

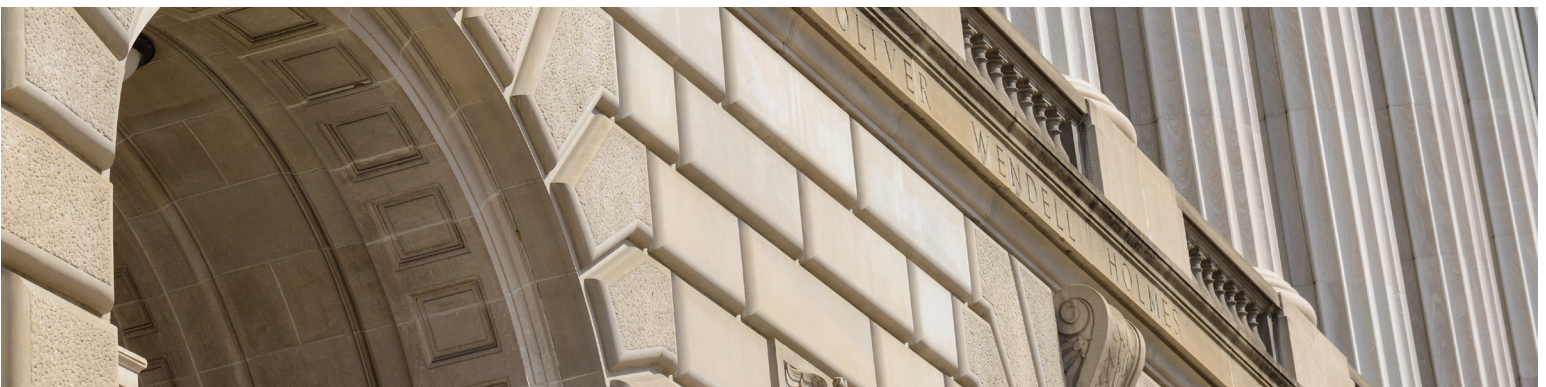


# *State of California*

Federal Compliance Audit Report for the  
Fiscal Year Ended June 30, 2019

*October 2020*

**REPORT 2019-002**





**CALIFORNIA STATE AUDITOR**

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



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October 30, 2020  
**2019-002**

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, 2019. The State Auditor contracted with Macias Gini & O'Connell LLP (MGO) to perform this audit for fiscal year 2018–19.

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

Respectfully submitted,

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

ELAINE M. HOWLE, CPA  
California State Auditor



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## **Auditor's Section**

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

The Governor and the Legislature of the State of California:

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

We have audited the accompanying Schedule of Expenditures of Federal Awards (the Schedule) of the State of California (State) for the fiscal year ended June 30, 2019, 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, 2019, 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 \$5.9 billion, \$2.6 billion, \$33.9 million, \$70.0 million, and \$50.6 million, respectively, in federal awards, which are not included in the Schedule for the fiscal year ended June 30, 2019. 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 October 23, 2020 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

October 23, 2020



**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, 2019, and the related notes to the Schedule (the financial statement), and have issued our report thereon dated October 23, 2020. 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 2019-001 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 2019-001.

### **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

October 23, 2020



## **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, 2019. 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 \$5.9 billion, \$2.6 billion, \$33.9 million, \$70.0 million, and \$50.6 million, respectively, in federal awards, which are not included in the State's Schedule for the fiscal year ended June 30, 2019. Our audit, described below, did not include the federal awards of the University of California system, the California State University system, the State Water Resources Control Board Water Pollution Control Revolving Fund, the State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency because these entities engaged other auditors to perform an audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

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

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

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

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

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

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

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

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

Finding Number	CFDA Number	Federal Program Name or Cluster	Compliance Requirement(s)	State Administering Department
2019-003	93.767	Children's Health Insurance Program	Activities Allowed or Unallowed	Department of Health Care Services
2019-003	93.778	Medical Assistance Program (Medicaid Cluster)	Activities Allowed or Unallowed	Department of Health Care Services
2019-004	93.991	Preventive Health and Health Services Block Grant	Allowable Costs/Cost Principles	Department of Public Health
2019-005	93.767	Children's Health Insurance Program	Eligibility	Department of Health Care Services
2019-005	93.778	Medical Assistance Program (Medicaid Cluster)	Eligibility	Department of Health Care Services
2019-006	93.917	HIV Care Formula Grants	Eligibility	Department of Public Health
2019-008	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, 2019.

**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, 2019.

**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
2019-002	20.205	Highway Planning and Construction (Highway Planning and Construction Cluster)	Special Tests and Provisions	Department of Transportation
2019-007	93.658	Foster Care Title IV-E	Subrecipient Monitoring	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 2019-002, 2019-003, 2019-004, 2019-005, 2019-006, and 2019-009 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-007 to be a significant deficiency.

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  
October 23, 2020



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

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**STATE OF CALIFORNIA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

***Financial Statements***

Issued under a separate cover. Refer to California State Auditor’s 2019-001.1 report entitled *State of California: Internal Control and Compliance Audit Report for the Fiscal Year Ended June 30, 2019*.

***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

<u>Qualified</u>	
<u>CFDA Number</u>	<u>Federal Program or Cluster</u>
93.268	Immunization Cooperative Agreements
93.767	Children’s Health Insurance Program

**Qualified  
 CFDA Number**

**Federal Program or Cluster**

Medicaid Cluster:

93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
93.917	HIV Care Formula Grants
93.991	Preventive Health and Health Services Block Grant

**Unmodified  
 CFDA Number**

**Federal Program or Cluster**

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

Highway Planning and Construction Cluster:

20.205	Highway Planning and Construction
20.219	Recreational Trails Program
39.003	Donation of Federal Surplus Property Program
84.010	Title I Grants to Local Educational Agencies
84.365	English Language Acquisition State Grants
93.667	Social Services Block Grant
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance
93.959	Block Grants for Prevention and Treatment of Substance Abuse

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
	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
39.003	Donation of Federal Surplus Property Program
84.010	Title I Grants to Local Educational Agencies
84.365	English Language Acquisition State Grants
93.268	Immunization Cooperative Agreements
93.667	Social Services Block Grant
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance
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
93.991	Preventive Health and Health Services Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$142,367,134

Auditee qualified as low-risk auditee? No

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

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## DEPARTMENT OF PUBLIC HEALTH

Reference Number: 2019-001

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) to include all 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 Immunization Cooperative Agreements program (CFDA No. 93.268) under-reported its total expenditures by \$211,247.
- The HIV Care Formula Grants (CFDA No. 93.917) under-reported its total expenditures by \$22,224,797.

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

### **Cause**

During the fiscal year ended June 30, 2019, the Department of Public Health (Public Health) implemented the Financial Information System for California (FI\$Cal) to replace the CALSTARS accounting system. As part of the conversion, remaining encumbrance balances from CALSTARS were converted into FI\$Cal as prior year encumbrance reversals. These transactions were included as negative balances in the expenditure reports used by Public Health to report federal expenditures to Finance, and effectively resulted in the understatement of federal expenditures on the cash basis of accounting.

### **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 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**

The California Department of Public Health agrees with the above finding. Public Health has already trained staff on procedures for Schedule of Expenditures of Federal Awards (Schedule) reporting to ensure Schedules are complete and accurate. As noted above, fiscal year 2018-19 was Public Health's first year of FI\$Cal implementation and since that time, we have benefited from lessons learned. Public Health does not anticipate this issue will arise in the future as the encumbrance reversal cited was implemented in connection with a one-time migration of CALSTARS data to FI\$Cal. Additionally, Public Health has established communication protocols to enhance the review process moving forward.

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

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**U.S. DEPARTMENT OF TRANSPORTATION**

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Reference Number:	2019-002
Category of Finding:	Special Tests and Provisions – Quality Assurance
Type of Finding:	Material Weakness and Instance of Noncompliance
State Administering Department:	Department of Transportation (Transportation)
Federal Catalog Number:	20.205
Federal Program Title:	Highway Planning and Construction
Federal Award Numbers and Years:	P055055; 2018 Q101229; 2019 P099391; 2019

**Criteria**

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

The non-Federal entity must:

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

Title 23 – Highways - Chapter I – Federal Highway Administration, Department of Transportation - Subchapter G – Engineering and Traffic Operations – Part 637 Construction Inspection and Approval – Subpart B – Quality Assurance Procedures for Construction - §637.207 Quality Assurance Program:

- (a)(3) The preparation of a materials certification, conforming in substance to appendix A of this subpart, shall be submitted to the FHWA Division Administrator for each construction project which is subject to FHWA construction oversight activities.

**Condition**

Transportation established a Federal Highway Administration (FHWA) approved quality assurance program over construction projects on the National Highway System to ensure the materials and workmanship conformed to the approved plans and specifications. At the completion of a construction project, the resident engineer reviews all quality assurance documents within the project records and certifies all materials and workmanship for the project and the required specifications on the final materials certification form for submission to the FHWA. This form is required per Transportation’s policies and procedures to be retained within the permanent project records. For 3 of 25 projects sampled, Transportation could not locate the final materials certificate within the project records. However, the FHWA approved and closed the three projects.

### **Cause**

Transportation's current document retention method is paper based. Management represented that the transition of project files from active storage locations to completed, and finally archived project file storage resulted in the misplacement of required quality assurance project documentation.

### **Effect**

Transportation's incomplete project documentation creates a risk that compliance with requirements may not be substantiated for audit and federal oversight purposes.

### **Questioned Costs**

No questioned costs were identified.

### **Context**

A total of 881 projects were closed and final voucher reports submitted to the U.S. Department of Transportation, Federal Highway Administration during FY2018-19.

The sample was not a statistically valid sample.

### **Recommendation**

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

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

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

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

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Reference Number:	2019-003
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:	1905CA5021; 2019 1805CA5021; 2018 1805CA5R21; 2018 1705CA5021; 2017 1705CA0301; 2017
Federal Catalog Number:	93.778
Federal Program Title:	Medical Assistance Program
Federal Award Numbers and Years:	1905CA5ADM; 2019 1905CA5MAP; 2019 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:

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

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

§14705:

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

§14712:

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

### **Condition**

Twenty-one of 56 contractor counties of Short-Doyle funding were tested and seven had not submitted their cost reports by the December 31 due date. One of the seven contractor counties had not submitted its cost reports for FY2016-2017 (more than 22 months late) and FY2017-2018 (more than 10 months late) and six of the seven contractor counties had not submitted their cost reports for FY2017-2018 (more than 10 months late).

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

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

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

Finding 2018-004 was reported in the immediate prior year.

### **Cause**

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

### **Effect**

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

### **Questioned Costs**

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



## **Context**

For the fiscal year ended June 30, 2019, disbursements of Short-Doyle funding from the Medical Assistance Program to the seven noncompliant contractor counties totaled \$870,514,936, the 21 tested contractor counties totaled \$1,582,137,830, and all 56 contractor counties totaled \$1,948,203,200.

For the fiscal year ended June 30, 2019, disbursements of Short-Doyle funding from the Children's Health Insurance Program to the seven noncompliant contractor counties totaled \$118,651,458, the 21 tested contractor counties totaled \$214,899,179. and all 56 contractor counties totaled \$259,138,445.

The sample was not a statistically valid sample.

## **Recommendation**

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

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

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

Reference Number:	2019-004
Category of Finding:	Allowable Costs/Cost Principles
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	93.991
Federal Program Title:	Preventive Health and Health Services Block Grant
Federal Award Number and Year:	1NB01OT009226-01-00; 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. Part 75 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards. Subpart E—Cost Principles. §75.416 Cost allocation plans and indirect cost proposals:

- (c) The requirements for development and submission of cost allocation plans (for central service costs and public assistance programs) and indirect cost rate proposals are contained in appendices IV, V and VI to this part.

### Condition

During the fiscal year ended June 30, 2019, the Department of Public Health (Public Health) implemented the State’s Financial Information System for California (FI\$Cal) to replace the CALSTARS accounting system. The conversion led to errors in the FI\$Cal Cost Allocation tables through which the Statewide Cost Allocation Plan (SWCAP) table was set up to calculate indirect costs as of the year-to-date amounts, which resulted in compounding charges. Public Health detected the error and made adjustments to the charges. However, the adjusted indirect costs still exceeded the maximum amounts as determined using the federally-approved negotiated indirect cost rates by \$496,563.

### Cause

The conversion to FI\$Cal resulted in errors in the indirect cost calculation and allocation.

### Effect

Indirect costs charged to the program exceeded the allowable threshold by \$496,563.

### **Questioned Costs**

Questioned costs of \$496,563 represent the portion of indirect costs that exceeded the allowable threshold as determined using federally-approved negotiated indirect cost rates.

### **Context**

Questioned costs represent 7.8% of total program expenditures for the fiscal year ended June 30, 2019.

### **Recommendation**

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

### **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:	2019-005
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:	1905CA5ADM; 2019 1905CA5MAP; 2019 1805CA5ADM; 2018 1805CA5MAP; 2018
Federal Catalog Number:	93.767
Federal Program Title:	Children's Health Insurance Program
Federal Award Numbers and Years:	1905CA5021; 2019 1805CA5021; 2018 1805CA5R21; 2018 1705CA5021; 2017 1705CA0301; 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.
- (b) The application must be–
- (1) The single, streamlined application for all insurance affordability programs developed by the Secretary; or
  - (2) An alternative single streamlined application for all insurance affordability programs, which may be no more burdensome on the applicant than the application described in paragraph (b)(1) of this section, approved by the Secretary.

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.

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;

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

§ 457.320 Other eligibility standards (42 CFR 457.320):

- (a) Eligibility standards. To the extent consistent with title XXI of the Act and except as provided in paragraph (b) of this section, the State plan may adopt eligibility standards for one or more groups of children related to -
- (1) Geographic area(s) served by the plan;
  - (2) Age (up to, but not including, age 19);
  - (3) Income;
  - (4) Spenddowns;
  - (5) Residency, in accordance with paragraph (d) of this section;
  - (6) Disability status, provided that such standards do not restrict eligibility;
  - (7) Access to, or coverage under, other health coverage; and
  - (8) Duration of eligibility, in accordance with paragraph (e) of this section.

§ 457.330 Application (42 CFR 457.330):

The State shall use the single, streamlined application used by the State in accordance with paragraph (b) of §435.907 of this chapter, and otherwise comply with such section, except that the terms of §435.907(c) of this chapter (relating to applicants seeking coverage on a basis other than modified adjusted gross income) do not apply.

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

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

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 75 Medical Assistance Program (Medi-Cal) beneficiaries tested, there were 27 beneficiaries with the following eligibility exceptions:

- There were four instances in which a completed initial application was not on file to establish eligibility (42 CFR 435.907);

- There was one instance in which a social security number had not been verified with the Social Security Administration (42 CFR 435.910);
- There were thirteen instances in which redeterminations had not been performed within a year (42 CFR 435.916);
- There were eight instances where the Income and Eligibility Verification Requirements were not met (42 CFR 435.948); and
- There was one instance of an undocumented individual incorrectly determined to be eligible for full benefits and five additional instances of individuals classified as US citizens and determined to be eligible for full benefits that did not have support of such citizenship on file (42 USC 1320b-7).

Out of 60 Children’s Health Insurance Program (CHIP) beneficiaries tested, there were nine beneficiaries with the following eligibility exceptions:

- There were three instances where the Other Eligibility Standards were not met (42 CFR 457.320),
- There were six instances in which a completed initial application was not on file to establish eligibility (42 CFR 457.330), and
- There were six instances in which redeterminations had not been performed within a year (42 CFR 457.343).

Through subawards, Health Care Services has delegated performance of eligibility determinations to California county welfare agencies that collect and record this information in their respective eligibility systems (collectively known as the Statewide Automated Welfare System [SAWS]) and 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 beneficiaries (Managed Care); (2) medical providers for services provided directly to beneficiaries (Fee for Service), and (3) the U.S. Centers for Medicare and Medicaid Services (CMS) for Medicare premiums (Premiums).

#### *Supplemental Information to Provide Additional Perspective on the Condition*

In addition to the above exceptions noted during this audit, in February 2018, the U.S. Department of Health and Human Services Office of Inspector General (OIG) issued a report titled “California Made Medicaid Payments on Behalf of Newly Eligible Beneficiaries Who Did Not Meet Federal and State Requirements.” The OIG sampled 150 beneficiaries and found California made Medicaid payments on behalf of 112 eligible beneficiaries. However, for the remaining 38 beneficiaries, California made payments on behalf of ineligible and potentially ineligible beneficiaries. On the basis of the OIG’s sample results, they estimated that California made Medi-Cal payments of \$738.2 million (\$628.8 million Federal share) on behalf of 366,078 ineligible beneficiaries and \$416.5 million (\$402.4 million Federal share) on behalf of 79,055 potentially ineligible beneficiaries. These deficiencies occurred because 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 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. CMS is currently conducting a review of California’s Medicaid beneficiary eligibility system to assess the accuracy of eligibility determinations and Federal Medical Assistance Percentage (FMAP) claiming. One of the primary objectives of this review is to compare review findings to similar reviews conducted in the past by the OIG to ensure the identified findings have been addressed.

## Identification as a Repeat Finding

Finding 2018-007 was reported in the immediate prior year for the Medical Assistance Program. Eligibility for the Children's Health Insurance Program was not required to be tested in FY2017-2018.

## 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 enrollment due to California adopting Medicaid expansion pursuant to the Affordable Care Act. The increase in enrollment created a backlog of 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. Since 2017, Health Care Services resumed performing focus reviews on select county welfare agencies that were suspended during the early stages of health care reform implementation. Through this effort, Health Care Services is working collaboratively with county partners to identify areas of weaknesses that contribute to delays in renewal processing time. In some instances, counties are required to submit a corrective action plan to Health Care Services that describes implementation of additional business processes/quality control mechanisms that are anticipated to increase both the accuracy and timeliness of renewals.
- The MEDS alert functionality is used to communicate information to county welfare agencies on MEDS updates, changes, discrepancies between eligibility systems, and MEDS. MEDS alerts will be triggered for various reasons that include:
  - Problems encountered in processing updates submitted by county welfare agencies;
  - Problems encountered in processing updates generated as a result of a reconciliation of county welfare agencies records with MEDS records;
  - Updates submitted by other entities that impact beneficiaries' eligibility or require action by county welfare agencies; and
  - Upcoming changes in a beneficiaries' status that will require action by county welfare agencies.

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 implemented a quality control pilot on June 25, 2019 to monitor all critical and urgent level MEDS alerts to be able to quickly identify county welfare agencies that are not resolving MEDS, to identify the cause of these alerts, and work with counties to develop and implement best practices that are effective in reducing the number of new alerts, and efficiently reducing the number of unresolved alerts.

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



## Effect

Eleven of the 27 Medi-Cal 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 six of the 27 beneficiaries were determined to be ineligible and benefits were not discontinued during the fiscal year; therefore, they received ineligible benefits from the date they should have been discontinued. The remaining ten beneficiaries were determined to be eligible.

Three of the nine CHIP 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 four of the nine beneficiaries were determined to be ineligible and benefits were not discontinued during the fiscal year; therefore, they received ineligible benefits from the date they should have been discontinued. The remaining two beneficiaries were determined to be eligible.

## Questioned Costs

Benefits paid to Medi-Cal beneficiaries after they were determined to be ineligible totaled \$23,041 (\$21,237 Managed Care, \$0 Fee for Service, and \$1,804 Premiums) for the fiscal year ended June 30, 2019.

Benefits paid to CHIP beneficiaries after they were determined to be ineligible totaled \$3,283 (\$3,283 Managed Care and \$0 Fee for Service) for the fiscal year ended June 30, 2019.

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

## Context

A total of \$58,843 (\$50,312 Managed Care, \$5,784 Fee for Service, and \$2,747 Premiums) was disbursed during the fiscal year ended June 30, 2019 on behalf of the 27 Medi-Cal beneficiaries with eligibility exceptions and a total of \$36,449 (\$33,878 Managed Care, \$633 Fee for Service, and \$1,938 Premiums) was disbursed during the fiscal year ended June 30, 2019 on behalf of the 17 beneficiaries later determined to be ineligible.

Total benefits paid on behalf of the 75 Medi-Cal beneficiaries tested were \$143,275 (\$130,490 Managed Care, \$5,804 Fee for Service, and \$6,981 Premiums).

The 75 tested Medi-Cal beneficiaries were selected from seven of California's 58 counties.

The total federal Medi-Cal benefits paid on behalf of approximately 11.7 million beneficiaries for the fiscal year ended June 30, 2019 was \$42,236,703,313 (\$25,895,504,101 Managed Care, \$14,813,612,164 Fee for Service, and \$1,527,587,048 Premiums).

A total of \$6,774 (\$6,774 Managed Care and \$0 Fee for Service) was disbursed during the fiscal year ended June 30, 2019 on behalf of the nine CHIP beneficiaries with eligibility exceptions and a total of \$5,012 (\$5,012 Managed Care and \$0 Fee for Service) was disbursed during the fiscal year ended June 30, 2019 on behalf of the seven beneficiaries later determined to be ineligible.

Total benefits paid on behalf of the 60 CHIP beneficiaries tested were \$35,848 (\$35,574 Managed Care and \$274 Fee for Service).

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

The total federal CHIP benefits paid on behalf of approximately 1.6 million beneficiaries for the fiscal year ended June 30, 2019 was \$2,471,696,056 (\$1,871,635,054 Managed Care and \$600,061,002 Fee for Service).

The samples were not statistically valid samples.

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

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

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

Reference Number: 2019-006  
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 X09HA28342-04; 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 and December 2018:

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

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

- Have a positive HIV/AIDS diagnosis.
- Be at least 18 years old.

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

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

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

### **Condition**

Out of 60 individuals reviewed, 6 individuals did not submit all required documentation including medical reports to support a positive HIV/AIDS diagnosis or income documentation to verify their annual MAGI did not exceed 500 percent Federal Poverty Level based on household size and income. These individuals were placed on a temporary access period without meeting the necessary eligibility requirements. This practice was unallowable prior to the revised PCN 13-02 in May 2019, and was acceptable after the release of the PCN if Public Health used a funding source other than the Ryan White HIV/AIDS Program for individuals ultimately determined to be ineligible.

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

Finding 2018-008 was reported in the immediate prior year.

### **Cause**

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

### **Effect**

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

### **Questioned Costs**

Questioned costs were not determinable because benefit costs were 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 \$128,253,879 for 29,895 program participants for the fiscal year ended June 30, 2019. Based on the budget in the contract, the contractor's administrative fees and other charges are estimated to be \$657,876 annually. As such, net prescription drug costs are approximately \$127,596,003 for the fiscal year ended June 30, 2019. The sample was not a statistically valid sample.

## **Recommendation**

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

## **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: 2019-007  
Category of Finding: Subrecipient Monitoring  
Type of Finding: Significant Deficiency and Instance of Noncompliance

State Administering Department: Department of Social Services (Social Services)  
Federal Program Title: Foster Care Title IV-E  
Federal Catalog Number: 93.658  
Federal Award Numbers and Years: 1801CAFOST  
1901CAFOST

## 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

The Funding and Eligibility Unit of the Foster Care Audits and Rates Branch of Social Services conducts Title IV-E case reviews related to the Foster Care Title IV-E program to monitor the integrity of Foster Care rates and eligibility compliance with Federal and State regulations for the program. The Funding and Eligibility Unit monitors its subrecipients on the basis of some risk, primarily based upon concerns arising

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

### **Cause**

The Funding and Eligibility Unit did not formally develop a risk assessment process and documentation for evaluating each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward in a timely manner such that it could be implemented during the fiscal year ended June 30, 2019, due to a misinterpretation of the requirement.

### **Effect**

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

### **Questioned Costs**

No questioned costs were identified.

### **Context**

Disbursements to subrecipients for the Foster Care Title IV-E program during the fiscal year ended June 30, 2019, totaled \$1,442,781,808, representing approximately 94% of the respective programs total federal expenditures.

### **Recommendation**

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

### **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:	2019-008
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:	6NH231P000717-05-02; 2019

## Criteria

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

The non-Federal entity must:

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

Title 42 - Public Health 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, and 2019 - 2024 Immunization Program Operations Manual (IPOM) for January 1, 2019 to June 30, 2024 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. July 1, 2018 – June 30, 2019 Vaccines for Children Operations Guide:

Module 4 - Ensuring Provider Compliance:

*Requirement:* Awardees must conduct and record VFC compliance visits covering areas of provider details, eligibility, documentation, storage and handling (per unit and site wide), and inventory management with each VFC provider every 24 months.

**Condition**

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

**Identification as a Repeat Finding**

Finding 2018-015 was reported in the immediate prior year.

**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 vaccine and adequately safeguarded and used vaccine solely for authorized purposes during the fiscal year ended June 30, 2019.

**Questioned Costs**

No questioned costs were identified.

**Context**

For the fiscal year ended June 30, 2019, the total value of federally funded vaccines which was distributed, in lieu of cash, directly to Immunization Cooperative Agreements vaccinating providers was \$501,813,107, representing 95.6% of the program's total federal expenditures.

### **Recommendation**

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

### **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:	2019-009
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:	1905CA5MAP; 2019 1905CA5ADM; 2019 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):

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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 exceptions, three of which were significant enough to warrant the service auditor to modify its opinion on controls.

Since then, the CA-MMIS Division has not been able to procure a SOC 1 type 2 report for the fiscal intermediary, so it now conducts on-going ADP system security reviews, including evaluating physical and data security operating procedures and personnel practices.

As part of that process, the CA-MMIS Division continued to monitor the fiscal intermediary's efforts to implement required corrective actions to resolve the exceptions noted in the SOC 1 type 2 report. 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.

## **Identification as a Repeat Finding**

Finding 2018-016 was reported in the immediate prior year.

## **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 exceptions 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 ten developer and employee users judgmentally selected from a population of 379 users terminated by the fiscal intermediary during the fiscal year ended June 30, 2019, of which the fiscal intermediary was unable to provide support of the timely removal of six users' logical access from all applications and/or networks.

## **Recommendation**

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

## **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.

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## **Auditee's Section**

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**Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2019**

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**STATE OF CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
<b>U.S. Department of Agriculture</b>				
Agricultural Research Basic and Applied Research	10.001		\$ 360,973	\$ -
Plant and Animal Disease, Pest Control, and Animal Care	10.025		56,587,507	10,508,382
Federal-State Marketing Improvement Program	10.156		18,185	-
Inspection Grading and Standardization	10.162		6,554	-
Market Protection and Promotion	10.163		3,444,723	-
Specialty Crop Block Grant Program - Farm Bill	10.170		20,328,909	7,830,705
Organic Certification Cost Share Programs	10.171		1,803,615	-
<i>Trade Mitigation Program Eligible Recipient Agency Operational Funds (Noncash)</i>	10.178		66,451,430	-
Food Insecurity Nutrition Incentive Grants Program	10.331		1,311,220	-
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475		63,824	-
Meat, Poultry, and Egg Products Inspection	10.477		37,238	-
CACFP Meal Service Training Grants	10.534		26,589	-
Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) Data and Technical Assistance Grants	10.537		537,843	-
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		717,663,639	385,682,444
Child and Adult Care Food Program	10.558		452,202,768	447,810,843
State Administrative Expenses for Child Nutrition	10.560		34,822,064	-
WIC Farmers' Market Nutrition Program (FMNP)	10.572		1,793,754	174,345
Farm to School Grant Program	10.575		23,677	-
Senior Farmers Market Nutrition Program	10.576		653,124	-
WIC Grants to States (WGS)	10.578		5,873,397	-
Child Nutrition Discretionary Grants Limited Availability	10.579		3,344,435	3,288,290
Fresh Fruit and Vegetable Program	10.582		8,217,872	8,074,517
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	10.596		377,620	338,696
Cooperative Forestry Assistance	10.664		4,292,759	1,344,742
Urban and Community Forestry Program	10.675		611,017	537,538
Forest Legacy Program	10.676		25,621	10,501
Forest Stewardship Program	10.678		63,823	60,072
Forest Health Protection	10.680		365,743	114,949
Good Neighbor Authority	10.691		71,192	-
Watershed Restoration and Enhancement Agreement Authority	10.693		34,935	-
Partnership Agreements	10.699		503,214	-
<b>Total Excluding Clusters</b>			<b>1,381,919,264</b>	<b>865,776,024</b>
<b>Child Nutrition Cluster</b>				
School Breakfast Program	10.553		507,241,738	507,241,738
<i>National School Lunch Program (Noncash)</i>	10.555		181,444,792	-
National School Lunch Program	10.555		1,441,432,826	1,441,432,826
<b>Total National School Lunch Program</b>			<b>1,622,877,618</b>	<b>1,948,674,564</b>
Special Milk Program for Children	10.556		261,702	261,702
Summer Food Service Program for Children	10.559		21,508,290	20,687,026
<b>Total Child Nutrition Cluster</b>			<b>2,151,889,348</b>	<b>1,969,623,292</b>
<b>Food Distribution Cluster</b>				
Commodity Supplemental Food Program	10.565		7,528,560	7,398,560
<i>Commodity Supplemental Food Program (Noncash)</i>	10.565		22,560,496	-
<b>Total Commodity Supplemental Food Program</b>			<b>30,089,056</b>	<b>7,398,560</b>
Emergency Food Assistance Program (Administrative Costs)	10.568		14,953,286	14,597,148
Emergency Food Assistance Program (Food Commodities)	10.569		75,000	-
<i>Emergency Food Assistance Program (Food Commodities - Noncash)</i>	10.569		70,710,525	-
<b>Total Food Distribution Cluster</b>			<b>115,827,867</b>	<b>21,995,708</b>
<b>Forest Service Schools and Roads Cluster</b>				
Schools and Roads - Grants to States	10.665		26,751,451	26,751,451
<b>Total Forest Service Schools and Roads Cluster</b>			<b>26,751,451</b>	<b>26,751,451</b>
<b>Research and Development Cluster</b>				
Plant and Animal Disease, Pest Control, and Animal Care	10.025		106,415	106,415
Specialty Crop Block Grant Program - Farm Bill	10.170		9,348,366	9,348,366
<b>Total Research and Development Cluster</b>			<b>9,454,781</b>	<b>9,454,781</b>
<b>SNAP Cluster</b>				

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Supplemental Nutrition Assistance Program (Noncash)	10.551		6,021,996,869	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		977,532,224	822,709,839
<b>Total SNAP Cluster</b>			<b>6,999,529,093</b>	<b>822,709,839</b>
<b>Total U.S. Department of Agriculture</b>			<b>10,685,371,804</b>	<b>3,716,311,095</b>
<b>U.S. Department of Commerce</b>				
Coastal Zone Management Administration Awards	11.419		2,645,686	-
Coastal Zone Management Estuarine Research Reserves	11.420		1,042,199	737,722
Unallied Management Projects	11.454		994,133	-
Habitat Conservation	11.463		100,441	-
Meteorological and Hydrologic Modernization Development	11.467		494,720	-
Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478		194,720	165,786
State and Local Implementation Grant Program	11.549		636,718	-
<b>Total Excluding Clusters</b>			<b>6,108,617</b>	<b>903,508</b>
<b>Research and Development Cluster</b>				
Interjurisdictional Fisheries Act of 1986	11.407		161,111	-
Coastal Zone Management Estuarine Research Reserves	11.420		66,187	66,187
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438		17,158,284	15,532,365
Unallied Science Program	11.472		1,205,726	1,070,056
<b>Total Research and Development Cluster</b>			<b>18,591,308</b>	<b>16,668,608</b>
<b>Total U.S. Department of Commerce</b>			<b>24,699,925</b>	<b>17,572,116</b>
<b>U.S. Department of Defense</b>				
Planning Assistance to States	12.110		68,932	-
Payments to States in Lieu of Real Estate Taxes	12.112		123,288	123,288
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		16,709,175	-
Basic and Applied Scientific Research	12.300		76,113	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401		77,549,816	-
National Guard ChalleNGe Program	12.404		17,816,057	-
Economic Adjustment Assistance for State Governments	12.617		2,380,151	2,101,826
Legacy Resource Management Program	12.632		47,460	-
Air Force Defense Research Sciences Program	12.800		55,569	-
<b>Total Excluding Clusters</b>			<b>114,826,561</b>	<b>2,225,114</b>
<b>Research and Development Cluster</b>				
Other - U.S. Department of Defense	12.U01		1,166,447	1,127
<b>Total Research and Development Cluster</b>			<b>1,166,447</b>	<b>1,127</b>
<b>Total U.S. Department of Defense</b>			<b>115,993,008</b>	<b>2,226,241</b>
<b>U.S. Department of Housing and Urban Development</b>				
Manufactured Home Dispute Resolution	14.171		124,262	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		25,564,923	24,694,033
Emergency Solutions Grant Program	14.231		15,151,966	14,799,162
Home Investment Partnerships Program	14.239		20,799,591	18,660,400
Housing Opportunities for Persons with AIDS	14.241		763,186	763,186
Housing Trust Fund	14.275		584,176	-
Equal Opportunity in Housing	14.400		2,366,080	-
<b>Total Excluding Clusters</b>			<b>65,354,184</b>	<b>58,916,781</b>

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
<b>CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster</b>				
National Disaster Resilience Competition	14.272		1,279,055	914,752
<b>Total CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster</b>			<u>1,279,055</u>	<u>914,752</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u><b>66,633,239</b></u>	<u><b>59,831,533</b></u>
<b>U.S. Department of the Interior</b>				
Cultural and Paleontological Resources Management	15.224		33,692	-
BLM Fuels Management and Community Fire Assistance Program Activities	15.228		1,322	-
Fish, Wildlife and Plant Conservation Resource Management	15.231		(3,000)	-
Southern Nevada Public Land Management	15.235		342,639	-
Environmental Quality and Protection	15.236		14,433	-
Federal Oil and Gas Royalty Management State and Tribal Coordination	15.427		1,350,371	-
Geothermal Resources	15.434		4,389,681	4,389,681
Minerals Leasing Act	15.437		41,344,458	41,344,458
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508		113,308	-
Central Valley Project Improvement Act, Title XXXIV	15.512		3,599,708	-
Fish and Wildlife Coordination Act	15.517		245,940	-
Recreation Resources Management	15.524		3,608,309	-
Central Valley, Trinity River Division, Trinity River Fish and Wildlife Management	15.532		227,879	-
California Water Security and Environmental Enhancement	15.533		191,179	91,569
Lake Tahoe Regional Wetlands Development	15.543		23,928	-
San Joaquin River Restoration	15.555		1,109,081	-
Fish and Wildlife Management Assistance	15.608		764,237	756,764
Coastal Wetlands Planning, Protection and Restoration	15.614		4,929,537	4,891,657
Cooperative Endangered Species Conservation Fund	15.615		6,837,308	6,340,909
Clean Vessel Act	15.616		453,833	444,874
Sportfishing and Boating Safety Act	15.622		225,000	225,000
North American Wetlands Conservation Fund	15.623		246,398	241,398
Enhanced Hunter Education and Safety	15.626		244,454	-
State Wildlife Grants	15.634		464,130	52,000
Central Valley Project Improvement Act (CVPIA)	15.648		439,252	7,670
Earthquake Hazards Program Assistance	15.807		4,463	-
National Cooperative Geologic Mapping	15.810		64,882	-
National Geological and Geophysical Data Preservation	15.814		6,025	-
Historic Preservation Fund Grants-In-Aid	15.904		1,095,395	171,984
Outdoor Recreation Acquisition, Development and Planning	15.916		5,255,863	4,485,220
National Center for Preservation Technology and Training	15.923		23,242	23,242
National Maritime Heritage Grants	15.925		207,878	207,343
ARRA - Redwood National Park Cooperative Management with the State of California	15.937		58,253	-
Natural Resource Stewardship	15.944		10,143	-
National Park Service Conservation, Protection, Outreach, and Education	15.954		20,365	-
Other - U.S. Department of the Interior	15.U02		2,198,938	-
<b>Total Excluding Clusters</b>			<u><b>80,142,524</b></u>	<u><b>63,673,769</b></u>
<b>Fish and Wildlife Cluster</b>				
Sport Fish Restoration	15.605		5,706,685	2,560,900
Wildlife Restoration and Basic Hunter Education	15.611		2,852,899	-
<b>Total Fish and Wildlife Cluster</b>			<u><b>8,559,584</b></u>	<u><b>2,560,900</b></u>
<b>Research and Development Cluster</b>				
Central Valley Improvement Act, Title XXXIV	15.512		3,077,778	-
San Luis Unit, Central Valley	15.527		41,255	-
Central Valley, Trinity River Division, Trinity River Fish and Wildlife Management	15.532		820,462	-
Sport Fish Restoration	15.605		10,566,473	396,233
Wildlife Restoration and Basic Hunter Education	15.611		18,449,185	779,197
Cooperative Endangered Species Conservation Fund	15.615		2,130,873	1,434,576
Landowner Incentive	15.633		36,670	35,470
State Wildlife Grants	15.634		2,181,252	879,563
Central Valley Project Improvement Act (CVPIA)	15.648		39,471	34,762
Endangered Species Conservation - Recovery Implementation Funds	15.657		23,907	19,690
Endangered Species Conservation-Wolf Livestock Compensation and Prevention	15.666		49	-
Other - U.S. Department of the Interior	15.U03		950,334	-
<b>Total Research and Development Cluster</b>			<u><b>38,317,709</b></u>	<u><b>3,579,491</b></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
<b>Total U.S. Department of the Interior</b>			<b>127,019,817</b>	<b>69,814,160</b>
<b>U.S. Department of Justice</b>				
Law Enforcement Assistance Narcotics and Dangerous Drugs Laboratory Analysis	16.001		177,856	-
Sexual Assault Services Formula Program	16.017		801,825	801,825
Services for Trafficking Victims	16.320		172,375	98,476
Antiterrorism Emergency Reserve	16.321		1,872,345	206,977
Drug Court Discretionary Grant Program	16.523		12,438	6,096
Juvenile Justice and Delinquency Prevention	16.540		3,637,103	3,070,028
National Criminal History Improvement Program (NCHIP)	16.554		510,492	-
Crime Victim Assistance	16.575		220,366,740	211,902,972
Crime Victim Compensation	16.576		12,918,856	-
Crime Victim Assistance/Discretionary Grants	16.582		799,159	799,159
Drug Court Discretionary Grant Program	16.585		82,022	-
Violence Against Women Formula Grants	16.588		13,386,184	12,731,987
Residential Substance Abuse Treatment for State Prisoners	16.593		866,448	788,309
State Criminal Alien Assistance Program	16.606		59,458,720	-
Project Safe Neighborhoods	16.609		387,895	314,685
Regional Information Sharing Systems				
<i>Pass-Through from Western States Information Network</i>	16.610	2018-RS-CX-0004	1,837,465	-
Public Safety Partnership and Community Policing Grants	16.710		417,583	-
Special Data Collections and Statistical Studies	16.734		56,322	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		2,456,575	1,633,187
DNA Backlog Reduction Program	16.741		1,162,805	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		849,764	759,742
Support for Adam Walsh Act Implementation Grant Program	16.750		213,468	-
Edward Byrne Memorial Competitive Grant Program	16.751		752,228	752,228
Economic, High-Tech, and Cyber Crime Prevention	16.752		10,064	-
Harold Rogers Prescription Drug Monitoring Program	16.754		95,044	-
John R. Justice Prosecutors and Defenders Incentive Act	16.816		99,679	-
Postconviction Testing of DNA Evidence	16.820		122,736	122,736
Equitable Sharing Program	16.922		730,305	-
Other - U.S. Department of Justice	16.U04		370,824	-
<b>Total U.S. Department of Justice</b>			<b>324,625,320</b>	<b>233,988,407</b>
<b>U.S. Department of Labor</b>				
Labor Force Statistics	17.002		6,426,871	-
Compensation and Working Conditions	17.005		682,808	-
Unemployment Insurance	17.225		5,809,565,486	-
Senior Community Service Employment Program	17.235		6,184,673	5,816,377
Trade Adjustment Assistance	17.245		9,487,765	-
Work Opportunity Tax Credit Program (WOTC)	17.271		2,004,235	-
Temporary Labor Certification for Foreign Workers	17.273		1,474,800	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277		32,397,820	31,238,955
Apprenticeship USA Grants	17.285		452,688	-
Occupational Safety and Health State Program	17.503		24,621,335	-
Consultation Agreements	17.504		5,377,187	-
Mine Health and Safety Grants	17.600		251,036	-
Disability Employment Policy Development	17.720		56,123	18,562
<b>Total Excluding Clusters</b>			<b>5,898,982,827</b>	<b>37,073,894</b>

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
<b>Employment Service Cluster</b>				
Employment Service/Wagner-Peyser Funded Activities	17.207		70,522,511	2,256,751
Disabled Veterans' Outreach Program (DVOP)	17.801		13,224,712	-
<b>Total Employment Service Cluster</b>			<b>83,747,223</b>	<b>2,256,751</b>
<b>WIOA Cluster</b>				
WIOA Adult Program	17.258		115,771,788	109,519,230
WIOA Youth Activities	17.259		135,572,511	121,142,303
WIOA Dislocated Worker Formula Grants	17.278		141,862,545	122,374,366
<b>Total WIOA Cluster</b>			<b>393,206,844</b>	<b>353,035,899</b>
<b>Total U.S. Department of Labor</b>				
			<b>6,375,936,894</b>	<b>392,366,544</b>
<b>U.S. Department of Transportation</b>				
Airport Improvement Program	20.106		532,548	-
Highway Research and Development Program	20.200		624,237	-
Highway Training and Education	20.215		2,614	-
Motor Carrier Safety Assistance	20.218		14,435,719	-
Commercial Driver's License Program Implementation Grant	20.232		105,236	-
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237		123,103	-
Fuel Tax Evasion-Intergovernmental Enforcement Effort	20.240		37,206	-
Capital Assistance to States - Intercity Passenger Rail Service	20.317		115,890	115,890
ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319		(545,660)	-
High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319		5,829,076	5,001,983
Total High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants			5,283,416	5,001,983
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		67,009,245	67,009,245
Formula Grants for Rural Areas and Tribal Transit Program	20.509		28,117,088	26,532,501
Paul S. Sarbanes Transit in the Parks	20.520		320,404	-
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528		3,520,687	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		35,719,889	23,514,228
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614		685,628	-
Pipeline Safety Program State Base Grant	20.700		7,350,494	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		1,055,516	175,353
PHMSA Pipeline Safety Underground Natural Gas Storage Unit	20.725		980,514	-
<b>Total Excluding Clusters</b>			<b>166,019,434</b>	<b>122,349,200</b>
<b>Highway Planning and Construction Cluster</b>				
Highway Planning and Construction	20.205		3,834,212,218	1,157,114,108
Recreational Trails Program	20.219		3,685,361	3,328,932
<b>Total Highway Planning and Construction Cluster</b>			<b>3,837,897,579</b>	<b>1,160,443,040</b>
<b>Transit Services Programs Cluster</b>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		22,441,677	21,619,730
New Freedom Program	20.521		15,131	-
<b>Total Transit Services Programs Cluster</b>			<b>22,456,808</b>	<b>21,619,730</b>
<b>Federal Transit Cluster</b>				
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526		757,896	757,896
<b>Total Federal Transit Cluster</b>			<b>757,896</b>	<b>757,896</b>
<b>Highway Safety Cluster</b>				
State and Community Highway Safety	20.600		30,422,639	16,512,437
National Priority Safety Programs	20.616		24,188,963	14,520,040
<b>Total Highway Safety Cluster</b>			<b>54,611,602</b>	<b>31,032,477</b>

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
<b>Research and Development Cluster</b>				
Highway Planning and Construction	20.205		3,163,712	-
State and Community Highway Safety	20.600		36,227	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		64,222	-
<b>Total Research and Development Cluster</b>			<b>3,264,161</b>	<b>-</b>
<b>Total U.S. Department of Transportation</b>			<b>4,085,007,480</b>	<b>1,336,202,343</b>
<b>Department of the Treasury</b>				
Equitable Sharing	21.016		23,740	-
<b>Total Department of the Treasury</b>			<b>23,740</b>	<b>-</b>
<b>Equal Employment Opportunity Commission</b>				
Other - Equal Opportunity Employment Commission	30.U05		2,739,202	-
<b>Total Equal Employment Opportunity Commission</b>			<b>2,739,202</b>	<b>-</b>
<b>General Services Administration</b>				
Donation of Federal Surplus Personal Property (Noncash)	39.003		205,066,208	-
Election Reform Payments	39.011		713,314	-
<b>Total General Services Administration</b>			<b>205,779,522</b>	<b>-</b>
<b>National Endowment for the Arts</b>				
Promotion of the Arts Partnership Agreements	45.025		1,007,483	295,000
Grants to States	45.310		16,612,622	10,946,104
<b>Total National Endowment for the Arts</b>			<b>17,620,105</b>	<b>11,241,104</b>
<b>Small Business Administration</b>				
State Trade Expansion	59.061		188,515	114,823
<b>Total Small Business Administration</b>			<b>188,515</b>	<b>114,823</b>
<b>U.S. Department of Veterans Affairs</b>				
Burial Expenses Allowance for Veterans	64.101		248,997	-
Veterans Housing Guaranteed and Insured Loans	64.114		185,841,140	-
All-Volunteer Force Educational Assistance	64.124		1,508,980	-
<b>Total U.S. Department of Veterans Affairs</b>			<b>187,599,117</b>	<b>-</b>
<b>Environmental Protection Agency</b>				
Air Pollution Control Program Support	66.001		5,457,742	382,135
State Indoor Radon Grants	66.032		5,820	-
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		585,017	-
State Clean Diesel Grant Program	66.040		516,816	-
The San Francisco Bay Water Quality Improvement Fund	66.126		1,281,550	1,275,771
Congressionally Mandated Projects	66.202		(1,366,781)	246,487
Multipurpose Grants to States and Tribes	66.204		292,966	135,435
Water Pollution Control State, Interstate, and Tribal Program Support	66.419		5,131,450	3,322,233
State Public Water System Supervision	66.432		5,102,788	-
State Underground Water Source Protection	66.433		379,219	-
Water Quality Management Planning	66.454		601,253	322,289
Nonpoint Source Implementation Grants	66.460		5,241,688	3,735,034
Regional Wetland Program Development Grants	66.461		266,476	259,088
Pass-Through from Pacific States Marines Fisheries Commission	66.461	17-43G	296,000	-
Total Regional Wetland Program Development Grants			562,476	259,088



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
Beach Monitoring and Notification Program Implementation Grants	66.472		381,346	377,000
Performance Partnership Grants	66.605		1,510,950	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608		300,467	-
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707		462,010	-
Pollution Prevention Grants Program	66.708		52,513	29,728
Hazardous Waste Management State Program Support	66.801		7,098,807	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		580,150	-
Underground Storage Tank Prevention, Detection and Compliance Program	66.804		(59,915)	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805		181,465	-
State and Tribal Response Program Grants	66.817		874,844	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		151,358	-
<b>Total Excluding Clusters</b>			<b>35,325,999</b>	<b>10,085,200</b>
<b>Research and Development Cluster</b>				
Regional Wetland Program Development Grants	66.461		129,401	129,401
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		6,253	-
<b>Total Research and Development Cluster</b>			<b>135,654</b>	<b>129,401</b>
<b>Total Environmental Protection Agency</b>			<b>35,461,653</b>	<b>10,214,601</b>
<b>U.S. Department of Energy</b>				
State Energy Program	81.041		3,288,810	-
Weatherization Assistance for Low-Income Persons	81.042		5,066,442	3,818,018
Nuclear Legacy Cleanup Program	81.065		1,377,808	-
Environmental Remediation and Waste Processing and Disposal	81.104		180,492	-
Long-Term Surveillance and Maintenance	81.136		17,093	-
Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214		7,038	-
Sustainable Energy for Homes and Business	81.U06		43,924	-
<b>Total U.S. Department of Energy</b>			<b>9,981,607</b>	<b>3,818,018</b>
<b>U.S. Department of Education</b>				
Adult Education - Basic Grants to States	84.002		88,180,509	78,177,025
Title I Grants to Local Educational Agencies	84.010		1,931,457,693	1,931,457,693
Migrant Education State Grant Program	84.011		138,734,325	126,863,771
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		1,625,500	1,625,500
Career and Technical Education -- Basic Grants to States	84.048		87,723,435	59,236,965
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		319,759,654	-
Migrant Education Coordination Program	84.144		129,858	101,322
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177		3,499,097	3,133,622
Special Education-Grants for Infants and Families	84.181		35,626,829	-
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187		4,081,891	-
Education for Homeless Children and Youth	84.196		12,460,386	12,009,808
Charter Schools	84.282		21,170,167	21,170,167
Twenty-First Century Community Learning Centers	84.287		140,067,409	136,173,720
Special Education - State Personnel Development	84.323		1,715,416	310,417
Rural Education	84.358		1,664,932	1,633,966
English Language Acquisition State Grants	84.365		178,575,877	172,342,677
Mathematics and Science Partnerships	84.366		102,782	18,535
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367		240,372,903	234,550,429
Competitive Grants for State Assessments (formerly Grants for Enhanced Assessment Instruments)	84.368		1,316,254	1,316,254
Grants for State Assessments and Related Activities	84.369		26,041,614	8,942,304
School Improvement Grants	84.377		34,497,161	33,239,416
Promoting Readiness of Minors in Supplemental Security Income	84.418		10,814,521	-
Disability Innovation Fund (DIF)	84.421		1,856,789	-
Student Support and Academic Enrichment Program	84.424		91,826,669	91,744,048
Disaster Recovery Assistance for Education	84.938		2,763,520	2,701,744
<b>Total Excluding Clusters</b>			<b>3,376,065,191</b>	<b>2,916,749,383</b>

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
<b>Special Education Cluster (IDEA)</b>				
Special Education Grants to States	84.027		588,627,233	539,682,132
Special Education Preschool Grants	84.173		21,239,985	19,201,340
<b>Total Special Education Cluster (IDEA)</b>			<b>609,867,218</b>	<b>558,883,472</b>
<b>Total U.S. Department of Education</b>			<b>3,985,932,409</b>	<b>3,475,632,855</b>
<b>U.S. Election Assistance Commission</b>				
Help America Vote Act Requirements Payments	90.401		5,585,948	-
2018 HAVA Election Security Grants	90.404		71,951	-
<b>Total U.S. Election Assistance Commission</b>			<b>5,657,899</b>	<b>-</b>
<b>U.S. Department of Health and Human Services</b>				
Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission	93.018		66,287	-
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		495,940	495,940
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042		1,768,649	1,659,777
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043		2,691,658	2,691,658
National Family Caregiver Support, Title III, Part E	93.052		16,289,470	15,613,285
Public Health Emergency Preparedness	93.069		29,586,058	24,811,962
Environmental Public Health and Emergency Response	93.070		1,089,681	294,168
Medicare Enrollment Assistance Program	93.071		1,469,867	1,360,439
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073		401,324	-
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		126,915	-
Guardianship Assistance	93.090		65,773,354	65,673,672
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		2,748,923	2,748,923
Food and Drug Administration Research	93.103		3,157,231	550,000
Maternal and Child Health Federal Consolidated Programs	93.110		377,984	29,587
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		5,337,748	3,383,355
Preventative Medicine Residency	93.117		220,556	-
Emergency Medical Services for Children	93.127		101,529	-
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130		464,000	-
Injury Prevention and Control Research and State and Community Based Programs	93.136		5,304,521	3,486,140
Projects for Assistance in Transition from Homelessness (PATH)	93.150		8,903,162	8,668,230
Health Program for Toxic Substances and Disease Registry	93.161		86,856	-
Grants to States for Loan Repayment	93.165		1,007,274	-
Traumatic Brain Injury State Demonstration Grant Program	93.234		86,402	-
State Capacity Building	93.240		305,126	-
State Rural Hospital Flexibility Program	93.241		510,868	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		2,752,665	1,975,338
Early Hearing Detection and Intervention	93.251		145,999	144,062
Immunization Cooperative Agreements	93.268		22,972,137	11,760,579
<i>Immunization Cooperative Agreements (Noncash)</i>	93.268		<i>501,813,107</i>	<i>-</i>
<b>Total Immunization Cooperative Agreements</b>			<b>524,785,244</b>	<b>11,760,579</b>
Viral Hepatitis Prevention and Control	93.270		60,462	-
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283		206	-
Small Rural Hospital Improvement Grant Program	93.301		270,235	-
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		2,652,956	-
State Health Insurance Assistance Program	93.324		3,699,837	2,814,250
Behavioral Risk Factor Surveillance System	93.336		11,543	-
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354		1,307,474	-
Flexible Funding Model - Infrastructure Development and Maintenance for State Manufactured Food Regulatory Programs	93.367		659,920	-
ACL Independent Living State Grants	93.369		2,707,643	2,314,018
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426		949,216	-

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Every Student Succeeds Act/Preschool Development Grants	93.434		93,452	-
State Physical Activity and Nutrition (SPAN)	93.439		249,660	9,229
Food Safety and Security Monitoring Project	93.448		388,476	-
ACL Assistive Technology	93.464		1,079,479	-
Pregnancy Assistance Fund Program	93.500		128,409	128,409
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505		1	-
Promoting Safe and Stable Families	93.556		36,224,625	33,152,296
Child Support Enforcement	93.563		683,220,606	527,106,689
Child Support Enforcement Research	93.564		375,343	375,343
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566		25,414,395	12,698,718
Low-Income Home Energy Assistance	93.568		204,136,472	191,976,785
Community Services Block Grant	93.569		61,368,061	57,139,071
Refugee and Entrant Assistance Discretionary Grants	93.576		134,055	127,656
U.S. Repatriation	93.579		63,307	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.584		3,018,599	2,979,738
State Court Improvement Program	93.586		1,476,042	26,735
Community-Based Child Abuse Prevention Grants	93.590		4,138,107	1,963,337
Grants to States for Access and Visitation Programs	93.597		237,594	12,667
Chafee Education and Training Vouchers Program (ETV)	93.599		5,500,989	-
Head Start	93.600		5,015,875	2,964,867
Adoption and Legal Guardianship Incentive Payments	93.603		3,047,283	3,047,283
State Health Insurance Assistance Program	93.626		92,071	92,071
Developmental Disabilities Basic Support and Advocacy Grants	93.630		6,708,325	-
Support for Ombudsman and Beneficiary Counseling Programs for States Participating in Financial Alignment Model Demonstrations for Dually Eligible Individuals	93.634		2,568,623	306,686
Children's Justice Grants to States	93.643		878,649	779,882
Adult Medicaid Quality: Improving Maternal and Infant Health Outcomes in Medicaid and CHIP	93.644		97,775	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645		29,175,845	29,175,845
ARRA - Foster Care Title IV-E	93.658		(894)	(894)
Foster Care Title IV-E	93.658		1,533,904,168	1,442,781,808
Total Foster Care Title IV-E			<u>1,533,903,274</u>	<u>1,442,780,914</u>
ARRA - Adoption Assistance	93.659		(3,189)	(3,189)
Adoption Assistance	93.659		564,548,025	544,494,131
Total Adoption Assistance			<u>564,544,836</u>	<u>544,490,942</u>
Social Services Block Grant	93.667		445,980,436	155,146,746
Child Abuse and Neglect State Grants	93.669		3,552,559	157,324
Child Abuse and Neglect Discretionary Activities	93.670		148,935	-
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		9,562,485	9,325,891
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674		16,487,649	14,489,973
Advance Interoperable Health Information Technology Services to Support Health Information Exchange	93.719		(15,148)	-
State Public Health Approaches for Ensuring Qutline Capacity - Funded in part by Prevention and Public Health Funds (PPHF)	93.735		791,164	648,625
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738		210,914	-
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		10,733	-
Elder Abuse Prevention Interventions Program	93.747		255,210	255,210
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke	93.757		957,886	957,886
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758		2,467,576	17,295
Children's Health Insurance Program	93.767		3,113,903,965	12,343,856
Opioid STR	93.788		78,736,566	-
Money Follows the Person Rebalancing Demonstration	93.791		8,334,385	-
Organized Approaches to Increase Colorectal Cancer Screening	93.800		754,039	557,407
Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	93.810		695,013	-

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
Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870		3,095,128	3,095,128
The Health Insurance Enforcement and Consumer Protections Grant Program	93.881		177,121	-
National Bioterrorism Hospital Preparedness Program	93.889		18,552,848	8,487,807
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898		8,482,691	83,791
Grants to States for Operation of State Offices of Rural Health	93.913		181,845	-
HIV Care Formula Grants	93.917		173,051,129	31,986,088
HIV Prevention Activities Health Department Based	93.940		7,233,171	4,568,703
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		812,626	302,204
Assistance Programs for Chronic Disease Prevention and Control	93.945		443,742	251,860
Tuberculosis Demonstration, Research, Public and Professional Education	93.947		-	-
Block Grants for Community Mental Health Services	93.958		71,760,141	70,284,650
Block Grants for Prevention and Treatment of Substance Abuse	93.959		91,653,996	72,708,743
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977		4,128,870	1,593,365
Mental Health Disaster Assistance and Emergency Mental Health	93.982		129,988	-
Preventive Health and Health Services Block Grant	93.991		6,390,787	1,165,346
Maternal and Child Health Services Block Grant to the States	93.994		9,740,700	9,498,766
Other - U.S. Department of Health and Human Services	93.U07		41,171,992	-
Total Other - Department of Health and Human Services			41,171,992	-
<b>Total Excluding Clusters</b>			<b>7,981,496,153</b>	<b>3,399,737,210</b>
<b>Aging Cluster</b>				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		40,669,403	38,255,098
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045		70,420,558	67,842,490
Nutrition Services Incentive Program	93.053		13,768,817	13,768,817
<b>Total Aging Cluster</b>			<b>124,858,778</b>	<b>119,866,405</b>
<b>TANF Cluster</b>				
Temporary Assistance for Needy Families	93.558		3,096,051,874	1,956,487,640
<b>Total TANF Cluster</b>			<b>3,096,051,874</b>	<b>1,956,487,640</b>
<b>CCDF Cluster</b>				
Child Care and Development Block Grant	93.575		351,429,851	351,429,851
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		247,461,873	232,381,020
<b>Total CCDF Cluster</b>			<b>598,891,724</b>	<b>583,810,871</b>
<b>Medicaid Cluster</b>				
State Medicaid Fraud Control Units	93.775		33,709,577	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777		38,164,340	-
Medical Assistance Program	93.778		55,977,824,710	1,510,600,931
<b>Total Medicaid Cluster</b>			<b>56,049,698,627</b>	<b>1,510,600,931</b>
<b>Research and Development Cluster</b>				
Food and Drug Administration Research	93.103		127,477	-
<b>Total Research and Development Cluster</b>			<b>127,477</b>	<b>-</b>
<b>Total U.S. Department of Health and Human Services</b>			<b>67,851,124,633</b>	<b>7,570,503,057</b>

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
<b>Corporation for National and Community Service</b>				
State Commissions	94.003		1,238,741	-
AmeriCorps	94.006		30,529,793	30,188,475
Training and Technical Assistance	94.009		304,990	-
Volunteers in Service to America				
<i>Pass-Through from KUPU</i>	94.013	825068047	10,382	-
Volunteer Generation Fund	94.021		7,196	-
<b>Total Excluding Clusters</b>			<b>32,091,102</b>	<b>30,188,475</b>
<b>Foster Grandparent/Senior Companion Cluster</b>				
Foster Grandparent Program	94.011		1,259,197	-
<b>Total Foster Grandparent/Senior Companion Cluster</b>			<b>1,259,197</b>	<b>-</b>
<b>Total Corporation for National and Community Service</b>			<b>33,350,299</b>	<b>30,188,475</b>
<b>Executive Office of the President</b>				
High Intensity Drug Trafficking Areas Program				
<i>Pass-Through from CV HIDTA/LA Police Chief's Association/Sacramento City</i>	95.001	G17CV0002A	8,960	-
<i>Pass-Through from CV HIDTA/LA Police Chief's Association/Sacramento City</i>	95.001	G18CV0002A	1,493	-
<i>Pass-Through from INCH/LA Police Chief's Association/Riverside County</i>	95.001	G17LA0007A	64,889	-
<i>Pass-Through from INCH/LA Police Chief's Association/Riverside County</i>	95.001	G18LA0007A	33,773	-
<i>Pass-Through from LA Clear/LA Police Chief's Association of Monrovia</i>	95.001	G17LA0006A	78,260	-
<i>Pass-Through from LA Clear/LA Police Chief's Association of Monrovia</i>	95.001	G18LA0006A	1,571,345	-
<i>Pass-Through from San Diego Imperial HIDTA</i>	95.001	G18SC0001A	428,719	-
<i>Pass-Through from San Diego Imperial HIDTA</i>	95.001	G16SC0001A	208,470	-
<i>Pass-Through from San Diego Imperial HIDTA</i>	95.001	G19SC0001A	162,412	-
<b>Total Executive Office of the President</b>			<b>2,558,321</b>	<b>-</b>
<b>Social Security Administration</b>				
<b>Disability Insurance/SSI Cluster</b>				
Social Security Disability Insurance	96.001		225,937,882	-
<b>Total Social Security Administration</b>			<b>225,937,882</b>	<b>-</b>
<b>U.S. Department of Homeland Security</b>				
Non-Profit Security Program	97.008		2,431,418	2,431,418
Boating Safety Financial Assistance	97.012		5,640,700	2,786,436
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023		1,007,504	-
Flood Mitigation Assistance	97.029		1,445,261	1,402,971
Crisis Counseling	97.032		1,898,294	1,898,294
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		243,002,900	234,565,116
Hazard Mitigation Grant	97.039		20,030,893	15,824,931
National Dam Safety Program	97.041		135,448	-
Emergency Management Performance Grants	97.042		26,947,746	15,860,253
Cooperating Technical Partners	97.045		164,582	-
Fire Management Assistance Grant	97.046		30,575,587	29,685,997
Pre-Disaster Mitigation	97.047		2,096,823	1,913,767
Presidentially Declared Disaster Assistance to Individuals and Households - Other Needs	97.050		24,693	-
Homeland Security Grant Program	97.067		205,448,617	181,498,715
Earthquake Consortium	97.082		400,742	330,416
Disaster Assistance Projects	97.088		928,808	-
<b>Total U.S. Department of Homeland Security</b>			<b>542,180,016</b>	<b>488,198,314</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 94,911,422,407</b>	<b>\$ 17,418,223,686</b>

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

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**STATE OF CALIFORNIA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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, 2019, except for federal awards received by the University of California system, a component unit of the State, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency, a component unit of the State. These entities engaged other auditors to perform an audit in accordance with the U.S. Office of Management and Budget, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200) also referred to as the “Uniform Guidance.”

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

State departments’ records are periodically reconciled to the California State Controller’s Office federal receipts and department expenditure reports. Negative amounts shown 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, 2019 are as follows:

Federal Catalog Number	Federal Program Title	Noncash Awards for the Fiscal Year Ended June 30, 2019
10.178	Trade Mitigation Program Eligible Recipient Agency Operational Funds	\$ 66,451,430
10.551	Supplemental Nutrition Assistance Program	6,021,996,869
10.555	National School Lunch Program	181,444,792
10.565	Commodity Supplemental Food Program	22,560,496
10.569	Emergency Food Assistance Program (Food Commodities)	70,710,525
39.003	Donation of Federal Surplus Personal Property	205,066,208
93.268	Immunization Cooperative Agreements	501,813,107
<b>Total</b>		<b>\$ 7,070,043,427</b>

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

Loans and loan guarantees outstanding, and insurance in effect at June 30, 2019, are summarized in the schedule below.

Federal Catalog Number	Federal Program Title	Loan Guarantees Outstanding for the Fiscal Year ended June 30, 2019	Insurance In Effect at June 30, 2019
64.114	Veterans Housing Guaranteed and Insured Loans	\$ -	\$ 185,841,140
81.041	State Energy Program	1,142,790	-
<b>Total</b>		<b>\$ 1,142,790</b>	<b>\$ 185,841,140</b>

**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:

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

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

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

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Reference Number: **2018-001**

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

Audit Finding: Significant Deficiency and Instance of Noncompliance. During testing of the Schedule of Expenditures of Federal Awards (Schedule) Public Health over-reported subrecipient expenditures by \$3,450,660 and \$70,564,822 for the Public Health Emergency Preparedness (PHEP) program and HIV Care Formula Grants, respectively. Additionally, the EMSA over-reported subrecipient expenditures by \$60,068, for the Preventative Health and Health Services Block Grant (PHHSBG) funded solely with Prevention and Public Health Funds (PPHF) program.

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

Status of Corrective Action: Partially Corrected Public Health corrected the errors as noted in the State of California Single Audit Report for the fiscal year ended June 30, 2018.

However, this finding was repeated in fiscal year 2018-2019 related to accurate reporting of federal expenditures to Finance by Public Health. Refer to finding 2019-001 regarding the cause for the recurrence and the planned corrective action.

Fully Corrected. EMSA has strengthened its internal review process to ensure that subrecipient expenditures are accurately reported in the Single Audit Expenditure Reporting Database. The Chief of Administration now reviews and verifies all PHHSBG expenditures are accurate for the appropriate reporting category prior to final submission to Finance.

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Reference Number: **2018-002**

Federal Program: 10.553  
 10.555  
 10.556  
 10.559

State Administering Department: California Department of Education (Education)

Audit Finding: Subrecipient Monitoring. Education established two primary controls over the Nutrition Services Division (NSD) Administrative Review process - (1) the Field Services Unit (FSU) Manager review and (2) the Program Integrity Unit Analyst review. For 20 out of 25 Administrative Reviews (AR) tested, no reviews were performed by a FSU Manager.

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.

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.

Status of Corrective Action: Fully Corrected. Education developed the procedures to establish an alternate process for the AR review process in the event that a staffing shortage occurs at the manager level.

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Reference Number: **2018-003**

Federal Program: 16.575

State Administering Department: Governor's Office of Emergency Services (CalOES)

Audit Finding: Subrecipient Monitoring. 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 its site visits. CalOES's current process for accurately 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.

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 size of the program.

Status of Corrective Action: Fully Corrected. The Victim Services and Public Safety (VSPS) Branch has taken the following actions:

- Updated the shared tracking VSPS Branch Site Visit Tracking 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.
- 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.
- Created the Workload Summary form that program



specialists must complete prior to all extended absences of five business days or more from the office.

- 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.

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Reference Number:	<b>2018-004</b>
Federal Program:	93.767 93.778
State Administering Department:	California Department of Health Care Services (Health Care Services)
Audit Finding:	<p><u>Activities Allowed or Unallowed.</u> Twenty-three of the 56 contractor counties of Short-Doyle funding were tested and eight had not submitted their cost reports timely. Although the Mental Health Division of Health Care Services did take the required action of notifying the eight subrecipients in writing within 30 days of the noncompliance, it has not taken any additional action necessary to ensure contract and performance compliance.</p> <p>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.</p>
Status of Corrective Action:	<p><u>Partially Corrected – repeat finding – refer to 2019-003.</u> Health Care Services drafted policies and procedures prior to the end of the 2019 legislative session, to impose administrative and financial sanctions, such as but not limited to, fines, penalties, and corrective actions, when a county does not comply with existing requirements for submitted cost reports. Before the new policies and procedures can be implemented, additional work is required to confirm they do not conflict with state or federal laws and regulations, contract provisions, or other applicable guidance and requirements adopted during the 2019 legislative session. Estimated implementation date is December 31, 2020.</p>

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Reference Number: **2018-005**

Federal Program: 93.767  
93.778

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

Audit Finding: Cash Management. The Cash Management Unit of Health Care Services failed to ensure that the 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.

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 (Controller) 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 Cash Management Improvement Act (CMIA) Agreement.

Status of Corrective Action: Fully Corrected. Health Care Services continues to monitor the implemented procedures to ensure that payment submissions to the Controller 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 Controller to discuss better communication related to CMIA payments.

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Reference Number: **2018-006**

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 disbursement of federal funds.

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.

Status of Corrective Action:

Fully Corrected. 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 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 2018 and September 2018, and Information Notice No. 18-057 was released to inform our external stakeholders of the new process.

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Reference Number:

**2018-007**

Federal Program:

93.778

State Administering Department:

California Department of Health Care Services (Health Care Services)

Audit Finding:

Eligibility. Out of 140 beneficiaries tested, there were 47 beneficiaries with eligibility exceptions. In addition to these exceptions, the U.S Department of Health and Human Services Office of Inspector General (OIG) issued a report in February 2018. 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. These deficiencies occurred because California's eligibility determination systems lacked the necessary system functionality, and because county welfare agencies' eligibility caseworkers made errors.

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 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 Medi-Cal Eligibility Data System (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 its compliance status.

Status of Corrective Action:

Partially Corrected – repeat finding – refer to 2019-005. Health Care Services performs site visits/focus reviews on counties to identify factors contributing to delays/errors in renewal processing. Health Care Services continues to conduct regular focused reviews of counties to ensure eligibility determinations are performed in accordance with federal/state regulations. Health Care Services completed focus reviews for 39 counties and planned to review the remaining 19 counties by December 31, 2020. Due to the COVID-19 pandemic, Health Care Services has temporarily suspended the 2020 site visits and focus reviews. Health Care Services will resume effort upon termination of the pandemic. Health Care Services is working to develop two new Medi-Cal Eligibility Data System (MEDS) alerts, which will be used to notify counties of past due renewals and track the number of months since the last renewal. Alerts will be used by Health Care Services’ quality control staff to monitor overdue renewals and quickly identify counties accruing a high volume of past due renewal alerts. Health Care Services will work with counties to implement processes/procedures that are effective in reducing the number of renewals processed in excess of federal/state timeframes.

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Reference Number:

**2018-008**

Federal Program:

93.917

State Administering Department:

California Department of Public Health (Public Health)

Audit Finding:

Eligibility. 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.

In December 2018, the HIV Care Formula Grants unit updated the Aids Drug Assistance Program (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.

Status of Corrective Action:

Partially Corrected – repeat finding – refer to finding 2019-006. Secondary review was implemented in the ADAP Enrollment System for ADAP Advisors. Secondary review is the process in which an ADAP Advisor reviews an application to ensure that the client provided all necessary documents to substantiate eligibility for ADAP (i.e., proof of identification, proof of California residency, proof of income, clinical information, third party pay or information). ADAP Advisors review 100 percent of ADAP applications which includes initial ADAP applications and re-enrollment applications that have not been granted an eligibility exception (i.e., Temporary Access Period, Medi-Cal Eligibility Exception Request, or Eligibility Exception Request) on a daily basis. As part of the secondary review process, ADAP Advisors complete their review of the application and are required to document the outcome. ADAP Advisors must select whether the application passed review, the client was placed on temporary access period, or whether the client was disenrolled.

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Reference Number:

**2018-009**

Federal Program:

93.069

State Administering Department:

California Department of Public Health (Public Health)

Audit Finding:

Subrecipient Monitoring. 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 7 subrecipients were subject to single audits for the fiscal year ended June 30, 2017.

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.

Status of Corrective Action:

Partially Corrected. The Emergency Preparedness Office (EPO) and the Internal Audits Office conducted a training in November 2019 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. An agenda for this training will be provided once the training is completed. EPO will include at least two train-the-trainers who can continue this training for new employees and refresher training for existing employees.

EPO has policies and procedures developed and updated to encompass recommendations received during the training. These policies and procedures also include the plan on how to ensure follow-up efforts are made and how often.

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Reference Number:	<b>2018-010</b>
Federal Program:	93.563
State Administering Department:	California Department of Child Support Services (Child Support Services)
Audit Finding:	<p><u>Subrecipient Monitoring.</u> 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 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.</p> <p>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.</p>
Status of Corrective Action:	<p><u>Fully Corrected.</u> Child Support Services implemented a risk-based approach process to fulfill its subrecipient monitoring responsibility for the 2019-20 fiscal year. The process included criteria such as allocation size, single audit report findings, personnel changes, prior audit findings, and program issues. The policies and procedures were developed and the process became effective as of June 2019.</p>

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Reference Number:	<b>2018-011</b>
Federal Program:	93.758
State Administering Department:	California Department of Public Health (Public Health)

Audit Finding:

Subrecipient Monitoring. The Chronic Disease Control Branch (CDCB) 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.

The CDCB should continue its efforts to develop a comprehensive monitoring tool, conduct training for program monitors, and implement the new policies and procedures to enhance its subrecipient monitoring process.

Status of Corrective Action:

Fully Corrected. From April 2018 through June of 2018, the 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 Subrecipient Monitoring Tool (tool)*.

From July 2018 through August 2018, CDCB used the tool to develop a questionnaire for programs 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 California Emergency Medical Services Authority were informed that CDCB was working on a revised monitoring tool and PHHSBG programs would receive the instructions once the monitoring tool was finalized.

In October 2018, Macias Gini & O'Connell LLP provided feedback on the tool developed in June 2018 and CDCB incorporated the suggested changes.

In December 2018, CDCB finalized a robust and comprehensive tool. The 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 subrecipients.

In January 2019, CDCB distributed the tool to all PHHSBG programs. PHHSBG programs will monitor subrecipients for compliance twice during state fiscal year 2018-19, and quarterly beginning state fiscal year 2019-20 using the tool.

The CDCB reviewed all subrecipient monitoring activities by programs in March 2019 and May 2019 using the tool to ensure that programs complied with the subrecipient monitoring requirements.

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Reference Number:

**2018-012**

Federal Program:

93.758

State Administering Department:

California Department of Public Health (Public Health)

Audit Finding:

Subrecipient Monitoring. 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 (CDCB) 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.

The CDCB 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 CDCB should implement policies and procedures to ensure the required information is communicated to applicants with 2 CFR 25.500 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.

Status of Corrective Action:

Fully Corrected. In January 2017, and regularly thereafter, 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 for the issues referred to in Box 10E and worked to develop them.

In February 2017, CDCB distributed a Memorandum of Understanding (MOU) to all Preventative Health and Health Services Block Grant (PHHSBG) programs that identified the requirements programs need to adhere to before finalizing a subaward, including requirement 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 July 2017, CDCB hosted a PHHSBG orientation for the programs 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 (SAM) 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 state fiscal year 2017-18. CDCB has ensured that the new subrecipient agreements in 2018-19 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 2018 PHHSBG. It identified the requirements programs need to adhere to before finalizing a subaward, including requirement 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 and center deputy director that receives funding was required to sign the MOU acknowledging receipt of, understanding of, and compliance with these terms.

In September 2018, CDCB held the federal fiscal year 2018 PHHSBG programs orientation to discuss federal and state requirements, including required communications 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 multiyear

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 subrecipient's unique entity identifier, and ensure that the subrecipient is not debarred in SAM for all current subrecipients.

Additionally, the Emergency Preparedness Office has developed a tracking system to track the receipt of all single audit reports to validate that all single audit reports have been received and reviewed.

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Reference Number:

**2018-013**

Federal Program:

93.758

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. 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.

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.

Status of Corrective Action:

Fully Corrected. From May through July 2017, CDCB reviewed all federal statutes, regulations, and the terms and conditions of the federal Preventative 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 through August 2018, PHHSBG programs used the risk assessment tool as a guide for assessing subrecipients' risk. Each PHHSBG program developed its own

recordkeeping 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 *During the Award Subrecipient Assessment* process, which was incorporated into the *During the Award Subrecipient Monitoring Tool (tool)*. The tool includes the policy and procedures for completing the risk assessment.

In January 2019, CDCB distributed the tool to all PHHSBG programs. PHHSBG programs will assess subrecipients' risk twice during state fiscal year 2018-19.

CDCB reviewed all subrecipient risk assessments performed by programs in March 2019 and May 2019 to ensure and document compliance.

Programs are required to assess subrecipients for risk of noncompliance prior to agreement execution in the pre-award risk assessment and immediately after agreement execution in the Ongoing Subrecipient Assessment.

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Reference Number:	<b>2018-014</b>
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 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.

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.

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.

Status of Corrective Action: Fully Corrected. 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 has finalized and implemented policies and procedures for ongoing risk assessment and monitoring arising from an entity's subrecipient status. Health Care Services tracks the risk assessment and monitoring arising from an entity's subrecipient status, and any necessary special contract terms needed. Health Care Services has communicated these policies and procedures, as well as sample contract provisions, throughout the department.

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Reference Number: **2018-015**

Federal Program: 93.268

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

Audit Finding: Special Tests and Provisions. All Vaccines for Children Program (VFC) providers must receive a VFC compliance site visit every 24 months. For the period January 1, 2017 to June 30, 2018, there were 278 active providers that were overdue for a site visit and 297 overdue follow-up actions.

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

Status of Corrective Action: Partially Corrected – repeat finding – refer to 2019-008. The Public Health Immunization Branch has moved one additional VFC position to Southern California and is providing additional assistance from other regions as time and workload permits. As of October 5, 2020, 828 providers are overdue for a site visit due to the pandemic. Public Health's goal is to continually reduce the number of overdue site visits until all providers are current and establish a system to ensure providers are visited on a rotational basis.

Follow-up actions are mandatory corrective actions (MCAs) that the providers must implement. Follow-up actions are identified during compliance visits and providers are given a timeframe in which they must complete the action. Providers can be suspended or placed on hold because of failure to complete MCAs. As part of Public Health's 2019 VFC recertification process, a provider cannot recertify if it is on

suspension for outstanding MCAs over one year. Field staff are prompted monthly to contact providers with overdue MCAs. Given that the program is required to continue conducting visits to providers on a timely schedule, and to ensure that more providers do not become overdue, Public Health will continue to prioritize provider visits per CDC requirements.

In March 2020, as the pandemic necessitated shelter-in-place orders throughout California, the program paused in-person visit activities to follow CDC guidelines of social distancing and to protect the health of our staff and program participants. Once visits have returned to normal and we have received guidance from CDC around expectations for missed visits during the pandemic, we will assess our staffing and determine if additional changes are needed. We will also need to be diligent in our process to dis-enroll providers who have not completed their mandatory corrective actions.

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Reference Number: **2018-016**

Federal Program: 93.778

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

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

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 alternate service providers.

Status of Corrective Action Remains Uncorrected – repeat finding – refer to 2019-009.

Adoption of the new services management framework and assumption of operations to the new IBM contract occurred on October 1, 2019. Some Health Care Services' owned access control activities have started. Further improvements, such as automated workflows, will evolve over time as we mature in our Information Technology Services Management operating model. Estimated implementation date is July 1, 2020.

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Reference Number: **2018-017**

Federal Program: 96.001

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

Audit Finding: Special Tests and Provisions – Consultative Examination Process. 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 out-of-state medical providers.

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

Status of Corrective Action: Fully Corrected. On March 27, 2019, the California Disability Determination Service Division, Central Support Services Branch published a reminder to the PRSs, 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 directs the PRSs to annotate the consultative examiner's file with the date and name of the individual who performed the credential verification.

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Reference Number:	2017-001	Remains Uncorrected - refer to finding 2019-001
	2017-003	Fully Corrected
	2017-007	Fully Corrected
	2017-008	Fully Corrected
	2017-009	Remains Uncorrected - refer to finding 2019-005
	2017-012	Fully Corrected
	2017-013	Fully Corrected
	2017-015	Fully Corrected
	2017-016	Fully Corrected
	2017-017	Fully Corrected
	2017-020	Fully Corrected
	2017-021	Partially Corrected - refer to finding 2019-003

## **Department of Finance Response Letter**

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October 23, 2020

Macias, Gini & O'Connell, LLP  
500 Capitol Mall, Suite 2200  
Sacramento, CA 95814

Thank you for the opportunity to respond to the federal compliance audit report for the fiscal year ended June 30, 2019. This report was the result of your examination of the State's administration of federal programs and will be part of the Single Audit Report covering this period. California is committed to ensuring all its state entities implement effective accounting, reporting, and operational practices, which is reflected in the decrease of total findings from 17 findings in fiscal year 2017-18 to 9 findings in fiscal year 2018-19. State entities with findings and recommendations provided responses directly to Macias, Gini & O'Connell, LLP (MGO). The responses and corrective action plans, compiled by MGO and provided to Finance, are attached. Finance will remind state entities of their responsibility for implementing corrective actions.

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

Sincerely,

A handwritten signature in black ink that reads 'Keely Martin Bosler'.

KEELY MARTIN BOSLER  
Director

Enclosure

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

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**STATE OF CALIFORNIA  
MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Reference No. 2019-002:

MGO noted that for three of 25 projects sampled, Caltrans could not locate the final materials certificate within the project records. The final materials certificate is required by Caltrans' policies and procedures to be retained within the permanent project records. At the completion of a construction project, the resident engineer reviews all quality assurance documents within the project records and certifies all project materials and workmanship comply with the project's specifications on the final materials certification form for submission to the FHWA.

In response to the finding, Caltrans will perform the following actions:

- Continue the ongoing procurement process of a document management system that will provide for electronic storage, management, and retrieval of project records, including permanent project records such as the final materials certification. Current forecasting estimates statewide procurement of the document management system by July 2022. Bi-annual status updates on the procurement of the document management system will be made available to interested parties upon request.
- Issue a memorandum to Caltrans district and region construction management that identifies the final materials certification audit finding and reaffirms the existing guidance in the Caltrans Construction Manual concerning completion and proper retention of the final materials certification for each completed project. This memorandum will highlight those requirements for projects on the state highway system that are administered by others, such as transportation agencies, and stress Caltrans' role of quality assurance for these oversight projects. This memorandum was issued in May 2020.

Upon securing the document management system, modify the Construction Manual to provide for uniform electronic storage of project records to aid in retrieval of documents as needed. This will be completed within six months of obtaining the document management system.

Estimated Implementation Date: July 2022

Contact: Chuck Suszko, Chief  
Office of Contract Administration  
Division of Construction  
California Department of Transportation

Reference No. 2019-003:

Health Care Services drafted policies and procedures prior to the end of the 2019 legislative session, to impose administrative and financial sanctions, such as but not limited to, fines, penalties, and corrective actions, when a county does not comply with existing requirements to submit cost reports by December 31 following the close of each fiscal year. Before the new policies and procedures can be implemented, additional work is required to confirm they do not conflict with state or federal laws and regulations, contract provisions, or other applicable guidance and requirements adopted during the 2019 legislative session. Work efforts to finalize the new policies and procedures are currently delayed due to the COVID-19 pandemic and will resume in earnest following the end of the emergency. Health Care Services is tentatively targeting a new implementation date of December 31, 2020, but actual implementation will depend on when the COVID-19 pandemic ends.

Estimated Implementation Date: December 31, 2020

Contact: Alex Watt, Assistant Chief  
Audits & Investigations – Internal Audits  
California Department of Health Care Services

Reference No. 2019-004:

The California Department of Public Health (Public Health) agrees with the Auditor’s finding indicating Public Health overcharged indirect costs on federal funds in 2018-19. As highlighted by the auditor, in 2018-19, Public Health implemented the State’s Financial Information System for California (FI\$Cal) to replace the CALSTARS accounting system. The conversion led to errors in the FI\$Cal Cost Allocation Tables through which the Statewide Cost Allocation Plan (SWCAP) table was set up to calculate indirect costs as of the year-to-date amounts, which resulted in compounding charges. Due to the complexities of the first year of a new system implementation and time constraints related to closing out 2018-19, Public Health implemented a manual fix, utilizing 2017 indirect cost charges in order to close the period within the timeframes provided by the Department of Finance. Public Health utilized this approach as a one-time measure in order to remedy the situation during the first year of FI\$Cal implementation. Since 2019-20, Public Health has corrected the issue, successfully programming the indirect cost statistics into FI\$Cal and runs monthly indirect cost reconciliations to ensure indirect charges align with the USDA-approved Indirect Cost Rate (ICR) and SWCAP charges.

Starting in 2019-20, Public Health has revised and loaded updated cost allocation tables into FI\$Cal that align with USDA-approved ICR and SWCAP levels. Public Health provided 2019-20 financial data to the auditor demonstrating the indirect costs now align with approved indirect cost rates, which was validated by the auditor. On a monthly basis, Public Health will continue to monitor and confirm the indirect charges align with approved levels. After 2019-20 year-end close is complete, Public Health’s Accounting Section will provide a final indirect charges report to the Administration Division’s Deputy Director and the Director’s Office with the final 2019-20 indirect costs by program and fund to confirm the charges are within the approved USDA ICR and SWCAP levels.

Estimated Implementation Date: November 2020

Contact: Katherine Lira Clark, Chief  
Financial Management Branch  
Public Health

Reference No. 2019-005:

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

The corrective action plan must include:

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

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

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

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

Reviews are used to identify:

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

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

Health Care Services completed focus reviews for 39 counties and planned to review the remaining 19 counties by December 31, 2020. Due to the COVID-19 pandemic, Health Care Services has temporarily suspended the 2020 site visits and focus reviews. Health Care Services will resume efforts upon termination of the pandemic.

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

Estimated Implementation Date: Unknown

Contact: Alex Watt, Assistant Chief  
Audits & Investigations – Internal Audits  
California Department of Health Care Services

Reference No. 2019-006:

The California Department of Public Health, Office of AIDS (OA) is in agreement with the finding, but will note that while these clients were indeed placed on a Temporary Access Period (TAP), during an August 2019 site visit, the HRSA did not consider this a finding in light of the release of PCN 13-02. This determination was made after a review of client enrollment samples from the 2018-19 fiscal year, including eligibility granted prior to the release of PCN 13-02 in May 2019.

Additionally, as noted above, this item was a finding in the 2017-18 Single Audit. As part of the corrective action response to this finding last year, OA communicated a process change that was initiated prior to the commencement of 2017-18 that would enable OA to flag expenditures incurred while clients were on a TAP, giving OA the ability to charge separate funding other than federal funds.

Estimated Implementation Date: This process was fully implemented in July 2019. In order to ensure that TAPs are paid out of a separate fund source, TAP reports are run for the specified billing period to verify the total TAP costs. OA then ensures these costs are coded separately upon invoice submission to Public Health's Accounting Section.

Contact: Adrian Barraza, Assistant Division Chief  
Office of AIDS  
California Department of Public Health

Reference No. 2019-007:

The Funding and Eligibility Unit in the Foster Care Audits and Rates Branch (FCARB) acknowledges MGO's finding. In response, FCARB has strengthened its county monitoring procedures and has developed a corrective action plan that includes developing a formal risk assessment process that examines the following risk factors:

- Number of foster children
- Error findings from previous reviews
- Date of last review (within the last 3-5 years)
- Results from internal audits, program monitoring, and technical assistance
- Review of findings from the Judicial Review and Technical Assistance Court Project quarterly reports

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

Estimated Implementation Date: January 2021

Contact: Cheryl Treadwell, Chief  
Foster Care Audits and Rates Branch  
Children and Family Services Division  
California Department of Social Services



Reference No. 2019-008:

In March 2020, as the pandemic necessitated shelter-in-place orders throughout California, the program paused in-person visit activities to follow CDC guidelines of social distancing and to protect the health of our staff and program participants. As of today, the Program has not yet resumed in-person visits into VFC Program participating clinics. Given the novelty of the process of converting these visits, which were always done in-person, into a virtual format, we will be resuming provider visits in phases. The phased approach will allow us to refine our procedures to meet challenges as they arise. We are in the current stages of implementing our first phase of virtual visits, starting first with Storage and Handling visits and Immunization Quality Improvement for Provider Visits (IQIP). We anticipate starting virtual compliance visits in December. We also anticipate conducting visits in numbers that will not meet our CDC requirements. As of October 5, 2020, from CDC’s PEAR database, 828 providers are considered overdue. This high number is directly related to our suspension of visits since late March 2020 when all Public Health Immunization Branch Staff began working from home due to COVID.

<b>Providers Due for Compliance Visit * (10/5/20 data)</b>	
Total number of providers due for a visit (July 2020 – June 2021)	2,152
Number of providers that are overdue for a visit	828
Number of providers that will become overdue if not visited in this period	1,324

However, CDC has assured immunization programs nationwide and specifically in California that it will not impose penalties on programs who fail to meet their visit requirements. Additionally, acknowledging the impact of the COVID pandemic has not only been on program staff, but nationally on immunization service delivery of providers and patients. CDC also has assured our program that we have the option of suspending VFC visits, in person as well as virtually, at our discretion.

Estimated Implementation Date: Once visits have returned to normal and we have received guidance from the CDC around expectations for missed visits during the pandemic, we will assess our staffing and determine if additional changes are needed. We will also need to be diligent in our process to dis-enroll providers who have not completed their mandatory corrective actions.

Contact: Karen Turner, Section Chief  
 Field Services, CDPH Immunization Branch

Betty Tran, QA/QI Manager,  
 Field Services, CDPH Immunization Branch

Reference No. 2019-009:

Adoption of the new service management framework and assumption of operations to the new International Business Machines Corporation contract occurred on October 1, 2019. Some Health Care Services' owned access control activities have started. Further improvements, such as automated workflows, will evolve over time as we mature our Information Technology Service Management operating model. Full implementation of the audit recommendation has been rescheduled to July 1, 2020, due to the ongoing Digital Transformation Company Phase II Takeover and higher priority COVID-19 pandemic activities.

Estimated Implementation Date: September 1, 2020

Contact: Alex Watt, Assistant Chief  
Audits & Investigations – Internal Audits  
California Department of Health Care Services