CMIA payments.

Estimated Implementation Date: Ongoing

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

Reference No. 2018-006:

Health Care Services fully agrees with this finding. Health Care Services strengthened the Quarterly Federal Financial Management Report (QFFMR) process to minimize the time elapsing between the receipt and disbursement of federal funds to subrecipients. Health Care Services now requires county subrecipients to provide actual Substance Abuse Prevention and Treatment Block Grant (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 implemented the enhanced QFFMR process as of January 1, 2019, following consultation with Health Care Services Internal Audits, Accounting, the California Behavioral Health Director's Association and

County Alcohol and Drug Administrators. Training webinars were held in July and September 2018, and Information Notice Number: 18-057 was released to inform our external stakeholders of the new process.

Estimated Implementation Date: January 2019

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

Reference No. 2018-007:

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

The CAP must include:

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

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

In 2017, Health Care Services resumed these reviews, and to date has visited and reviewed 22 counties. An additional 24 counties will be reviewed in 2019. We anticipate that in time, these reviews will significantly reduce delays/errors in renewal processing activities.

In addition, Health Care Services is in the process of implementing a MEDS alerts monitoring pilot process. Health Care Services will assess whether there are MEDS alerts associated with renewals that may be leveraged and effectively used as a mechanism to reduce delays in renewal processing times. If so, Health Care Services will incorporate the alert(s) into the pilot, and permanently as part of Health Care Services' ongoing review process.

Estimated Implementation Date: June 2019

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

Reference No. 2018-008:

The ADAP Branch notes that before the current year's Single Audit was initiated, ADAP proactively drafted a Standard Operating Procedure to incorporate an eligibility flag that will enable vendors to invoice ADAP separately for clients who receive ADAP services while on a temporary access period. This functionality is projected to be incorporated in the spring of 2019 and will enable ADAP to leverage state funds to pay invoices that include these services. Additionally, beginning in the spring of 2018, ADAP began conducting in-house secondary review of all ADAP applications to ensure substantiating eligibility documentation is submitted with every application. Lastly, ADAP would also like to note that the federal Health Resources Services Administration was informed via a letter dated December 19, 2016, that ADAP would be extending eligibility for clients without requiring eligibility documentation to be uploaded during a transitional phase of ADAP's enrollment benefits system.

Estimated Implementation Date: Spring 2019

Contact: Adrian Barraza, Chief
ADAP Program, Policy, and Fiscal Section
California Department of Public Health

Reference No. 2018-009:

The Emergency Preparedness Office (EPO) will have the Internal Audits Office conduct a training for all staff in EPO responsible for subrecipient monitoring and audit coordination on single audit reports. The training will include how to identify the difference between a single audit report and financial audit reports, what to look for in a single audit report, questions to ask subrecipients if concerns are identified, and when to escalate a single audit finding. EPO will include at least two train-the-trainers who can continue this training for new employees and refresher training for existing employees.

Additionally, EPO will develop a tracking system to track the receipt of all single audit reports to validate that they have all been received and reviewed. Updated processes and procedures will be created based upon the training.

Estimated Implementation Date: June 2019

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

Reference No. 2018-010:

The Department of Child Support Services (Child Support Services) currently performs monitoring activities of each Local Child Support Agency (subrecipient) on a regular basis according to federal statutes, regulation, and plan of cooperation. Based on this recommendation to perform risk assessments of each subrecipient, Child Support Services will develop and formalize a risk assessment process for evaluating the Local Child Support Agencies. In order to perform risk assessments of subrecipients to determine the appropriate level of monitoring to be performed, criteria may include items such as funding allocation size, single audit report findings, personnel changes, prior audit findings, and program issues.

Estimated Implementation Date: July 2019

Contact: Karen Dailey, Audit Chief
Office of Audits and Compliance
California Department of Child Support Services

Reference No. 2018-011:

From April – June of 2018, the Chronic Disease Control Branch (CDCB) reviewed all federal statutes, regulations, and the terms and conditions of the federal Preventive Health and Health Services Block Grant (PHHSBG) award to identify the necessary components of the subrecipient monitoring process, during the subaward period. CDCB developed a During-the-Award Monitoring Tool.

From July – August 2018, CDCB used the During-the-Award Monitoring Tool to develop a questionnaire that programs will utilize to assess each subrecipients risk.

In September 2018, during an orientation for all PHHSBG programs, CDCB conducted training on PHHSBG federal and state requirements, including During the Award requirements. PHHSBG programs, Public Health and Emergency Medical Services Authority (EMSA), were informed that CDCB was working on a new monitoring tool and PHHSBG programs would receive the instructions once the monitoring tool is finalized.

In October 2018, the auditor provided feedback on the During-the-Award Monitoring Tool developed in June 2018 and CDCB incorporated the suggested changes.

In December 2018, CDCB finalized a robust and comprehensive Subrecipient Monitoring Tool. The Subrecipient Monitoring Tool includes the policy and procedures for reviewing subrecipient compliance in accordance with federal statutes, regulations, and the terms and conditions of the subaward; and aids the PHHSBG programs to comply and monitor their subrecipients.

In January 2019, CDCB distributed the Subrecipient Monitoring Tool to all PHHSBG programs. PHHSBG programs will monitor subrecipients for compliance twice during State Fiscal Year (SFY) 18/19, and quarterly beginning SFY 19/20.

Estimated Implementation Date: May 2019

Contact: Anita Butler, Chief
Business Operations Section, CDCB
California Department of Public Health

Reference No. 2018-012:

Beginning in January 2017, and regularly thereafter, the Public Health Chronic Disease Control Branch (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. CDCB determined policies and procedures needed to be developed and worked to develop them.

In February 2017, CDCB distributed a Memorandum of Understanding (MOU) to all Preventive Health and Health Services Block Grant (PHHSBG) programs that identified the requirements programs need to adhere to before finalizing a subaward, including required information to be provided to subrecipients in accordance with 2 CFR 25.200 and 2 CFR 200.331 and collecting the unique identifier prior to making subawards in accordance with 2 CFR 25.205. Each program was required to sign the MOU acknowledging receipt of, understanding of, and compliance with these terms.

In July 2017, 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.

In August 2017, 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.

In November 2017, CDCB created and distributed the Program Instructions for Potential PHHSBG Contractors and Subrecipients Checklist (Checklist) to all PHHSBG programs, which outlined the requirement for programs to communicate the Universal Entity Identifier and System for Award Management requirements to subrecipients in accordance with 2 CFR 25.200. The Checklist also included a section requiring programs to collect the subrecipient's Unique Entity Identifier in accordance with 2 CFR 25.205.

CDCB implemented the policy and Checklist at the end of 2017; however, there were no new subrecipient agreements in SFY 17/18. CDCB has ensured that the new subrecipient agreements in SFY 18/19 have met this requirement, and will ensure this for future years.

In July 2018, CDCB distributed the 2018 PHHSBG MOU to all programs receiving funds from the Federal Fiscal Year (FFY) 2018 PHHS Block Grant. The 2018 MOU identified the requirements programs need to adhere to before finalizing a subaward, including the required information to subrecipients in accordance with 2 CFR 25.200 and 2 CFR 200.331 and collecting the unique identifier prior to making subawards in accordance with 2 CFR 25.205. Each program was required to sign the MOU acknowledging receipt of, understanding of, and compliance with these terms.

In September 2018, CDCB held the FFY 2018 PHHSBG Programs Orientation and went over federal and state requirements, including required communication to subrecipients.

In October 2018, CDCB reviewed and revised the Checklist to provide more in-depth directives. The revised Checklist was finalized and distributed to all PHHSBG programs in January 2019.

All subrecipients that were noncompliant were multi-year contracts, some of which did not expire until December 31, 2018. Currently, all subrecipients are in compliance. CDCB will continue to review and monitor all current and new subrecipients to ensure that PHHSBG programs have complied with these requirements prior to agreement execution. As a best business practice, CDCB will also share the Universal Identifier, verify the subrecipients Unique Entity Identifier, and ensure that the subrecipient is not debarred in the System for Award Management (SAM) for all current subrecipients.

Estimated Implementation Date: January 2019

Contact: Anita Butler, Chief
Business Operations Section, CDCB
California Department of Public Health

Reference No. 2018-013:

From May – July of 2017, Chronic Disease Control Branch (CDCB) reviewed all federal statutes, regulations, and the terms and conditions of the federal Preventive Health and Health Services Block Grant (PHHSBG) award to identify the necessary components of the subrecipient risk assessment.

In August 2017, CDCB developed a Risk Assessment Tool and distributed it to all PHHSBG programs.

In October 2017, CDCB revised the Risk Assessment Tool. In November 2017, CDCB distributed the revised Risk Assessment Tool.

From December 2017 – August 2018, PHHSBG programs used the Risk Assessment Tool as guidance for assessing subrecipients' risk. Each PHHSBG program developed its own record keeping method.

In October 2018, CDCB reviewed the revised Risk Assessment Tool developed in October 2017 and determined that additional revisions were needed.

In December 2018, CDCB developed and finalized a risk assessment process, which was incorporated into the Subrecipient Monitoring Tool. The Subrecipient Monitoring Tool includes the policy and procedures for completing the risk assessment.

In January 2019, CDCB distributed the Subrecipient Monitoring Tool to all PHHSBG programs. PHHSBG programs will assess subrecipients' risk twice during State Fiscal Year (SFY) 18/19, and quarterly beginning SFY 19/20.

Estimated Implementation Date: May 2019

Contact: Anita Butler, Chief
Business Operations Section, CDCB
California Department of Public Health

Reference No. 2018-014:

Health Care Services fully agrees with the finding. Health Care Services assesses every agreement to determine whether the other entity is a contractor or subrecipient, and documents and tracks the outcome of the determination. Health Care Services is continuing to work on formalizing policies and procedures for ongoing risk assessment and monitoring arising from an entity's subrecipient status.

Estimated Implementation Date: August 2019

Contact Person: Nicole Jacot, External Audit Manager
Audits & Investigations – Internal Audits
California Department of Health Care Services

Reference No. 2018-015:

The program has taken the following actions to correct this problem:

- Training staff: Providing clear guidance to evaluators (VFC Field Representatives) on determining who is due for a visit based on the visit date. Revision of policy based on clarification from CDC in 2017. Supervisors have been provided with direction to prioritize visits in their region based on providers who are overdue rather than by individual Representative's territory.
- Quality Assurance Measures: Measures have been put in place to include monthly reviews of providers who are overdue for their VFC Compliance visits by using the CDC PEAR (Provider Education Assessment and Reporting) system dashboard and PEAR reports. Monthly reminders are sent to the 5 California Immunization Branch regional offices.
- Reporting Progress: Using the platform of monthly conference calls and quarterly in person meetings to report back to Field staff on progress of visiting overdue providers.
- Allocation of Staff: One full-time individual was moved to the southern California regional office due to southern California's low ratio of reviewers to providers. This person has begun to make field visits and we are expecting to see a decrease in overdue providers soon.

Estimated Implementation Date: June 2021

Contact: Karen Turner, Section Chief
Field Services, Immunization Branch
California Department of Public Health

Betty Tran, QA/QI Manager
Field Services, Immunization Branch
California Department of Public Health

Reference No. 2018-016:

Health Care Services fully agrees with the finding. The California Medi-Cal Management Information System Division (CA-MMIS) is aware of the risks associated with this finding. Risk 2021 was identified early in 2018 and formally raised within CA-MMIS governance to create awareness and track risk mitigation progress. The risk states that “lack of operationalized access controls and inconsistent account provisioning may result in unauthorized data access, tampering, and loss of personal health information/personal identifying information, which would lead to regulatory fines and damaged reputation.” CA-MMIS risk response plan includes Health Care Services taking ownership of the Identify and Access Management (IDAM) capabilities that were previously outsourced to the fiscal intermediary (FI). Health Care Services also entered into contract agreement with a new FI Information Technology Maintenance and Operations (ITMO) vendor, International Business Machines Corporation (IBM). CA-MMIS system support activities by IBM will be highly integrated with the new service management framework, including access controls. As Conduent was unable to effectively operationalize access controls, many of those control activities will exist within automated workflows under the new framework and within IDAM. Monitoring and regular control testing will be performed by Health Care Services. Adoption of the new service management framework and assumption of operations to the new IBM contract commences October 1, 2019.

Estimated Implementation Date: October 2019

Contacts: Nicole Jacot, External Audit Manager
Audits & Investigations – Internal Audits
California Department of Health Care Services

Reference No. 2018-017:

Effective immediately, the California Disability Determination Service Division, Central Support Services Branch will publish a reminder to the Professional Relations Specialists (PRS), who are the designated staff responsible for checking medical licenses and federal exclusions, to review all federal statutes, regulations, policies, and procedures for purchasing medical services across state lines to ensure compliance with all requirements.

Additionally, the reminder will direct the PRSs to annotate the consultative examiner’s file with the date and name of the individual who performed the credential verification.

Estimated Implementation Date: March 2019

Contact: Judy Speer, Deputy Director
Disability Determination Service Division
California Department Social Services