

**COUNTY OF RIVERSIDE  
CALIFORNIA**

**SINGLE AUDIT REPORT**

**JUNE 30, 2007**



**Vavrinek, Trine, Day & Co., LLP**

Certified Public Accountants

**COUNTY OF RIVERSIDE  
CALIFORNIA**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Board of Supervisors  
County of Riverside, California

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Riverside, California (County), as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 14, 2007. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Riverside County Flood Control and Water Conservation District (Flood Control District), Housing Authority of the County of Riverside (Housing Authority), Riverside County Regional Park and Open-Space District (Park District) and County of Riverside Redevelopment Agency (RDA), as described in our report on the County's financial statements. 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, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2007-01 through 2007-04 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the County in a separate letter dated December 14, 2007.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on it.

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

*Vavrunik, Tami, Day & Co., LLP*

Rancho Cucamonga, California  
December 14, 2007



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Supervisors  
County of Riverside, California

**Compliance**

We have audited the compliance of the County of Riverside, California (County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2007. The County's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Housing Authority of the County of Riverside (Housing Authority), a component unit of the County of Riverside, California, which received \$64,203,645 in Federal awards, which are not included the County's schedule of expenditures of Federal awards for the year ended June 30, 2007. Our audit, described below, did not include the operations of the Housing Authority because the Housing Authority engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as items 2007-05 through 2007-18.

### **Internal Control Over Compliance**

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing our opinion on the effectiveness of the County's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-14 through 2007-16 to be significant deficiencies.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### **Schedule of Expenditures of Federal Awards and Supplemental Schedules**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2007, and have issued our report thereon dated December 14, 2007. We did not audit the financial statements of the Riverside County Flood Control and Water Conservation District (Flood Control District), Housing Authority of the County of Riverside (Housing Authority), Riverside County Regional Park and Open-Space District (Park District), and County of Riverside Redevelopment Agency (RDA) for the year ended June 30, 2007. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Flood Control District, Housing Authority, Park District, and RDA, are based on the reports of the other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The Supplemental Schedule of Office of Emergency Services Grants and Supplement Schedule of California Department of Aging Grants are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Award and Supplemental Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*Vavnick, Trine, Day & Co., LLP*

Rancho Cucamonga, California  
March 21, 2008

**COUNTY OF RIVERSIDE, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2007**

| <b>FEDERAL GRANTORS/PASS THROUGH GRANTORS<br/>PROGRAM NAME</b>                 | <b>RESPONSIBLE COUNTY<br/>DEPARTMENT</b> | <b>CFDA No.</b>  | <b>Amount</b>      |
|--|--|------------------|--------------------|
| <b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>                          |  |                  |                    |
| Retired and Senior Volunteer Program   | Office on Aging                          | 94.002           | \$ 75,446          |
| <b>DEPARTMENT OF AGRICULTURE</b>   |  |                  |                    |
| <i>California Department of Social Services</i>                                |  |                  |                    |
| National School Lunch Program  | Probation                                | 10.555           | 737,677            |
| Food Stamps  | Public Social Services                   | 10.551           | 100,401,441        |
| State Administrative Matching Grants for<br>Food Stamp Program                 | Public Social Services                   | 10.561           | 11,331,319         |
| Sub-Total - Food Stamp Cluster   |  |                  | 111,732,760        |
| <i>California Department of Health Services</i>                                |  |                  |                    |
| Special Supplemental Nutrition Program for<br>Women, Infants, and Children [1] | Community Health Agency                  | 10.557           | 9,383,384          |
| <i>Forest Services</i>   |  |                  |                    |
| Cooperative Fire Protection  | Fire                                     | 10.664           | 28,849             |
| Bark Beetle Forest Grant   | Economic Development Agency              | 10.672           | 1,320,855          |
| SPCF State Fire Assistance Funds   | Fire                                     | 03.DG11051200024 | 936,014            |
| Sub-Total - Forest Services  |  |                  | 2,285,718          |
| <i>Agricultural Rural Utilities Services</i>                                   |  |                  |                    |
| Colonial Grant Funds - Ripley Water Treatment Services                         | Economic Development Agency              | 10.770           | 169,216            |
| <i>Natural Resources Conservation Services</i>                                 |  |                  |                    |
| Emergency Watershed Protection   | Fire                                     | 10.69-9104-4-236 | 491,516            |
| <b>TOTAL DEPARTMENT OF AGRICULTURE</b>   |  |                  | <b>124,800,271</b> |
| <b>DEPARTMENT OF COMMERCE</b>  |  |                  |                    |
| <i>California State Economic Development Administration</i>                    |  |                  |                    |
| Grants for Public Works and Economic Development                               | Economic Development Agency              | 11.300           | 38,937             |
| <b>DEPARTMENT OF EDUCATION</b>   |  |                  |                    |
| <i>California State Department of Rehabilitation</i>                           |  |                  |                    |
| Rehabilitation Services-Vocational Rehabilitation<br>Grants to States          | Mental Health                            | 84.126           | 677,976            |
| <b>DEPARTMENT OF ENERGY</b>  |  |                  |                    |
| Weatherization Assistance For Low-Income Persons                               | Community Action                         | 81.042           | 273,242            |
| <b>FISH AND WILDLIFE SERVICES</b>  |  |                  |                    |
| <i>California Wildlife Conservation Board</i>                                  |  |                  |                    |
| Payment to State in Lieu of Real Estate Taxes                                  | Flood                                    | 12.112           | 136,152            |
| Section 6 Grants   | Regional Conservation Authority          | 15.615           | 2,786,500          |
| <b>TOTAL FISH AND WILDLIFE SERVICES</b>  |  |                  | <b>2,922,652</b>   |
| <b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                                 |  |                  |                    |
| <i>California State Department of Aging</i>                                    |  |                  |                    |
| Senior Farmer's Market   | Office on Aging                          | 10.576           | 35,960             |
| Special Programs for the Aging-Title VII, Chapter 3                            | Office on Aging                          | 93.041           | 26,994             |
| Special Programs for the Aging-Title VII, Chapter 2                            | Office on Aging                          | 93.042           | 63,377             |
| Special Program for the Aging - Title III Part D                               | Office on Aging                          | 93.043           | 107,653            |
| Special Program for the Aging - Title III Part B                               | Office on Aging                          | 93.044           | 1,982,741          |
| Special Program for the Aging - Title III Part C                               | Office on Aging                          | 93.045           | 2,613,705          |
| National Family Caregivers Support   | Office on Aging                          | 93.052           | 938,607            |
| Nutrition Services Incentive Program   | Office on Aging                          | 93.053           | 371,162            |
| Multiple Senior Services Program   | Office on Aging                          | 93.778           | 631,079            |
| Health Care Financing Research, Demonstrations and Evaluations (HCFA Research) | Office on Aging                          | 93.779           | 84,222             |
| Subtotal - Department of Aging Cluster   |  |                  | 6,855,500          |

[1] Denotes a major Federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

**COUNTY OF RIVERSIDE, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2007**

| <b>FEDERAL GRANTORS/PASS THROUGH GRANTORS<br/>PROGRAM NAME</b>                    | <b>RESPONSIBLE COUNTY<br/>DEPARTMENT</b> | <b>CFDA No.</b> | <b>Amount</b>             |
|---|--|-----------------|---------------------------|
| <b>CONTINUED - DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                        |  |                 |                           |
| <i>California State Department of Social Services</i>                             |  |                 |                           |
| Promoting Safe and Stable Families  | Public Social Services                   | 93.556          | 1,736,888                 |
| Temporary Assistance for Needy Families   | Probation/Public Social Services         | 93.558          | 148,640,623               |
| Refugee and Entrant Assistance - State Administered Programs                      | Public Social Services                   | 93.566          | 47,478                    |
| Child Welfare Services - State Grants [1]   | Public Social Services                   | 93.645          | 3,078,447                 |
| Foster Care Title IV-E [1]  | Public Social Services/Probation         | 93.658          | 66,784,775                |
| Adoption Assistance Title IV-E [1]  | Public Social Services                   | 93.659          | 12,574,256                |
| Social Services Block Grant [1]   | Public Social Services                   | 93.667          | 16,372,569                |
| Chafce Foster Care Independent Living   | Public Social Services                   | 93.674          | 982,363                   |
| Subtotal - Social Services  |  |                 | <u>250,217,399</u>        |
| <i>California State Department of Education</i>                                   |  |                 |                           |
| Child Care and Development Block Grant  | Public Social Services                   | 93.575          | 482,129                   |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund    | Public Social Services                   | 93.596          | 1,087,897                 |
| Subtotal - Department of Education  |  |                 | <u>1,570,026</u>          |
| <i>California State Department of Child Support Services</i>                      |  |                 |                           |
| Child Support Enforcement   | Child Support Services                   | 93.563          | 24,839,267                |
| <i>California Family Planning Council</i>   |  |                 |                           |
| Family Planning - Services  | Community Health Agency                  | 93.217          | 447,133                   |
| <i>California State Department of Health Services</i>                             |  |                 |                           |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs       | Community Health Agency                  | 93.116          | 160,903                   |
| Center for Disease Control and Prevention-Investigations and Technical Assistance | Community Health Agency                  | 93.283          | 1,054,174                 |
| Children Services - Healthy Families  | Community Health Agency                  | 93.767          | 1,032,605                 |
| Medical Assistance Program  | CHA/DPSS/Office on Aging                 | 93.778          | 64,234,520                |
| Maternal and Child Health Services Block Grant                                    | Community Health Agency                  | 93.994          | 1,421,324                 |
| National Bioterrorism Hospital Preparedness Grant                                 | Community Health Agency                  | 97.005          | 416,102                   |
| Subtotal - Department of Health Services  |  |                 | <u>68,319,628</u>         |
| <i>California State Department of Mental Health</i>                               |  |                 |                           |
| Project for Assistance in Transition from Homelessness (PATH)                     | Mental Health                            | 93.150          | 256,800                   |
| Block Grant for Community Mental Health Services                                  | Mental Health                            | 93.958          | 2,432,217                 |
| Subtotal - Department of Mental Health  |  |                 | <u>2,689,017</u>          |
| <i>California State Department of Alcohol &amp; Drug</i>                          |  |                 |                           |
| Block Grant for Prevention and Treatment of Substance Abuse [1]                   | Mental Health                            | 93.959          | 10,384,283                |
| <i>California State Department of Community Services and Development</i>          |  |                 |                           |
| Low-Income Home Energy Asst. Program  | Community Action                         | 93.568          | 1,293,055                 |
| Community Services Block Grant  | Community Action                         | 93.569          | 1,863,014                 |
| Subtotal - Dept. of Community Services and Development                            |  |                 | <u>3,156,069</u>          |
| <i>County of San Bernardino</i>   |  |                 |                           |
| HIV Emergency Relief Project Grants   | Community Health Agency                  | 93.914          | 1,062,991                 |
| <b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                              |  |                 | <u><b>369,541,313</b></u> |

[1] Denotes a major Federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF RIVERSIDE, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2007

| FEDERAL GRANTORS/PASS THROUGH GRANTORS<br>PROGRAM NAME                      | RESPONSIBLE COUNTY<br>DEPARTMENT   | CFDA No.            | Amount            |
|---|------------------------------------|---------------------|-------------------|
| <b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>                          |                                    |                     |                   |
| Community Development Block Grant/Entitlement Grants [1]                    | EDA, Mental Health                 | 14.218              | 12,676,034        |
| Emergency Shelter Grants Program  | EDA                                | 14.231              | 398,326           |
| Supportive Housing Program  | Mental Health/DPSS                 | 14.235              | 2,643,800         |
| Supportive Housing Program  | DPSS                               | 14.238              | 329,861           |
| Home Investment Partnership Program [1]                                     | Economic Development Agency        | 14.239              | 5,083,138         |
| Lead-Based Paint Hazard Control in<br>Privately-Owned Housing               | Community Health Agency            | 14.900              | 884,034           |
| <b>TOTAL DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>                  |                                    |                     | <b>22,015,193</b> |
| <b>DEPARTMENT OF JUSTICE</b>  |                                    |                     |                   |
| Southwest Border Prosecution Initiative                                     | District Attorney/Sheriff-Coroner  | 16.UNKNOWN          | 1,357,156         |
| Inland Regional Apprehension Team (IRAT)                                    | Sheriff-Coroner                    | 16.UNKNOWN          | 3,849             |
| Organized Crime Drug Enforcement Task Force                                 | Sheriff-Coroner                    | 16.SW-CAC-848       | 6,274             |
| Local Law Enforcement Block Grants Program                                  | Sheriff-Coroner                    | 16.592              | 8,768             |
| State Criminal Alien Assistance Program (SCAAP)                             | Sheriff-Coroner                    | 16.606              | 1,227,196         |
| Bulletproof Vest Partnership Program  | Sheriff-Coroner                    | 16.607              | 49,400            |
| Asset Forfeiture  | Sheriff-Coroner/ District Attorney | 16.999              | 672,466           |
| Public Safety Partnership and Community Policing Grants - COPS              | Sheriff-Coroner                    | 16.710              | 372,048           |
| Subtotal - Department of Justice  |                                    |                     | 3,697,157         |
| <i>California Office of Emergency Services (OES)<br/>/Board Corrections</i> |                                    |                     |                   |
| Special Emphasis Assistance Program   | District Attorney                  | 16.575              | 110,000           |
| Juvenile Accountability Incentive Block Grants (JAIBAG)                     | Probation                          | 16.523              | 86,643            |
| Victim Witness Assistance   | District Attorney                  | 16.575              | 385,887           |
| Byrne Formula Grant Program   | Sheriff                            | 16.579              | 118,905           |
| Federal Anti Drug Abuse Program [1]   | Sheriff                            | 16.579              | 449,898           |
| Justice Assistance Formula Grant  | Sheriff                            | 16.579              | 165,672           |
| Violence Against Women Formula Grants                                       | Probation                          | 16.588              | 536,296           |
| Residential Substance Abuse Treatment Program Grant (RSTAT)                 | Sheriff                            | 16.593              | 252,000           |
| Subtotal OCJP/OES, CA Corrections Services Agency                           |                                    |                     | 2,105,301         |
| Drug Enforcement Agency<br>Cannabis Eradication Program                     | Sheriff                            | 16.UNKNOWN          | 42,469            |
| <i>Office of National Drug Control Policy</i>                               |                                    |                     |                   |
| High Intensity Drug Trafficking Area 05 (INCH, INCA, RMTF combined)         | Sheriff                            | 16.Grant 14PLAP540Z | 358,592           |
| High Intensity Drug Trafficking Area 06 (INCH, INCA, RMTF combined)         | Sheriff                            | 16.Grant 14PLAP540Z | 1,240,102         |
| High Intensity Drug Trafficking Area 06 (INCH, INCA, RMTF combined)         | Sheriff                            | 16.Grant 17PLAP540Z | 126,157           |
| Consolidated Priority Organization Target (CPO'04) (14PLAP999Z)             | Sheriff                            | 16.UNKNOWN          | 67,610            |
| Subtotal - Office of National Drug Control Policy                           |                                    |                     | 1,792,461         |
| <b>TOTAL DEPARTMENT OF JUSTICE</b>  |                                    |                     | <b>7,637,388</b>  |
| <b>DEPARTMENT OF LABOR</b>  |                                    |                     |                   |
| <i>California State Department of Aging</i>                                 |                                    |                     |                   |
| Senior Community Service Employment Program (SCSEP)                         | Office on Aging                    | 17.235              | 612,545           |
| <i>California Employment Development Department</i>                         |                                    |                     |                   |
| Workforce Investment Act (WIA) Adult Program [1]                            | Economic Development Agency        | 17.258              | 4,179,999         |
| Workforce Investment Act (WIA) Youth Activities [1]                         | Economic Development Agency        | 17.259              | 4,542,796         |
| Workforce Investment Act (WIA) Dislocated Worker [1]                        | Economic Development Agency        | 17.260              | 4,077,705         |
| Sub-Total Workforce Investment Act Cluster                                  |                                    |                     | 12,800,500        |
| Workforce Investment Act Special Project                                    | Economic Development Agency        | 17.261              | 76,091            |
| Workforce Investment Act (WIA) Incentive Award                              | Economic Development Agency        | 17.267              | 22,804            |
| Subtotal- Employment Development Department                                 |                                    |                     | 12,899,395        |
| <b>TOTAL DEPARTMENT OF LABOR</b>  |                                    |                     | <b>13,511,940</b> |

[1] Denotes a major Federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

COUNTY OF RIVERSIDE, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2007

| FEDERAL GRANTORS/PASS THROUGH GRANTORS<br>PROGRAM NAME  | RESPONSIBLE COUNTY<br>DEPARTMENT | CFDA No.    | Amount                |
|---|----------------------------------|-------------|-----------------------|
| <b>DEPARTMENT OF TRANSPORTATION</b>                     |                                  |             |                       |
| <i>Federal Aviation Administration</i>                  |                                  |             |                       |
| Airport Improvement Program (AIP)                       | Economic Development Agency      | 20.106      | <u>1,702,780</u>      |
| Highway Planning and Construction                       | Transportation                   | 20.205      | <u>9,435,751</u>      |
| <i>Federal Highway Administration</i>                   |                                  |             |                       |
| Storm Damage  | Transportation                   | 20.205      | <u>2,842,391</u>      |
| Sub-Total Highway Planning and Construction Cluster [1] |                                  |             | <u>12,278,142</u>     |
| <i>California Office of Traffic Safety</i>              |                                  |             |                       |
| State and Community Highway Safety                      | Probation                        | 20.600      | <u>234,952</u>        |
| US Forest Reserve                                       | Transportation                   | 20.98003012 | <u>46,075</u>         |
| <b>TOTAL DEPARTMENT OF TRANSPORTATION</b>               |                                  |             | <u>14,261,949</u>     |
| <b>DEPARTMENT OF THE TREASURY</b>                       |                                  |             |                       |
| <i>Department of the Treasury, Secret Service</i>       |                                  |             |                       |
| Secret Service Reimbursement                            | Sheriff-Coroner                  | 21.000      | <u>15,788</u>         |
| <b>SOCIAL SECURITY ADMINISTRATION</b>                   |                                  |             |                       |
| SSA Social Security Administration                      | Sheriff- Coroner                 | 96.000      | <u>93,200</u>         |
| <b>US DEPARTMENT OF HOMELAND SECURITY</b>               |                                  |             |                       |
| <i>California Office of Homeland Security</i>           |                                  |             |                       |
| Security Grant Program                                  | Fire                             | 97.067      | <u>7,367,553</u>      |
| Metropolitan Medical Response System                    | Community Health Agency          | 97.071      | <u>321,517</u>        |
| Sub-Total Homeland Security Cluster [1]                 |                                  |             | <u>7,689,070</u>      |
| Emergency Food and Shelter National Board Program       | Mental Health                    | 83.523      | <u>31,068</u>         |
| Buffer Zone Protection                                  | Fire                             | 97.078      | <u>607,010</u>        |
| Subtotal - US Department of Homeland Security           |                                  |             | <u>8,327,148</u>      |
| <i>Federal Emergency Management Agency (FEMA)</i>       |                                  |             |                       |
| Public Assistance Grants                                | Fire                             | 97.036      | <u>24,310</u>         |
| Hazard Mitigation Grant Program                         | Fire                             | 97.039      | <u>61,630</u>         |
| Subtotal - Federal Emergency Management Agency (FEMA)   |                                  |             | <u>85,940</u>         |
| <b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>            |                                  |             | <u>8,413,088</u>      |
| <b>US ENVIRONMENTAL PROTECTION AGENCY</b>               |                                  |             |                       |
| <i>California State Division of Water Quality</i>       |                                  |             |                       |
| Local Oversight Program                                 | Community Health Agency          | 66.816      | <u>362,162</u>        |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>             |                                  |             | <u>\$ 564,640,545</u> |

[1] Denotes a major Federal financial assistance program.

See accompanying note to schedule of expenditures of federal awards.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2007**

*NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

**A. General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal award programs of the County of Riverside, California (the County), except for the Federal awards granted to the Housing Authority of the County of Riverside, which is separately audited and reported on in accordance with the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Federal awards received directly from Federal agencies, as well as, Federal awards, passed through Nonfederal agencies, primarily the State of California, except as noted above, are included on the schedule. The County's reporting entity is defined in Note #1 to the County's basic financial statements.

**B. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for program expenditures accounted for in the governmental funds and the accrual basis of accounting for program expenditures accounted for in the proprietary funds as described in Note #2 to the County's basic financial statements.

**C. Relationship to Basic Financial Statements**

Federal award expenditures agree or can be reconciled with the amounts reported in the County's basic financial statements.

**D. Relationship to Federal Financial Reports**

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards are in material agreement with the amounts reported in the related Federal financial reports for the Federal award programs.

**E. Major Programs**

For clarification purposes, the Federal Anti-Drug Abuse Grant Program was audited as a major program at the request of the County. Accordingly, only the Federal Anti-Drug Abuse Grant, of the CFDA number 16.579, has been designated as major.

COUNTY OF RIVERSIDE, CALIFORNIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2007

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Pass-Through Awards To Subrecipients

Of the Federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, the County provided Federal awards to subrecipients as follows:

| <u>County Program Title</u>  | <u>CFDA No.</u> | <u>Amount</u>     |
|--|-----------------|-------------------|
| Bark Beetle Program Grant  | 10.672          | 1,300,000         |
| Community Development Block Grants/Entitlement Grants                          | 14.218          | 8,266,510         |
| Emergency Shelter Grants Program   | 14.231          | 376,160           |
| Supportive Housing Program   | 14.235          | 2,253,593         |
| Shelter and Care   | 14.238          | 329,861           |
| HOME Investment Partnership Program  | 14.239          | 2,405,875         |
| Southwest Border Prosecution Initiative  | 16.UNKNOWN      | 339,289           |
| Workforce Investment Act (WIA) Adult Program                                   | 17.258          | 110,960           |
| Workforce Investment Act (WIA) Youth Activities                                | 17.259          | 3,043,605         |
| Workforce Investment Act (WIA) Dislocated Worker                               | 17.260          | 104,876           |
| Weatherization Assistance for Low-Income Persons                               | 81.042          | 273,242           |
| Special Program for the Aging - Title VII, Chapter 2                           | 93.042          | 61,663            |
| Special Program for the Aging - Title III, Part B                              | 93.044          | 513,501           |
| Special Program for the Aging - Title III, Part C                              | 93.045          | 2,001,927         |
| National Family Caregivers Support   | 93.052          | 177,640           |
| Nutrition Services Incentive Program   | 93.053          | 346,171           |
| Low-Income Home Energy Assistance  | 93.568          | 1,293,055         |
| Community Services Block Grants  | 93.569          | 1,863,014         |
| Health Care Financing Research, Demonstrations and Evaluations (HCFR Research) | 93.779          | 84,222            |
| Homeland Security Grant Program  | 97.067          | 5,303,955         |
| Buffer Zone Protection   | 97.078          | 602,314           |
|  | <b>Total</b>    | <b>31,051,432</b> |

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SUMMARY OF AUDITORS' RESULTS**

**YEAR ENDED JUNE 30, 2007**

**I. SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FINANCIAL STATEMENTS**

|   |                    |
|---|--------------------|
| Type of auditors' report issued:  | <u>Unqualified</u> |
| Internal control over financial reporting:                                    |                    |
| Material weaknesses identified?   | <u>No</u>          |
| Significant deficiencies identified not considered to be material weaknesses? | <u>Yes</u>         |
| Noncompliance material to financial statements noted?                         | <u>No</u>          |

**FEDERAL AWARDS**

|  |                    |
|--|--------------------|
| Internal control over major programs:  |                    |
| Material weaknesses identified?  | <u>No</u>          |
| Significant deficiencies identified not considered to be material weaknesses?                                    | <u>Yes</u>         |
| Type of auditors' report issued on compliance for major programs:  | <u>unqualified</u> |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) | <u>Yes</u>         |
| Identification of major programs:  |                    |

| <u>CFDA Numbers</u>           | <u>Name of Federal Program or Cluster</u>                                      |
|-------------------------------|--|
| <u>10.557</u>                 | <u>Special Supplemental Nutrition Program for Women, Infants, and Children</u> |
| <u>93.645</u>                 | <u>Child Welfare Services - State Grants</u>                                   |
| <u>93.658</u>                 | <u>Foster Care (Title IV-E)</u>  |
| <u>93.659</u>                 | <u>Adoption Assistance (Title IV-E)</u>  |
| <u>93.667</u>                 | <u>Social Services Block Grant</u>   |
| <u>93.959</u>                 | <u>Block Grants for Prevention and Treatment of Substance Abuse</u>            |
| <u>14.218</u>                 | <u>Community Development Block Grant/Entitlement Grants</u>                    |
| <u>14.239</u>                 | <u>HOME Investment Partnership Program</u>                                     |
| <u>16.579</u>                 | <u>Federal Anti-Drug Abuse Program</u>   |
| <u>17.258, 17.259, 17.260</u> | <u>Workforce Investment Act (WIA) Cluster</u>                                  |
| <u>20.205</u>                 | <u>Highway Planning and Construction</u>                                       |
| <u>97.067, 97.071</u>         | <u>Homeland Security Grant Cluster</u>   |

|  |                     |
|--|---------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 3,000,000</u> |
| Auditee qualified as low-risk auditee?                                   | <u>Yes</u>          |

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

**II. FINANCIAL STATEMENT FINDINGS**

The following findings and recommendations represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Audit Standards*.

**Finding 2007-01 - CAPITAL ASSETS**

While the County maintains formalized year-end procedures to ensure that County departments submit information for financial reporting purposes the following were noted:

- During the audit process we noted that several revisions of the capital asset worksheets were required to properly state the County's capital assets. In addition, as part of the closing process the County discovered several immaterial errors with the prior year capital asset balances. These errors were corrected to arrive at the proper balances for June 30, 2007.
- Queries from the "AM" module of PeopleSoft are exported and compiled on numerous nVision spreadsheets in order to summarize information for financial reporting purposes.
- The primary accuracy of the reporting for capital assets resides with the departments.

**RECOMMENDATION**

We recommend that the County strengthen its year-end procedures for capital assets reporting. Such procedures may include the following:

- Enforce the procedures and review evidence to ensure that the numerous nVision spreadsheets are accurate.
- Examine the cost/benefit of establishing standardized capital assets reports that summarize data for the financial statements. Such reports would include the roll-forward of capital assets activity by department and or fund thereby eliminating the need to compile this information in offline spreadsheets.
- Continue to provide training to all departments to ensure that the capital assets are properly recorded.

**MANAGEMENT'S RESPONSE**

- The Auditor-Controller's Office (ACO) and the County departments will continue to cooperatively develop new procedures and implement process controls to assure accuracy in tracking and reporting capital asset activity. The ACO will also continue the "AM" module training efforts for new County employees as well as providing refresher sessions for those previously trained.
- The OASIS Team will be working with the County Auditor-Controller in determining the type, structure, and reporting tool of new standard capital asset reports that are needed that would assist the County in reporting it's capital assets.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

**II. FINANCIAL STATEMENT FINDINGS, (Continued)**

**Finding 2007-02 - ACCOUNTS RECEIVABLE**

As noted in the prior year, during the year-end closing process receivables were captured in the general ledger in one of the two major categories:

1. System based receivables- Receivables are automatically calculated and maintained in a control account within the general ledger, based on transactions initiated by departments in the billing module of PeopleSoft.
2. Non-system receivables- Account balances for this category are established and recorded during the year-end closing process on Auditor Controller prescribed schedules.

During our testing of system based receivables, it was noted that a comprehensive and accurate PeopleSoft accounts receivable aging report is not produced for analyzing "System Based Receivables" in the general ledger and query access to identify detailed transactions was limited. Further, each department had to manipulate transaction detail and/or utilize other information systems to reconcile the composition of the balances reported in the general ledger to invoices outstanding.

**RECOMMENDATION**

Although we acknowledge that the County is decentralized in nature, we recommend modifying the current PeopleSoft aging report so it can be used for analysis purposes. In addition to the current fields in the aging report (vendor name, invoice number and amount) the comprehensive aging report should be flexible to the needs of each County department and provide sufficient detail for each line item such as fund, department and account distribution for proper analysis. We also recommend that the Auditor Controller's Office develop procedures for county departments to use in order to analyze and validate material balances and transactions. Use of these procedures will allow the County to improve the accuracy of financial reporting, provide consistency countywide and safeguard County assets.

**MANAGEMENT'S RESPONSE**

The OASIS Team will be working with the County Auditor-Controller to provide the County's financial users with an aging report that contains sufficient detail for each line item such as fund, department and account distribution to allow for proper analysis. The Auditor-Controller will pursue the development of standard procedures for processing accounts receivable transactions in the AR module.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

**II. FINANCIAL STATEMENT FINDINGS, (Continued)**

**Finding 2007-03 - FRAUD PREVENTION PROGRAM**

It was noted that the County does not maintain a formalized fraud prevention program. Further, based on inquiry of personnel in County departments, there is no formal chain of communication to report suspected instances or allegations of improper acts.

**RECOMMENDATION**

Given the size of the County and complexity of its operations, we recommend that the County develop and appropriately staff a fraud prevention program. This program could include; formal procedures/policies for the reporting of allegations, a fraud hotline and/or contracted assistance for the intake of information.

In addition fraud prevention extends to other internal control areas. As an example the County should address other risk areas such as Information Technology (IT). IT issues such as the periodic monitoring of user access to County systems, etc. should be considered as part of the overall fraud prevention program as computer systems continue to be an important aspect of County's overall internal control structure.

**MANAGEMENT'S RESPONSE**

The County is working to establish a fraud prevention workgroup to evaluate and establish a countywide fraud prevention program and policy. The County will benchmark other counties to review effective fraud management programs in an effort to create an efficient and comprehensive program.

**Finding 2007-04 - PROCUREMENT EDIT CHECKS**

As noted in the prior year the procurement process provides for authorization and expenditure controls. In conjunction with these procedures, buyers in the Purchasing Department have established purchase limits that cannot be exceeded without further supervisory approval. The specified limits are assigned to each buyer based on experience level. It was noted that PeopleSoft does not currently maintain a proactive control or edit check to prevent a buyer from exceeding the purchase amount restrictions, consistent with the procurement policies.

**RECOMMENDATION**

The County has recommended to us that corrective actions have been taken as of July 1, 2007. We will verify this as part of our 2007-2008 fiscal year audit. The areas of concern include the implementation of edit checks or automated detection controls to improve the monitoring of buyers' purchasing authority, consistent with the County's procurement policies.

**MANAGEMENT'S RESPONSE**

The County agrees and has implemented proactive authorization and expenditure controls to improve the monitoring of buyers' purchasing authority, consistent with the County's procurement policies. The Purchasing department worked with the OASIS Team to build the required controls into the 8.8 version of the County's financial system that went live in July 2007.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding 2007-05**

**Program:** Special Supplemental Nutrition Program for Women, Infants, and Children

**CFDA No.:** 10.557

**Federal Grantor:** Department of Agriculture

**Passed – through:** California Department of Health Services

**Award No.:** Not Applicable

**Award Year:** Fiscal Year 2006-07

**Compliance Requirement:** Reporting

**Questioned Costs:** \$0

**Criteria:**

The contract between the State of California and the Health Department of the County of Riverside stipulates that Monthly Financial Reports be provided to the State 45 days following the end of the reporting month.

**Condition Found:**

It was noted that the required Monthly Financial Reports were not submitted within the required timelines during the fiscal year 2006-07.

**Context:**

The condition noted above was identified during our testing procedures over reporting.

**Effect:**

The untimely reporting of costs to the State results in noncompliance with the requirements set forth in the contractual agreement between the County of Riverside and the State.

**Cause:**

During the monthly process of gathering and reporting financial information required by the State, the County's Community Health Agency utilizes various internal processes and edit checks to ensure the accuracy of reporting amounts. These processes create difficulties in the completion of the Monthly Financial Reports within the agreed upon 45 day timeline.

**Recommendation:**

We recommend that the County of Riverside develop a method for reasonably monitoring the program's required reporting of costs to the State to ensure timely submittal. Alternatively, the County should seek a modification to the contract agreement for additional time in filing Monthly Financial Reports.

COUNTY OF RIVERSIDE, CALIFORNIA

SCHEDULE FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2007

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, (Continued)

**View of Responsible Official and Planned Corrective Actions:**

The WIC program has made every attempt to submit timely invoices. Processing time is a product of several functions. Some of the functions we have control over and some we do not. We can do little to shorten the time between payroll end date and the date that payroll posts to our accounting system. This function consumes from one to two weeks of processing time.

Invoice preparation and review consumes another two weeks of processing time. We do have control over this process and continue to review with the goal of reducing time required. It is neither realistic nor expected that improvements here will be sufficient to resolve the problem.

We have also asked the State for additional processing time which the State has been unable to grant because of reporting requirement imposed on the State by the Federal Government.

Once an invoice is submitted it is reviewed by the State. After this review the subsequent invoice with updated cumulative information and appropriate blank spaces for current expenses is provided to us by the State. This function consumes from one to two weeks.

We have been allotted a 45 day processing time for functions that can take from 45 to 60 days. Taking this into account a Federal Government auditor in July/Aug of 2006 chose not to make this an audit finding noting that no other county is able to meet the filing requirement. Nevertheless, we will continue to search for ways to improve local processing time.

**Finding 2007-06**

**Program:** Special Supplemental Nutrition Program for Women, Infants, and Children

**C DFA No.:** 10.557

**Federal Agency:** US Department of Agriculture

**Passed -- through:** California Department of Health Services

**Award No.:** None

**Award Year:** FY 2006-2007

**Compliance Requirement:** Eligibility

**Questioned Costs:** Unknown

**Criteria:**

The *March 2007 OMB Circular A-133 Compliance Supplement* requires that the County determine eligibility in accordance with the specific eligibility requirements defined in the approved State plan. These requirements include the maintenance of documentation necessary to support eligibility determinations and re-determinations.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, (Continued)**

**Condition Found:**

Of the 40 samples of files selected for testing, we noted the following:

- One case file where the Nutrition Questionnaire and the Rights and Obligations Document were absent from the case file and thus did not support eligibility.
- One case file where the Rights and Obligations document was missing.
- Two case files where the Nutrition Assistant's signature was absent from the Nutrition Questionnaire evidencing review.

**Effect:**

Case data may not accurately reflect the eligibility status of WIC recipients thus increasing the risk of noncompliance with the requirements of the State plan.

**Cause:**

The County did not consistently apply the policies and procedures over maintaining eligibility documents.

**Recommendation:**

We recommend that the County strengthen their monitoring procedures to ensure that documentation required to support eligibility are properly maintained in the files.

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

We will be reviewing the WIC Program Manual (WPM) Revision 260-40 WIC Participation Rights and Responsibilities (R&R) and the WPM Revision 210-60-Nutrition Assessment at the monthly WIC Managers meeting with the WIC site Senior Nutritionists/Program Coordinators. They will be instructed to review these WPM Revisions with their site staff at their monthly staff meeting and remind staff to ensure that at each certification, the following is performed: The participant review and sign the Rights and Responsibilities (R&R), Staff completes and signs the Nutrition Questionnaire, the 2 documents are filed in the daily file.

In addition, the Department will continue to monitor for compliance via ongoing Quality Assurance reviews of ISIS Computer files and daily files.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, (Continued)**

**Finding 2007-07**

**Program:** Community Development Block Grant

**CFDA No.:** 14.218

**Federal Grantor:** US Department of Housing and Urban Development (HUD)

**Passed – through:** Not Applicable

**Award No.:** Not Applicable

**Award Year:** Fiscal Year 2006-07

**Compliance Requirement:** Reporting

**Questioned Costs:** None

**Criteria:**

The Federal compliance requirement specifically states that SF-272s, the Federal Cash Transaction Report, must be submitted by the 15<sup>th</sup> of the first month following the end of the quarter (i.e. January 15<sup>th</sup>, April 15<sup>th</sup>, July 15<sup>th</sup>, and October 15<sup>th</sup>).

**Condition Found:**

It was noted that the required SF-272s were not submitted within the required timelines during the fiscal year 2006-07.

**Context:**

The condition noted above was identified during our testing procedures over reporting.

**Effect:**

The untimely reporting of costs to HUD results in noncompliance with the requirements set forth in the contractual agreement between the County of Riverside and HUD.

**Cause:**

The County did not consistently apply their procedures for tracking their reporting requirements and due dates.

**Recommendation:**

We recommend that the County implement procedures to ensure all reports are submitted timely as required by HUD.

COUNTY OF RIVERSIDE, CALIFORNIA

SCHEDULE FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2007

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, (Continued)

**View of Responsible Official and Planned Corrective Actions:**

Effective March 21, 2008, EDA has implemented procedures to ensure that the SF-272 is submitted to HUD prior to the required deadline in order to comply with the timeliness requirements.

The procedures require that CDBG fiscal staff (a) commence the preparation of the report by the 3<sup>rd</sup> day following the end of the quarter utilizing preliminary expense reports, (b) submit the report to HUD no later than the 13<sup>th</sup> day following the end of the quarter, and (c) mail the reports using registered mail carriers and include proof of mailing with the working papers.

**Finding 2007-08**

**Program:** Community Development Block Grant

**CFDA No.:** 14.218

**Federal Grantor:** US Department of Housing and Urban Development

**Passed – through:** Not Applicable

**Award No.:** Not Applicable

**Award Year:** Fiscal Year 2006-07

**Compliance Requirement:** Subrecipient Monitoring

**Questioned Costs:** None

**Criteria:**

The March 2007 Office of Budget and Management (OMB) OMB Circular A-133 Compliance Supplement states that a pass-through entity is responsible for “Award Identification – At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.”

**Condition Found:**

It was noted that the agreements between the County and the providers (subrecipients) lists the source of funding that will be used for funding the agreement. However, the CFDA title and number is not identified on the subrecipient agreement as prescribed by OMB Circular A-133 Compliance Supplement.

**Context:**

The condition noted above was identified during our testing procedures over subrecipient monitoring.

**Effect:**

The County increases the risk of non-compliance with subrecipient monitoring requirements set forth in OMB A-133 Compliance Supplement. Additionally, subrecipients might not be aware that they are receiving Federal funding, which might require the subrecipient to have a Single Audit performed.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, (Continued)**

**Cause:**

The *Award Identification* within the contract agreement between the County and the subrecipient(s) are not drafted as indicated by *OMB Circular A-133 Compliance Supplement*.

**Recommendation:**

We recommend that contracts with subrecipients further describe the specific source of funding (e.g., the CFDA title and number) they are receiving in order to comply and for the subrecipient to be aware of any Federal funds that they might be receiving from the County/State.

**View of Responsible Official and Planned Corrective Actions:**

In accordance with the March, 2007 OMB Circular A-133 Compliance Supplement, EDA will add the Catalog of Federal Domestic Assistance (CFDA) Number to all sub-recipient agreements. Therefore, all sub-recipient agreements will include "The Community Development Block Grant funds [CFDA 14.218], provided under this agreement must be administered in accordance with OMB Circular A-133." This information will ensure the sub-recipient is aware of the Federal Funds received from the County in order to comply with the Single Audit Act.

**Finding 2007-09**

**Program:** HOME Investment Partnership  
**CFDA No.:** 14.239  
**Federal Grantor:** US Department of Housing and Urban Development  
**Passed – through:** Not Applicable  
**Award No.:** Not Applicable  
**Award Year:** Fiscal Year 2006-07  
**Compliance Requirement:** Reporting  
**Questioned Costs:** None

**Criteria:**

The Federal compliance requirement specifically states that SF-272s, the Federal Cash Transaction Report, must be submitted by the 15<sup>th</sup> of the first month following the end of the quarter (i.e. January 15<sup>th</sup>, April 15<sup>th</sup>, July 15<sup>th</sup>, and October 15<sup>th</sup>).

**Condition Found:**

It was noted that the required SF-272s were not submitted within the required timelines during the fiscal year 2006-07.

**Context:**

The condition noted above was identified during our testing procedures over reporting.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, (Continued)**

**Effect:**

The untimely reporting of costs to HUD results in noncompliance with the requirements set forth in the contractual agreement between the County of Riverside and HUD.

**Cause:**

The County did not follow their procedures for tracking their reporting requirements and due dates.

**Recommendation:**

We recommend that the County implement procedures to ensure all reports are submitted timely as required by HUD.

**View of Responsible Official and Planned Corrective Actions:**

Effective March 21, 2008, EDA has implemented procedures to ensure that the SF-272 is submitted to HUD prior to the required deadline in order to comply with the timeliness requirements.

The procedures require that HOME fiscal staff (a) commence the preparation of the report by the 3<sup>rd</sup> day following the end of the quarter utilizing preliminary expense reports, (b) submit the report to HUD no later than the 13<sup>th</sup> day following the end of the quarter, and (c) mail the reports using registered mail carriers and include proof of mailing with the working papers.

**Finding 2007-10**

**Program:** Workforce Investment Act Cluster

**CFDA No.:** 17.258, 17.259, 17.260

**Federal Grantor:** US Department of Labor

**Passed – through:** State of California

**Award No.:** Not Applicable

**Award Year:** Fiscal Year 2006-07

**Compliance Requirement:** Reporting

**Questioned Costs:** None

**Criteria:**

The Fiscal year 2007 grant agreement with the State of California requires the County submit monthly reports for program activity and costs within 20 days of reporting month end.

**Condition:**

It was noted that out of the 12 monthly reports submitted, 3 were not submitted within the required timelines during the fiscal year 2006-07.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, (Continued)**

**Effect:**

The untimely reporting of costs to Economic Development Department (EDD) results in noncompliance with the requirements set forth in the contractual agreement between the County of Riverside and EDD.

**Cause:**

The County did not follow their procedures for tracking their reporting requirements and due dates.

**Recommendation:**

We recommend that the County implement procedures to ensure all reports are submitted timely as required by HUD.

**View of Responsible Official and Planned Corrective Actions:**

In accordance with Information Bulletin WIAB03-48, procedures have been implemented for monthly reports to the State of California to be reported by the required deadline. In addition, an electronic tickler file will be used by EDA staff to ensure timeliness requirements are met for the monthly participant reports due on the 20<sup>th</sup> of each month.

**Finding 2007-11**

**Program:** Workforce Investment Act Cluster  
**CFDA No.:** 17.258, 17.259, 17.260  
**Federal Grantor:** US Department of Labor  
**Passed – through:** State of California  
**Award No.:** Not Applicable  
**Award Year:** Fiscal Year 2006-07  
**Compliance Requirement:** Subrecipient Monitoring  
**Questioned Costs:** None

**Criteria:**

The *March 2007 Office of Budget and Management (OMB) OMB Circular A-133 Compliance Supplement* states that a pass-through entity is responsible for “*Award Identification* – At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.”

**Condition:**

It was noted that the agreements between the County and the providers (subrecipients) lists the source of funding that will be used for funding the agreement. However, the CFDA title and number is not identified on the subrecipient agreement as prescribed by *OMB Circular A-133 Compliance Supplement*.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, (Continued)**

**Cause:**

The *Award Identification* within the contract agreement between the County and the subrecipients are not drafted as indicated by *OMB Circular A-133 Compliance Supplement*.

**Effect:**

The County increases the risk of non-compliance with subrecipient monitoring requirements set forth in *OMB A-133 Compliance Supplement*. Additionally, subrecipients might not be aware that they are receiving Federal funding, which might require the subrecipient to have a Single Audit performed.

**Recommendation:**

We recommend that contracts with subrecipients further describe the specific source of funding (e.g., the CFDA title and number) they are receiving in order to comply and for the subrecipient to be aware of any Federal funds that they might be receiving from the County/State.

**View of Responsible Official and Planned Corrective Actions:**

In accordance with the March, 2007 OMB Circular A-133 Compliance Supplement, EDA will add an "Award Identification" section to the cover page of all sub-recipient agreements. This section will indicate the Federal Grantor, the Sub-agency, Pass-through agencies, the Catalog of Federal Domestic Assistance (CFDA) Number, and the Program Title. This information will ensure the sub-recipient is aware of any Federal funds received from the County or State in order to comply with the Single Audit Act.

**Finding 2007-12**

**Program:** Workforce Investment Act Cluster  
**CFDA No.:** 17.258, 17.259, 17.260  
**Federal Grantor:** US Department of Labor  
**Passed – through:** State of California  
**Award No.:** Not Applicable  
**Award Year:** Fiscal Year 2006-07  
**Compliance Requirement:** Subrecipient Monitoring  
**Questioned Costs:** None

**Criteria:**

The *March 2007 Office of Budget and Management (OMB) OMB Circular A-133 Compliance Supplement* requires that the County monitor subrecipient's use of Federal Awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. The County must follow-up to ensure that corrective action on deficiencies noted in during-the-award monitoring has been taken.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, (Continued)**

**Condition:**

Through the process of compliance testing in regards to subrecipient monitoring, it was noted that out of the 6 subrecipients requiring a site visit, only one required corrective action. The subrecipient submitted its corrective action plan but the County did not issue a response letter to the subrecipient.

**Cause:**

The County did not follow their procedures for monitoring subrecipients and the adequacy of corrective action plans submitted by subrecipients with deficiencies noted.

**Effect:**

The subrecipient may submit a corrective action plan that does not sufficiently address the deficiencies noted and may cause the subrecipient to be noncompliant with compliance requirements per the *March 2007 Office of Budget and Management (OMB) OMB Circular A-133 Compliance Supplement*.

**Recommendation:**

We recommend that the County follow their procedures related to subrecipient monitoring and implement internal controls to ensure that sufficient response letters are sent out within 30 days of receipt of the corrective action plans from subrecipients. This will help ensure that the subrecipients are taking sufficient action to correct deficiencies noted for during-the-award monitoring.

**Views of Responsible Officials and Planned Corrective Actions:**

The Program Monitoring Policy and Procedures has been reviewed with EDA staff. The review emphasized the importance of completing Sufficient or Insufficient Responses Letters to confirm if the Corrective Action Plans submitted by the sub-recipient are deemed acceptable. In addition, an electronic tickler file will be used by EDA staff to ensure all timeliness requirements are met during the monitoring process.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, (Continued)**

**Finding 2007-13**

**Program:** Block Grants for Prevention and Treatment of Substance Abuse

**CFDA No.** 93.959

**Passed-through:** State of California

**Award No:** Not Applicable

**Award Year:** FY 2006-2007

**Compliance Requirement:** Reporting

**Questioned Costs:** None

**Criteria:**

Through review of the "Submission of the Quarterly Federal Financial Management Report (QFFMR)" document obtained and inquiry of management personnel, the County is responsible for submitting timely Quarterly Federal Financial Management Reports.

**Condition Found:**

Through the process of testing compliance with reporting, it was noted that out of the 4 Quarterly Federal Financial Management reports 1 was not submitted on time.

**Effect:**

Lack of submitting the quarterly reports to the State may jeopardize the County's reporting compliance, suspend/retention of funding and/or termination of the contract.

**Cause:**

During the fiscal year the department had personnel turnover that were important to the reporting process.

**Recommendation:**

We recommend that the County implement internal controls to ensure that the State mandated filing deadlines are strictly followed in accordance with the contract between the State of California and the County. This will ensure that the Quarterly Reports are properly filed to comply with the contract agreement.

**Views of Responsible Officials and Planned Corrective Actions:**

During the fiscal year the department had personnel turnover that were important to the reporting process which caused the Monthly Management Report to be accessible late and the preparation of the QFFMR to be delayed. The Department has been up to date with the preparation of the reports.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, (Continued)**

**Finding 2007-14**

**Program:** Foster Care; Adoption Assistance; Social Services Block Grant; Child Welfare Services

**CFDA No.:** 93.658; 93.659; 93.667; 93.645

**Federal Agency:** Department of Health and Human Services

**Passed-through:** State of California

**Award No:** Various

**Award Year:** 2006-2007

**Compliance Requirement:** Allowable Costs and Activities

**Questioned Costs:** Unknown

**Criteria:**

OMB Circular A-133, Sub-part C, Section 300, Part b, states that the auditee is responsible for "Maintaining internal control over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could not have a material effect on each of its Federal program."

Internal control means a process, developed by the entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) Reliability of financial reporting; (2) Compliance with applicable laws and regulations; and (3) Effectiveness and efficiency of operations.

The Fiscal year 2007 grant agreement with the State of California requires the County submit the County Expense Claim (CEC) for program administrative costs to the State of California on a quarterly basis for reimbursement.

**Condition:**

The County submits the CEC for program administrative costs to the State of California on a quarterly basis for reimbursement. Employees complete time study reports on a quarterly basis, which are compiled into the time study database. A time study summary is then generated from the hours inputted and the summary is then used to allocate the payroll expenditures to various federal programs in the CEC. Of the 48 employee time study transactions selected from the quarterly time study reports for testwork for the Foster Care, Adoption Assistance, and Social Services Block Grant program, we noted 13 transactions (27%) whereby the employee's time card did not agree to the hours per the time study form. We noted instances where the employee's total allocable and nonallocable hours per the time study form did not agree to the time card. The sum of the hour differences was an overstatement of 62.5 hours out of the 7,966 hours in the sample.

In addition, the County's summary of hours per the CEC could not be reconciled to the time study database.

**Cause:**

No reconciliations are performed comparing the hours per the time study to the hours on the time cards. In addition, the Time Study database (TS02) does not track changes made to the time study hours.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, (Continued)**

**Effect:**

As a result of these discrepancies, the ratios used to allocate payroll expenditures to the various federal programs in the CEC, which are derived from the data in the time study summary forms, are inaccurate. The amount of the discrepancy is currently not known.

**Recommendation:**

We recommend that the County review the current preparation process for the time study summary and implement formal reconciliations and review procedures of the time care and the time study reports in order to ensure the accuracy of the time study summary reports. This will ensure that the amounts claimed for reimbursement for each of the federal programs included in the CEC are accurate.

**View of Responsible Officials and Planned Corrective Actions:**

The department currently utilizes first-line supervisory review as the internal control mechanism for both the quarterly time study and the bi-weekly time sheet. Supervisors are responsible for ensuring that these documents reconcile prior to submittal for processing. The supervisor reviews, signs, and dates these documents, attesting that the information is accurate.

The department will request that this process be reviewed in future supervisor meetings to emphasize and reinforce the importance of accurate time reporting. Any corrective action will emphasize existing department policy and facilitate ongoing training with supervisors on the review and reconciliation process for the hours recorded on these documents.

Regarding the reconciliation of the time study summary report to the time study database; at the time that the original CEC is filed with the State, the summary is generated from, and matches, the database records. Our current time study application does not allow for the archiving of multiple data sets related to the same quarterly report period. As a result, any necessary adjustments for revision periods update the database by replacing the original entries. The department will work with our internal Information Technology branch to identify opportunities to archive the original database as a separate file, to support the time study summary reports.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, (Continued)**

**Finding 2007-15**

**Program:** Adoption Assistance

**CDFA No.:** 93.659

**Federal Agency:** Department of Health and Human Services

**Passed-through:** State of California

**Award No.:** None

**Award Year:** FY 2006-2007

**Compliance Requirement:** Eligibility

**Questioned Costs:** \$27,240

**Criteria:**

The *March 2007 OMB Circular A-133 Compliance Supplement* requires that the County determine eligibility in accordance with the specific eligibility requirements defined in the approved State plan. These requirements include the maintenance of documentation necessary to support eligibility determinations and re-determinations.

**Condition Found:**

Of the 40 samples of files selected for testing, we noted the following:

- Eight case files where the Eligibility Technician signature was missing on the AAP4 form
- One case file where the Eligibility Technician signature was missing on the FC-10 form
- One case file where the benefit paid did not agree with the benefit calculated per AAP2
- Two ineligible cases where aid was paid using federal funding. The monthly aid payments for the two cases in FY 2006-2007 were \$1,808 and \$462 respectively.

**Effect:**

Case data may not accurately reflect the eligibility status of Adoption Assistance recipients thus increasing the risk of noncompliance with the requirements of the State plan.

**Cause:**

The primary cause was human error, due in part to the combination of AAP caseload growth and AAP Unit understaffing in the review period. Additionally, audit cases were compromised due to the fact that the Quality Assurance department had suspended audits during FY 2006-2007.

**Recommendation:**

We recommend that the County strengthen their monitoring procedures to ensure that documentation required to support eligibility are properly maintained in the files.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, (Continued)**

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

To prevent unsigned AAP 4s, inaccurate payment amounts and inaccurate funding determinations, Riverside County has already taken the following steps

- 1) resumed our internal Quality Assurance reviews effective 2/2008 with larger review samples than in previous audits
- 2) added two Eligibility Services Clerks to the AAP Unit (12/2007 and 3/2008) to ensure documents submitted by Services are complete and correct before they are forwarded to the FC ET
- 3) hired additional FC ETs.

In addition, Riverside County is taking the following steps:

- 1) Revise Department Policy 45-800 Adoption Assistance Program to stipulate the following actions:
  - a. at initial approval the FC ET must
    - i. review newly revised form AAP 4 for each case to ensure the federal eligibility determination is made in accordance with the changes instituted by the Deficit Reduction Act, and
    - ii. sign form AAP 4.
  - b. at initial approval, bi-annual re-assessment, or when processing a change requiring the FC ET to run EDBC, the FC ET must:
    - i. review the EDBC result against forms AAP 4 and AAP 2 to ensure the aid code and payment amount is correct.
- 2) Increase the volume of Supervisory reviews.

**Finding 2007-16**

**Program:** Foster Care

**C DFA No.:** 93.658

**Federal Agency:** Department of Health and Human Services

**Passed-through:** State of California

**Award No.:** None

**Award Year:** FY 2006-2007

**Compliance Requirement:** Eligibility

**Questioned Costs:** \$68,508

**Criteria:**

The *March 2007 OMB Circular A-133 Compliance Supplement* requires that the County determine eligibility in accordance with the specific eligibility requirements defined in the approved State plan. These requirements include the maintenance of documentation necessary to support eligibility determinations and re-determinations.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, (Continued)**

**Condition Found:**

Of the 40 samples of files selected for testing, we noted the following:

- Two case files where the FC-3 document was missing.
- Four case files where the POEM checklist was missing.
- One case file where the Eligibility Technician signature was missing on the POEM document.
- One case file where the CW2.1Q document was missing.
- One case file where the court documents supporting the court findings are missing

**Effect:**

Case data may not accurately reflect the eligibility status of Foster Care recipients thus increasing the risk of noncompliance with the requirements of the State plan.

**Cause:**

The primary cause was human error, due in part to the combination of FC caseload growth and FC Unit understaffing in the review period. Additionally, audit cases were compromised due to the fact that the Quality Assurance department had suspended audits during FY 2006-2007.

**Recommendation:**

We recommend that the County strengthen their monitoring procedures to ensure that documentation required to support eligibility are properly maintained in the files.

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

Corrective action has already been taken in regards to the cases that had no POEM Threshold Checklist, inasmuch as Department Policy 45-203 State AFDC-FC was revised in April 2007, and 45-202 Federal AFDC-FC was revised in May 2007, to specify that forms FC 3, FC 3A, RVSD 2575 and RVSD 2576 be completed for every case reviewed for AFDC-FC eligibility.

As regards missing signatures, we will include a directive that all POEM forms be signed prior to imaging, in a Department Memo (in progress) which details the imaging sequence for POEM documents. This information will be incorporated into Department Policies 45-202 and 45-203 at their next revision.

Department Policy 45-201C Child Support Referrals for Foster Care Absent Parents includes a directive to either:

- image form CW 51 Good Cause for Non-referral to the case supporting non-completion of the Absent Parent page in C-IV, or
- complete the Absent Parent page, from that page to generate form CW 2.1Q, and sign and send form CW 2.1Q to the Local Child Support Agency (LCSA). It does not say that they must image the signed forms in prior to sending them to the LCSA.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, (Continued)**

Our corrective action will be to update this policy to include a directive to image the signed form CW 2.1Q.

Department Policies 45-202 and 45-203 include directives to staff to image court orders that support Adoption and Safe families Act (ASFA) requirements, to the eligibility file.

Further corrective action will result from the resumption of Quality Assurance audits and increased Eligibility Supervisor audits, which will address cases that deviate from the policies listed above.

**Finding 2007-17**

**Program:** Homeland Security Grant Program

**CFDA No.** 97.067

**Federal Grantor:** US Department of Homeland Security

**Passed-through:** State of California

**Award No:** Various

**Award Year:** FY 2006-2007

**Compliance Requirement:** Subrecipient Monitoring

**Questioned Costs:** None

**Criteria:**

The *March 2007 Office of Budget and Management (OMB) OMB Circular A-133 Compliance Supplement* states that a pass-through entity is responsible for "*Award Identification – At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.*"

**Condition:**

Through the process of compliance testing in regards to subrecipient monitoring, it was noted that the agreements between the County and the providers (subrecipients) lists the source of funding that will be used for funding the agreement. However, the CFDA title and number is not identified on the subrecipient agreement as prescribed *OMB Circular A-133 Compliance Supplement*.

**Effect:**

The County is not in compliance with subrecipient monitoring requirements set forth in *OMB A-133 Compliance Supplement*. Additionally, subrecipients might not be aware that part of the funding they are receiving is Federal funding, which might require the subrecipient to have a Single Audit performed.

**Cause:**

The *Award Identification* within the contract agreement between the County and the subrecipients are not drafted as indicated by *OMB Circular A-133 Compliance Supplement*.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, (Continued)**

**Recommendation:**

We recommend that contracts with subrecipients further describe the specific source of funding (e.g., the CFDA title and number) they are receiving in order to comply and for the subrecipient to be aware of any Federal funds that they might be receiving from the County/State.

**View of Responsible Official and Planned Corrective Actions:**

In the future all contracts, award letters and other correspondence with sub-recipients will include the CFDA # and title so that they are aware of the source of funding.

**Finding 2007-18**

**Program:** Foster Care

**CFDA No.** 93.658

**Federal Grantor:** Department of Health and Human Services

**Passed-through:** State of California

**Award No:** Various

**Compliance Requirement:** Allowable Costs and Activities

**Questioned Costs:** \$999,228

**Criteria:**

As noted in the Draft Internal Auditor's Report dated July 12, 2007 the primary objective was documented to ensure compliance with rules and regulations governing the foster care providers, including: Federal Office of Management and Budget Circular A-122 and A-133 and California Department of Social Services Manual of Policies and Procedures (CDSS-MPP).

**Condition:**

Based upon our inquiry with the County of Riverside Auditor-Controller (AC) we noted that the AC had completed an audit of the Department of Social Services (DPSS) Foster Care Program for the time period of January 1, 2005 through December 31, 2006. The draft report dated July 12, 2007 notes several significant deficiencies relating to noncompliance with federal and state regulations by foster care providers. The areas of noncompliance by the foster care providers as documented in the draft report included unallowed costs such as interest expense from the financing of a building purchase, operation of a learning center, operation of a counseling center, the purchase of two HUD homes which were not used for foster care programs, and funds used for the opening and operation of a thrift store. In the opinion of the AC the draft report noted various unsupported costs, inadequately supported costs, excessive cash reserves, unaccounted for revenue, excessive salaries, excessive shelter costs, and a lack of audited financial statements. The draft report also noted a difference in children's birthdates when comparing the Days of Care Schedule and the DPSS system, warrants issued to the provider in an amount different than was reported on the Days of Care Schedule, agencies did not receive payment for children reported on the Days of Care Schedule, agencies that received payment for children not reported on the Days of Care Schedule, agencies that continued to receive payment for children over the age of 18 without an exception on file and certain agencies (4 out of 6) that were paid under multiple vendor names.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, (Continued)**

**Effect:**

The compliance exceptions as noted within the AC draft report resulted in the potential for disallowed costs.

**Cause:**

As noted in the draft AC report dated July 12, 2007 DPSS did not appropriately monitor foster care providers during the time period from January 1, 2005 through December 31, 2006 which resulted in the potential for disallowed costs.

**Recommendation:**

We suggest that the AC continue to work with DPSS to address these compliance issues relating to the monitoring of foster care providers.

**View of Responsible Official and Planned Corrective Actions:**

The State is responsible for administering the Foster Care System and has assigned specific responsibilities to counties, which include: paying providers based on the State's approved rates, recommending the establishment of new providers or program changes for existing providers, and under limited circumstances, identifying the services offered and verifying that children in high level group homes are receiving the appropriate treatment services.

The State assumes all responsibility around financial auditing of foster care providers and indicated in a March 21, 2008 letter to the Auditor-Controller that they are responsible for determining group home compliance with applicable federal and state statutes.

DPSS is currently adhering to the requirements as set forth by the State. In addition, DPSS regularly monitors programs and services provided to children in foster care to ensure that children's needs are being met and that the environment is safe, stable and suitable. It is our current practice to notify CDSS and Community Care Licensing at any time that we identify potential irregularities. If the circumstances warrant, we will suspend placements with a provider pending a review by CCL.

In light of the concerns raised as a result of the audit and in response to the recommendations contained in the AC Audit Report, DPSS intends to work with the Auditor, County Counsel and the State to clarify roles and responsibilities to address these concerns.

**COUNTY OF RIVERSIDE, CALIFORNIA**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

| Finding No. | Program   | CFDA No. | Compliance Requirement | Status  |
|-------------|---|----------|------------------------|---|
| 2006-1      | Child Support Enforcement   | 93.563   | Reporting              | Implemented                                       |
| 2006-2      | Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557   | Reporting              | Not implemented, see current year finding 2007-05 |

COUNTY OF RIVERSIDE, CALIFORNIA

SUPPLEMENTAL SCHEDULE OF OFFICE OF EMERGENCY SERVICES GRANTS

YEAR ENDED JUNE 30, 2007

| Grant #/ Pass-Through Grantor | Description  |                  |                           |
|-------------------------------|--|------------------|---------------------------|
| <b>MS06080330</b>             | <b>Byrne Formula Grant Program - Marijuana Suppression</b> |                  |                           |
| Personal Services             |  | \$104,911        | Federal Portion \$118,905 |
| Operating Expenses            |  | 13,994           | Match                     |
| Total Expenses                |  | <u>\$118,905</u> | <u>\$118,905</u>          |

| Grant #/ Pass-Through Grantor | Description  |                  |                           |
|-------------------------------|--|------------------|---------------------------|
| <b>DC06170330</b>             | <b>Byrne Formula Grant Program - Federal Anti - Drug Abuse</b> |                  |                           |
| Personal Services             |  |                  | Federal Portion \$449,898 |
| Operating Expenses            |  | \$449,898        | Match                     |
| Total Expenses                |  | <u>\$449,898</u> | <u>\$449,898</u>          |

| Grant #/ Pass-Through Grantor | Description                             |                  |                           |
|-------------------------------|---|------------------|---------------------------|
| <b>DJ-BX-0176</b>             | <b>Justice Assistance Formula Grant</b> |                  |                           |
| Personal Services             |   | \$119,049        | Federal Portion \$131,432 |
| Operating Expenses            |   | 12,383           | Match                     |
| Total Expenses                |   | <u>\$131,432</u> | <u>\$131,432</u>          |

| Grant #/ Pass-Through Grantor | Description                             |                 |                          |
|-------------------------------|---|-----------------|--------------------------|
| <b>DJ-BX-0076</b>             | <b>Justice Assistance Formula Grant</b> |                 |                          |
| Personal Services             |   |                 | Federal Portion \$34,240 |
| Operating Expenses            |   | \$34,240        | Match                    |
| Total Expenses                |   | <u>\$34,240</u> | <u>\$34,240</u>          |

| Grant #/ Pass-Through Grantor | Description                                    |                 |                          |
|-------------------------------|--|-----------------|--------------------------|
| <b>BDC 155-05</b>             | <b>Juvenile Accountability Incentive Grant</b> |                 |                          |
| Personal Services             |  | \$96,270        | Federal Portion \$86,643 |
| Operating Expenses            |  |                 | Match 9,627              |
| Total Expenses                |  | <u>\$96,270</u> | <u>\$96,270</u>          |

COUNTY OF RIVERSIDE, CALIFORNIA

SUPPLEMENTAL SCHEDULE OF OFFICE OF EMERGENCY SERVICES GRANTS

YEAR ENDED JUNE 30, 2007

| Grant #/ Pass-Through Grantor | Description                                |                           |
|-------------------------------|--|---------------------------|
| <b>RT 04050330</b>            | <b>Residential Substance Abuse Program</b> |                           |
| Personal Services             | \$336,000                                  | Federal Portion \$252,000 |
| Operating Expenses            |  | Match 84,000              |
| Total Expenses                | <u>\$336,000</u>                           | <u>\$336,000</u>          |

| Grant #/ Pass-Through Grantor | Description                              |                           |
|-------------------------------|--|---------------------------|
| <b>VW 06250330</b>            | <b>Victim Witness Assistance Program</b> |                           |
| Personal Services             | \$385,887                                | Federal Portion \$385,887 |
| Operating Expenses            |  | Match                     |
| Total Expenses                | <u>\$385,887</u>                         | <u>\$385,887</u>          |
| Sheriff                       |  |                           |

| Grant #/ Pass-Through Grantor | Description                   |                           |
|-------------------------------|-------------------------------|---------------------------|
| <b>SE06090330</b>             | <b>Special Emphasis Grant</b> |                           |
| Personal Services             | \$110,000                     | Federal Portion \$110,000 |
| Operating Expenses            |                               | Match                     |
| Total Expenses                | <u>\$110,000</u>              | <u>\$110,000</u>          |

| Grant #/ Pass-Through Grantor | Description                         |                           |
|-------------------------------|-------------------------------------|---------------------------|
| <b>PU 05040330</b>            | <b>Violence Against Women Grant</b> |                           |
| Personal Services             | \$140,890                           | Federal Portion \$140,890 |
| Operating Expenses            |                                     | Match                     |
| Total Expenses                | <u>\$140,890</u>                    | <u>\$140,890</u>          |

| Grant #/ Pass-Through Grantor | Description                         |                           |
|-------------------------------|-------------------------------------|---------------------------|
| <b>WEAX0105</b>               | <b>Violence Against Women Grant</b> |                           |
| Personal Services             | \$391,789                           | Federal Portion \$395,406 |
| Operating Expenses            | 3,099                               | Match                     |
| Equipment                     | 518                                 |                           |
| Total Expenses                | <u>\$395,406</u>                    | <u>\$395,406</u>          |

**Byrne Formula Grant Program Recap**

|                                 |                  |
|---------------------------------|------------------|
| Marijuana Suppression           | \$118,905        |
| Federal Anti Drug Abuse Program | 449,898          |
| Total Federal Expenditures      | <u>\$568,803</u> |

COUNTY OF RIVERSIDE, CALIFORNIA

SUPPLEMENTAL SCHEDULE OF CALIFORNIA STATE DEPARTMENT OF AGING GRANTS

YEAR ENDED JUNE 30, 2007

| County Program Title  | CFDA No. | Federal             |                               | State               |                               |
|---|----------|---------------------|-------------------------------|---------------------|-------------------------------|
|   |          | Expenditures        | Pass-Through to Subrecipients | Expenditures        | Pass-Through to Subrecipients |
| Senior Community Service Employment Program                                 | 17.235   | \$ 612,545          |                               | \$ 220,080          |                               |
| Special Programs for the Aging-Title VII, Chapter 3                         | 93.041   | 26,994              |                               | 1,223               |                               |
| Special Programs for the Aging-Title VII, Chapter 2                         | 93.042   | 63,377              | \$ 61,663                     | 9,242               | \$ 9,242                      |
| Special Program for the Aging - Title III, Part D                           | 93.043   | 107,653             |                               | 4,772               |                               |
| Special Program for the Aging - Title III, Part B                           | 93.044   | 1,982,741           | 513,501                       | 231,391             | 204,098                       |
| Special Program for the Aging - Title III, Part C                           | 93.045   | 2,613,705           | 2,001,927                     | 137,823             | 126,420                       |
| National Family Caregivers Support  | 93.052   | 938,607             | 177,640                       |                     |                               |
| Nutrition Services Incentive Program  | 93.053   | 371,162             | 346,171                       |                     |                               |
| Medical Assistance Program  | 93.778   | 631,079             |                               | 631,079             |                               |
| Health Care Financing Research, Demonstration & Evaluations (HCFA Research) | 93.779   | 84,222              | 84,222                        |                     |                               |
| Retired and Senior Volunteer Program  | 94.002   | 75,446              |                               |                     |                               |
| Linkages, Purchases of Services, Brown Bag, ADCR, Senior Companion (CSBP)   | N/A      |                     |                               | 556,774             | 260,410                       |
| Volunteer Recruitment (Volunteer OMB Initiative)                            | N/A      |                     |                               | 52,005              | 52,005                        |
| First Five-Grandparent Raising Children                                     | N/A      |                     |                               | 271,490             |                               |
| <b>Total</b>  |          | <b>\$ 7,507,531</b> | <b>\$ 3,185,124</b>           | <b>\$ 2,115,879</b> | <b>\$ 652,175</b>             |