

**COUNTY OF SAN MATEO**

Single Audit Reports

For the Fiscal Year Ended June 30, 2003

**COUNTY OF SAN MATEO**  
Single Audit Reports  
For the Fiscal Year Ended June 30, 2003

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To the Grand Jury and Board of Supervisors of  
the County of San Mateo  
Redwood City, California

**INDEPENDENT AUDITOR'S REPORT ON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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 San Mateo, California (County), as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 12, 2003. Our report included an explanatory paragraph due to the County adopting the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. These basic financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Mateo Housing Authority (Authority) and the San Mateo Employees' Retirement Association, which represent the following percentages of assets and revenues/additions as of and for the fiscal year ended June 30, 2003:

| <u>Opinion Unit</u>                                      | <u>Assets</u> | <u>Revenues/<br/>Additions</u> |
|--|---------------|--------------------------------|
| Business-type Activities                                 | 30.6%         | 38.5%                          |
| Each Major Enterprise Fund – San Mateo Housing Authority | 100.0%        | 100.0%                         |
| Aggregate Remaining Fund Information                     | 33.3%         | 3.5%                           |

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinions.

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 (Schedule) is presented for purposes of additional analysis as required by Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, the Schedule does not include expenditures of federal awards received by the Authority. The Authority's expenditures are audited by other auditors in accordance with OMB Circular A-133. The accompanying Schedule is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Macias, Gini & Company LLP

Certified Public Accountants

Walnut Creek, California  
December 12, 2003

**COUNTY OF SAN MATEO**  
Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2003

| Federal Grantor/Pass-Through Grantor/Program Title   | Catalog of Federal<br>Domestic Assistance<br>Number (CFDA) | Federal<br>Expenditures | Amount<br>Provided to<br>Subrecipients |
|--|--|-------------------------|--|
| <b>U.S. DEPARTMENT OF LABOR</b>  |  |                         |  |
| Direct Programs: None  |  | -                       | -                                      |
| Pass-Through Programs, State of California, Department of Aging:                               |  |                         |  |
| Senior Community Service Employment Program  | 17.235   | 160,222                 | 160,222                                |
| Pass-Through Programs, State of California, Employment Development Department:                 |  |                         |  |
| Welfare-to-Work Grants to States and Localities  | 17.253   | 190,287                 | -                                      |
| Workforce Investment Act Cluster:  |  |                         |  |
| WIA Adult Program  | 17.258   | 1,028,510               | 135,354                                |
| WIA Youth Activities   | 17.259   | 1,098,056               | 751,388                                |
| WIA Dislocated Workers   | 17.260   | 2,426,895               | 820,194                                |
| Sub-Total of Workforce Investment Act Cluster  |  | <u>4,553,461</u>        | <u>1,706,936</u>                       |
| Sub-Total of Pass-Through Programs   |  | <u>4,903,970</u>        | <u>1,867,158</u>                       |
| <b>TOTAL U.S. DEPARTMENT OF LABOR</b>  |  | <u>4,903,970</u>        | <u>1,867,158</u>                       |
| <b>U.S. DEPARTMENT OF TRANSPORTATION</b>   |  |                         |  |
| Direct Program:  |  |                         |  |
| Airport Improvement Program  | 20.106   | <u>6,669</u>            | -                                      |
| Pass-Through Program, State of California, Department of Transportation:                       |  |                         |  |
| Highway Planning and Construction  | 20.205   | <u>1,838,569</u>        | -                                      |
| <b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>   |  | <u>1,845,238</u>        | -                                      |
| <b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>  |  |                         |  |
| Direct Programs: None  |  | -                       | -                                      |
| Pass-Through Program, State of California, State Water Control Resources Board:                |  |                         |  |
| Local Oversight Program - Groundwater Protection   | 66   | <u>255,051</u>          | -                                      |
| <b>TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY</b>  |  | <u>255,051</u>          | -                                      |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>  |  |                         |  |
| Direct Programs:   |  |                         |  |
| Health Center Grants for Homeless Populations  | 93.151   | 612,092                 | -                                      |
| Consolidated Knowledge Development and Application (KD&A) Program                              | 93.230   | 1,485,939               | 891,351                                |
| Substance Abuse and Mental Health Services - Projects of Regional<br>and National Significance | 93.243   | 340,317                 | 143,258                                |
| Health Care and Other Facilities   | 93.887   | 590,692                 | -                                      |
| Grants to Provide Outpatient Early Intervention Services with Respect to<br>HIV Disease        | 93.918   | 49,016                  | -                                      |
| Adolescent Family Life - Demonstration Projects  | 93.995   | 412,272                 | -                                      |
| Sub-Total of Direct Programs   |  | <u>3,490,328</u>        | <u>1,034,609</u>                       |

See accompanying notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF SAN MATEO**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2003

| Federal Grantor/Pass-Through Grantor/Program Title                                   | Catalog of Federal<br>Domestic Assistance<br>Number (CFDA) | Federal<br>Expenditures | Amount<br>Provided to<br>Subrecipients |
|--|--|-------------------------|--|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>  |  |                         |  |
| Direct Programs: None  |  | \$ -                    | \$ -                                   |
| Pass-Through Programs, State of California, Department of Social Services:           |  |                         |  |
| Food Stamp Cluster:  |  |                         |  |
| Food Stamps  | 10.551   | 6,606,402               | -                                      |
| State Administrative Matching Grants for Food Stamp Program                          | 10.561   | 2,663,668               | -                                      |
| Sub-Total of Food Stamps Cluster   |  | <u>9,270,070</u>        | <u>-</u>                               |
| Pass-Through Programs, State of California, Department of Education:                 |  |                         |  |
| Child Nutrition Cluster:   |  |                         |  |
| School Breakfast Program   | 10.553   | 101,310                 | -                                      |
| National School Lunch Program  | 10.555   | 155,984                 | -                                      |
| Sub-Total of Child Nutrition Cluster   |  | <u>257,294</u>          | <u>-</u>                               |
| Pass-Through Programs, State of California, Department of Health and Human Services: |  |                         |  |
| Special Supplemental Nutrition Program for Women, Infants, and Children              | 10.557   | 1,708,014               | -                                      |
| Pass-Through Programs, State of California, Department of Aging:                     |  |                         |  |
| Nutrition Services Incentive   | 10.570   | 205,151                 | 205,151                                |
| Sub-Total of Pass-Through Programs   |  | <u>11,440,529</u>       | <u>205,151</u>                         |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>  |  | <u>11,440,529</u>       | <u>205,151</u>                         |
| <b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>                              |  |                         |  |
| Direct Programs:   |  |                         |  |
| Community Development Block Grants/Entitlement Grants                                | 14.218   | 6,986,413               | 2,162,401                              |
| Emergency Shelter Grants Program   | 14.231   | 167,930                 | 161,530                                |
| HOME Investment Partnerships Program   | 14.239   | 1,268,633               | 1,101,245                              |
| Sub-Total of Direct Programs   |  | <u>8,422,976</u>        | <u>3,425,176</u>                       |
| Pass-Through Program, City and County of San Francisco:                              |  |                         |  |
| Housing Opportunities for Persons with AIDS  | 14.241   | 761,823                 | 648,205                                |
| <b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>                        |  | <u>9,184,799</u>        | <u>4,073,381</u>                       |
| <b>U.S. DEPARTMENT OF JUSTICE</b>  |  |                         |  |
| Direct Programs:   |  |                         |  |
| Local Law Enforcement Block Grants Program   | 16.592   | 16,855                  | -                                      |
| State Criminal Alien Assistance Program  | 16.606   | 934,557                 | -                                      |
| Bulletproof Vest Partnership Program   | 16.607   | 2,111                   | -                                      |
| Public Safety Partnership and Community Policing Grants                              | 16.710   | 347,232                 | -                                      |
| Drug Enforcement Administrative Grant  | 16   | 35,096                  | -                                      |
| Sub-Total of Direct Programs   |  | <u>1,335,851</u>        | <u>-</u>                               |
| Pass-Through Programs, State of California, Office of Criminal Justice Planning:     |  |                         |  |
| Juvenile Justice and Delinquency Prevention-Allocation to States                     | 16.540   | 190,644                 | 175,605                                |
| Crime Victim Assistance  | 16.575   | 716,883                 | -                                      |
| Byrne Formula Grant Program  | 16.579   | 365,606                 | -                                      |
| Sub-Total of Pass-Through Programs   |  | <u>1,273,133</u>        | <u>175,605</u>                         |
| <b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>  |  | <u>2,608,984</u>        | <u>175,605</u>                         |

See accompanying notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF SAN MATEO**  
Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2003

| Federal Grantor/Pass-Through Grantor/Program Title   | Catalog of Federal<br>Domestic Assistance<br>Number (CFDA) | Federal<br>Expenditures | Amount<br>Provided to<br>Subrecipients |
|--|--|-------------------------|--|
| Pass-Through Programs, State of California, Department of Aging:   |  |                         |  |
| Special Programs for the Aging - Title VII, Chapter 3 -Programs<br>for Prevention of Elder Abuse, Neglect and Exploitation | 93.041   | 10,060                  | 10,060                                 |
| Special Programs for the Aging - Title VII, Chapter 2 -Long Term Care<br>Ombudsman Services for Older Individuals          | 93.042   | 58,550                  | 58,550                                 |
| Special Programs for the Aging Cluster:  |  |                         |  |
| Special Programs for the Aging - Title III, Part B - Grants for<br>Supportive Services and Senior Centers                  | 93.044   | 1,152,776               | 983,620                                |
| Special Programs for the Aging - Title III, Part C -Nutrition Services   | 93.045   | 1,321,222               | 1,193,533                              |
| Sub-Total of Special Programs for the Aging  |  | <u>2,473,998</u>        | <u>2,177,153</u>                       |
| U.S. Repatriation  | 93.579   | 10,452                  | -                                      |
| Medical Assistance Program   | 93.778   | 369,692                 | -                                      |
| Centers for Medicare and Medicaid Services (CMS) Research,<br>Demonstrations and Evaluations                               | 93.779   | 36,311                  | 33,084                                 |
| Pass-Through Programs, State of California, Department of Health and Human Services:                                       |  |                         |  |
| Acquired Immunodeficiency Syndrome (AIDS) Activity   | 93.118   | 1,532,981               | 176,921                                |
| Disabilities Prevention  | 93.184   | 965,514                 | -                                      |
| Immunization Grants  | 93.268   | 153,591                 | -                                      |
| Centers for Disease Control and Prevention - Investigations and<br>Technical Assistance                                    | 93.283   | 540,853                 | -                                      |
| Medical Assistance Program   | 93.778   | 1,792,182               | -                                      |
| Preventive Health and Health Services Block Grant  | 93.991   | 6,904                   | -                                      |
| Maternal and Child Health Services Block Grant to the States   | 93.994   | 1,917,349               | -                                      |
| Pass-Through Programs, State of California, Department of Mental Services:   |  |                         |  |
| Projects for Assistance in Transition from Homelessness (PATH)   | 93.150   | 62,204                  | 62,204                                 |
| Block Grants for Community Mental Health Services  | 93.958   | 820,002                 | 257,380                                |
| Pass-Through Programs, State of California, Department of Social Services:   |  |                         |  |
| Promoting Safe and Stable Families   | 93.556   | 565,379                 | -                                      |
| Temporary Assistance for Needy Families  | 93.558   | 30,197,295              | 758,383                                |
| Refugee and Entrant Assistance - State Administered Programs   | 93.566   | 21,326                  | -                                      |
| Adoption Incentive Payments  | 93.603   | 220,143                 | -                                      |
| Child Welfare Services - State Grants  | 93.645   | 420,044                 | -                                      |
| Foster Care - Title IV-E   | 93.658   | 11,684,740              | -                                      |
| Adoption Assistance  | 93.659   | 2,377,393               | -                                      |
| Chafee Foster Care Independent Living  | 93.674   | 245,479                 | -                                      |
| Pass-Through Program, State of California, Department of Child Support Services:   |  |                         |  |
| Child Support Enforcement  | 93.563   | 8,657,467               | -                                      |
| Pass-Through Programs, State of California, Department of Education:   |  |                         |  |
| Child Care and Development Block Grant   | 93.575   | 1,488,451               | 1,472,501                              |
| Child Care Mandatory and Matching Funds of the<br>Child Care and Development Fund  | 93.596   | 418,625                 | -                                      |
| Pass-Through Programs, State of California, Department of Alcohol and Drug Programs:                                       |  |                         |  |
| Medical Assistance Program   | 93.778   | 239,160                 | 9,468                                  |
| Block Grants for Prevention and Treatment of Substance Abuse   | 93.959   | 4,662,421               | 3,897,807                              |
| Pass-Through Program, City and County of San Francisco:  |  |                         |  |
| HIV Emergency Relief Project Grants  | 93.914   | 2,337,077               | 397,547                                |
| Pass-Through Programs, State of California, Emergency Medical Services Authority:  |  |                         |  |
| Preventive Health and Health Services Block Grant  | 93.991   | 40,680                  | 12,960                                 |
| Sub-Total of Pass-Through Programs   |  | <u>74,326,323</u>       | <u>9,324,018</u>                       |
| <b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>  |  | <u>77,816,651</u>       | <u>10,358,627</u>                      |

See accompanying notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF SAN MATEO**  
Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2003

| Federal Grantor/Pass-Through Grantor/Program Title                                  | Catalog of Federal<br>Domestic Assistance<br>Number (CFDA) | Federal<br>Expenditures | Amount<br>Provided to<br>Subrecipients |
|---|--|-------------------------|--|
| <b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>   |  |                         |  |
| Direct Program:   |  |                         |  |
| Emergency Management Performance Grants   | 97.042   | 90,158                  | -                                      |
| Pass-Through Program, State of California, Governor's Office of Emergency Services: |  |                         |  |
| State Domestic Preparedness Equipment Support Program                               | 97.004   | 229,405                 | -                                      |
| <b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>                                   |  | <b>319,563</b>          | <b>-</b>                               |
| <b>OFFICE OF THE PRESIDENT</b>  |  |                         |  |
| Direct Program:   |  |                         |  |
| High Intensity Drug Trafficking Area  | 99   | 2,697,000               | -                                      |
| <b>TOTAL OFFICE OF THE PRESIDENT</b>  |  | <b>2,697,000</b>        | <b>-</b>                               |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>   |  | <b>\$ 111,071,785</b>   | <b>\$ 16,679,922</b>                   |

See accompanying notes to Schedule of Expenditures of Federal Awards.



**COUNTY OF SAN MATEO**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2003

**1. GENERAL**

The schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the County of San Mateo (County). All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies are included on this Schedule except for assistance related to Medical Assistance (Medi-Cal) and Medicare Hospital Insurance (Medicare) (Note 5) and to the Housing Authority of the County of San Mateo (Housing Authority) (Note 6).

**2. BASIS OF ACCOUNTING**

The accompanying Schedule 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(c) of the County's basic financial statements.

**3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying Schedule agree or can be reconciled with amounts reported in the related federal financial assistance reports.

**4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

**5. MEDI-CAL AND MEDICARE**

Direct Medi-Cal and Medicare expenditures are excluded from the Schedule. These expenditures represent fees for services and are not included in the Schedule or in determining major programs. The County assists the State in determining eligibility and provides Medi-Cal and Medicare services through County-owned facilities.

Administrative costs related to Medi-Cal and Medicare are, however, included in the Schedule under Medical Assistance Program (Federal CFDA number 93.778).

**6. HOUSING AUTHORITY**

Housing Authority expenditures are excluded from the Schedule because it is separately audited. The programs of the Housing Authority are as follows:

| <u>Program Title</u>            | <u>CFDA No.</u> | <u>Expenditures</u>  |
|---------------------------------|-----------------|----------------------|
| Public and Indian Housing       | 14.850          | \$ 1,125,343         |
| Section 8 Programs:             |                 |                      |
| Moderate Rehabilitation Program | 14.856          | 1,052,895            |
| Voucher                         | 14.871          | 56,217,313           |
| Shelter Plus Care               | 14.238          | 1,669,429            |
| Moving to Work                  | 14.871          | 6,906,905            |
| Total                           |                 | <u>\$ 66,971,885</u> |

**COUNTY OF SAN MATEO**

Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2003

**7. FOOD COUPONS**

The County issued food coupons valued at \$6,606,402 as of June 30, 2003. This amount is for information only as receipts and issuances of food coupons are not recorded in the County's financial records.

**8. LOANS OUTSTANDING**

The County participates in certain federal award programs that sponsor revolving loan programs, which are administered by the County. These programs maintain servicing and trust arrangements with the County to collect loan repayments. The funds are returned to the programs upon repayment of the principal and interest. The federal government has imposed certain continuing compliance requirements with respect to the loans rendered under the programs. In accordance with Subpart B, Section 205 of the Office of Management and Budget Circular A-133, the County has reported the outstanding balance of loans from previous years that have continuing compliance requirements as of June 30, 2003 along with the value of total outstanding and new loans made during the current year.

The following is a summary of the loan programs maintained by the County and their balances at June 30, 2003:

| <u>Program Title</u>                                  | <u>CFDA Number</u> | <u>Amount Outstanding</u> | <u>Prior year loans with continuing compliance requirements</u> | <u>New Loans</u>   |
|---|--------------------|---------------------------|---|--------------------|
| Community Development Block Grants/Entitlement Grants | 14.218             | \$ 20,433,232             | \$ 2,141,853  | \$1,741,854        |
| HOME Investment Partnerships Programs                 | 14.239             | 8,771,569                 | -   | -                  |
|   |                    | <u>\$ 29,204,801</u>      | <u>\$ 2,141,853</u>   | <u>\$1,741,854</u> |

Included in the loan receivable amount outstanding are expenditures related to new loans issued during fiscal year 2002-03. The County incurred \$1,741,854 in expenditures related to new loans under the Community Development Block Grants Program.

**9. CRIME VICTIM ASSISTANCE (CFDA# 16.575), AIRPORT IMPROVEMENT (CFDA# 20.106), AND HIGHWAY PLANNING AND CONSTRUCTION (CFDA# 20.205) PROGRAMS**

Total expenditures for the Crime Victim Assistance Program include \$440,869 incurred under Office of Criminal Justice Planning grant number PV98010410 for the period from June 1, 1999 through March 31, 2002, which was not reported in prior years. Program expenditures for the Airport Improvement and the Highway Planning and Construction Programs represent expenditures in the current fiscal year as well as \$1,500 and \$791,773, respectively, of expenditures from prior fiscal years that were not previously reported.

**COUNTY OF SAN MATEO**  
Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2003

**10 SCHEDULES OF THE OFFICE OF CRIMINAL JUSTICE PLANNING (OCJP) GRANT EXPENDITURES**

**OCJP grant expenditures:**

The following represents grant expenditures for Department of Justice grants passed through the State of California Office of Criminal Justice Planning for the fiscal year ended June 30, 2003.

| Program Title and Expenditure Category     | Grant Number /<br>Grant Period | Budget              | Actual<br>Non-match | Actual<br>Match   | Actual<br>Total   | Variance          |
|--|--------------------------------|---------------------|---------------------|-------------------|-------------------|-------------------|
| <b>Region H Grant</b>                      |                                |                     |                     |                   |                   |                   |
|  | JP99000410                     |                     |                     |                   |                   |                   |
| Personal Services                          | 10/1/99 - 9/30/03              | \$ 56,653           | \$ 14,775           | \$ -              | \$ 14,775         | \$ 41,878         |
| Operating Expenses                         |                                | 709,971             | 175,869             | -                 | 175,869           | 534,102           |
| Equipment                                  |                                | 12,300              | -                   | -                 | -                 | 12,300            |
| Total                                      |                                | <u>\$ 778,924</u>   | <u>\$ 190,644</u>   | <u>\$ -</u>       | <u>\$ 190,644</u> | <u>\$ 588,280</u> |
| <b>Special Emphasis Assistance Project</b> |                                |                     |                     |                   |                   |                   |
|  | SE99090410                     |                     |                     |                   |                   |                   |
| Personal Services                          | 7/1/00 - 6/30/03               | \$ 320,000          | \$ 94,174           | \$ 5,511          | \$ 99,685         | \$ 220,315        |
| Operating Expenses                         |                                | 76,300              | -                   | 16,619            | 16,619            | 59,681            |
| Equipment                                  |                                | 3,700               | -                   | 1,413             | 1,413             | 2,287             |
| Total                                      |                                | <u>\$ 400,000</u>   | <u>\$ 94,174</u>    | <u>\$ 23,543</u>  | <u>\$ 117,717</u> | <u>\$ 282,283</u> |
| <b>Victim Witness Program</b>              |                                |                     |                     |                   |                   |                   |
|  | VW00190410                     |                     |                     |                   |                   |                   |
| Personal Services                          | 7/1/00 - 6/30/03               | \$ 935,554          | \$ 181,840          | \$ 134,323        | \$ 316,163        | \$ 619,391        |
| Operating Expenses                         |                                | 189,462             | -                   | 68,068            | 68,068            | 121,394           |
| Equipment                                  |                                | 12,300              | -                   | -                 | -                 | 12,300            |
| Total                                      |                                | <u>\$ 1,137,316</u> | <u>\$ 181,840</u>   | <u>\$ 202,391</u> | <u>\$ 384,231</u> | <u>\$ 753,085</u> |
| <b>Bridges Program</b>                     |                                |                     |                     |                   |                   |                   |
|  | DC02130410                     |                     |                     |                   |                   |                   |
| Personal Services                          | 7/1/02 - 6/30/03               | \$ 364,933          | \$ 364,933          | \$ -              | \$ 364,933        | \$ -              |
| Operating Expenses                         |                                | 1,000               | 673                 | -                 | 673               | 327               |
| Equipment                                  |                                | -                   | -                   | -                 | -                 | -                 |
| Total                                      |                                | <u>\$ 365,933</u>   | <u>\$ 365,606</u>   | <u>\$ -</u>       | <u>\$ 365,606</u> | <u>\$ 327</u>     |

(Note: Of the non-match expenditures, \$190,644 in grant JP99000410 and \$365,606 in grant DC02130410, respectively, are reported as federal expenditures in the Schedule under the CFDA numbers 16.540 and 16.579, respectively. The combined non-match expenditures of \$276,014 reported in grants SE99090410 and VW00190410 are reported as federal expenditures in the Schedule under CFDA number 16.575.)

**OCJP grant expenditures:**

The following represents State of California Office of Criminal Justice Planning grant expenditures from July 1, 2002 to June 30, 2003.

This information is included in the County's single audit report at the request of the State of California's Office of Criminal Justice Planning.

| Program Title and Expenditure Category               | Grant Number /<br>Grant Period | Budget              | Actual<br>Non-match | Actual<br>Match | Actual<br>Total     | Variance         |
|--|--------------------------------|---------------------|---------------------|-----------------|---------------------|------------------|
| <b>Local Forensic Laboratory Improvement Program</b> |                                |                     |                     |                 |                     |                  |
|  | LF01010410                     |                     |                     |                 |                     |                  |
| Personal Services                                    | 11/1/00 - 4/30/04              | \$ -                | \$ -                | \$ -            | \$ -                | \$ -             |
| Operating Expenses                                   |                                | 3,008,000           | 3,000,000           | -               | 3,000,000           | 8,000            |
| Equipment  |                                | -                   | -                   | -               | -                   | -                |
| Total  |                                | <u>\$ 3,008,000</u> | <u>\$ 3,000,000</u> | <u>\$ -</u>     | <u>\$ 3,000,000</u> | <u>\$ 8,000</u>  |
| <b>Statutory Rape Vertical Prosecution Program</b>   |                                |                     |                     |                 |                     |                  |
|  | SR02040410                     |                     |                     |                 |                     |                  |
| Personal Services                                    | 7/1/02 - 6/30/03               | \$ 134,559          | \$ 134,559          | \$ -            | \$ 134,559          | \$ -             |
| Operating Expenses                                   |                                | 441                 | 441                 | -               | 441                 | -                |
| Equipment  |                                | -                   | -                   | -               | -                   | -                |
| Total  |                                | <u>\$ 135,000</u>   | <u>\$ 135,000</u>   | <u>\$ -</u>     | <u>\$ 135,000</u>   | <u>\$ -</u>      |
| <b>California Cold Hit Project</b>                   |                                |                     |                     |                 |                     |                  |
|  | CG00010410                     |                     |                     |                 |                     |                  |
| Personal Services                                    | 10/1/00 - 9/30/03              | \$ 25,695           | \$ 3,564            | \$ -            | \$ 3,564            | \$ 22,131        |
| Operating Expenses                                   |                                | 39,910              | 5,445               | -               | 5,445               | 34,465           |
| Equipment  |                                | 12,091              | -                   | -               | -                   | 12,091           |
| Total  |                                | <u>\$ 77,696</u>    | <u>\$ 9,009</u>     | <u>\$ -</u>     | <u>\$ 9,009</u>     | <u>\$ 68,687</u> |

**COUNTY OF SAN MATEO**  
Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2003

**10 SCHEDULES OF THE OFFICE OF CRIMINAL JUSTICE PLANNING (OCJP) GRANT EXPENDITURES (Continued)**

**OCJP grant expenditures:**

The following represents grant expenditures passed through from the State of California Office of Criminal Justice Planning from grant inception to June 30, 2002. These are grants received in prior years that were not previously included in the Schedule. This information is included in the County's single audit report at the request of the State of California's Office of Criminal Justice Planning.

| Program Title and Expenditure Category                         | Grant Number /<br>Grant Period | Budget            | Actual<br>Non-match | Actual<br>Match | Actual<br>Total   | Variance         |
|--|--------------------------------|-------------------|---------------------|-----------------|-------------------|------------------|
| Answers Benefiting Children                                    | PV98010410                     |                   |                     |                 |                   |                  |
| Personal Services  | 6/1/99 - 3/31/02               | \$ -              | \$ -                | \$ -            | \$ -              | \$ -             |
| Operating Expenses   |                                | 559,300           | 553,404             | -               | 553,404           | 5,896            |
| Equipment  |                                | 5,000             | 1,765               | -               | 1,765             | 3,235            |
| Total  |                                | <u>\$ 564,300</u> | <u>\$ 555,169</u>   | <u>\$ -</u>     | <u>\$ 555,169</u> | <u>\$ 9,131</u>  |
| California Law Enforcement Technology Equipment Program        | LO99010410                     |                   |                     |                 |                   |                  |
| Personal Services  | 5/1/00 - 6/30/01               | \$ -              | \$ -                | \$ -            | \$ -              | \$ -             |
| Operating Expenses   |                                | -                 | -                   | -               | -                 | -                |
| Equipment  |                                | 80,000            | 80,000              | -               | 80,000            | -                |
| Total  |                                | <u>\$ 80,000</u>  | <u>\$ 80,000</u>    | <u>\$ -</u>     | <u>\$ 80,000</u>  | <u>\$ -</u>      |
| Training Facility Program                                      | PR00010410                     |                   |                     |                 |                   |                  |
| Personal Services  | 7/1/00 - 6/30/02               | \$ -              | \$ -                | \$ -            | \$ -              | \$ -             |
| Operating Expenses   |                                | 400,000           | 400,000             | -               | 400,000           | -                |
| Equipment  |                                | -                 | -                   | -               | -                 | -                |
| Total  |                                | <u>\$ 400,000</u> | <u>\$ 400,000</u>   | <u>\$ -</u>     | <u>\$ 400,000</u> | <u>\$ -</u>      |
| California Law Enforcement Equipment Program - Surplus Funding | Round 2                        |                   |                     |                 |                   |                  |
| Personal Services  | 9/13/00 - n/a *                | \$ -              | \$ -                | \$ -            | \$ -              | \$ -             |
| Operating Expenses   |                                | -                 | -                   | -               | -                 | -                |
| Equipment  |                                | 352,396           | 352,396             | -               | 352,396           | -                |
| Total  |                                | <u>\$ 352,396</u> | <u>\$ 352,396</u>   | <u>\$ -</u>     | <u>\$ 352,396</u> | <u>\$ -</u>      |
| California Cold Hit Project                                    | CG00010410                     |                   |                     |                 |                   |                  |
| Personal Services  | 10/1/00 - 9/30/03              | \$ 25,695         | \$ 13,127           | \$ -            | \$ 13,127         | \$ 12,568        |
| Operating Expenses   |                                | 39,910            | 25,105              | -               | 25,105            | 14,805           |
| Equipment  |                                | 12,091            | 12,091              | -               | 12,091            | -                |
| Total  |                                | <u>\$ 77,696</u>  | <u>\$ 50,323</u>    | <u>\$ -</u>     | <u>\$ 50,323</u>  | <u>\$ 27,373</u> |
| Special Emphasis Assistance Program                            | SE99090410                     |                   |                     |                 |                   |                  |
| Personal Services  | 7/1/00 - 6/30/03               | \$ 220,000        | \$ 173,318          | \$ -            | \$ 173,318        | \$ 46,682        |
| Operating Expenses   |                                | 53,300            | 43,639              | -               | 43,639            | 9,661            |
| Equipment  |                                | 1,700             | 1,110               | -               | 1,110             | 590              |
| Total  |                                | <u>\$ 275,000</u> | <u>\$ 218,067</u>   | <u>\$ -</u>     | <u>\$ 218,067</u> | <u>\$ 56,933</u> |
| Victim Witness Program   | VW00190410                     |                   |                     |                 |                   |                  |
| Personal Services  | 7/1/00 - 6/30/03               | \$ 624,590        | \$ 619,390          | \$ -            | \$ 619,390        | \$ 5,200         |
| Operating Expenses   |                                | 126,124           | 110,189             | -               | 110,189           | 15,935           |
| Equipment  |                                | 10,300            | 7,579               | -               | 7,579             | 2,721            |
| Total  |                                | <u>\$ 761,014</u> | <u>\$ 737,158</u>   | <u>\$ -</u>     | <u>\$ 737,158</u> | <u>\$ 23,856</u> |
| Statutory Rape Vertical Prosecution Program                    | SR01030410                     |                   |                     |                 |                   |                  |
| Personal Services  | 7/1/01 - 6/30/02               | \$ 141,142        | \$ 134,454          | \$ -            | \$ 134,454        | \$ 6,688         |
| Operating Expenses   |                                | 9,508             | 3,066               | -               | 3,066             | 6,442            |
| Equipment  |                                | 11,241            | 9,876               | -               | 9,876             | 1,365            |
| Total  |                                | <u>\$ 161,891</u> | <u>\$ 147,396</u>   | <u>\$ -</u>     | <u>\$ 147,396</u> | <u>\$ 14,495</u> |
| Region H Grant   | JP99000410                     |                   |                     |                 |                   |                  |
| Personal Services  | 10/1/99 - 9/30/02              | \$ 42,542         | \$ 37,736           | \$ -            | \$ 37,736         | \$ 4,806         |
| Operating Expenses   |                                | 532,426           | 480,267             | -               | 480,267           | 52,159           |
| Equipment  |                                | -                 | -                   | -               | -                 | -                |
| Total  |                                | <u>\$ 574,968</u> | <u>\$ 518,003</u>   | <u>\$ -</u>     | <u>\$ 518,003</u> | <u>\$ 56,965</u> |

\* The end of the funding period is not specified in the funding notification.

(Note: Of the non-match expenditures, \$440,869 in grant number PV98010410 is reported as federal expenditures in the Schedule under CFDA number 16.575, which was not reported in prior years.)

**COUNTY OF SAN MATEO**  
Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2003

**10 SCHEDULES OF THE OFFICE OF CRIMINAL JUSTICE PLANNING (OCJP) GRANT EXPENDITURES (Continued)**

| <u>Program Title and Expenditure Category</u> | <u>Grant Number /<br/>Grant Period</u> | <u>Budget</u>     | <u>Actual<br/>Non-match</u> | <u>Actual<br/>Match</u> | <u>Actual<br/>Total</u> | <u>Variance</u> |
|---|--|-------------------|-----------------------------|-------------------------|-------------------------|-----------------|
| Bridges Program                               | DC01120410                             |                   |                             |                         |                         |                 |
| Personal Services                             | 7/1/01 - 6/30/02                       | \$ 351,195        | \$ 346,215                  | \$ -                    | \$ 346,215              | \$ 4,980        |
| Operating Expenses                            |  | 10,479            | 7,515                       | -                       | 7,515                   | 2,964           |
| Equipment                                     |  | -                 | -                           | -                       | -                       | -               |
| Total   |  | <u>\$ 361,674</u> | <u>\$ 353,730</u>           | <u>\$ -</u>             | <u>\$ 353,730</u>       | <u>\$ 7,944</u> |
| Statutory Rape Vertical Prosecution Program   | SR00020410                             |                   |                             |                         |                         |                 |
| Personal Services                             | 7/1/00 - 10/31/01                      | \$ 74,739         | \$ 74,739                   | \$ -                    | \$ 74,739               | \$ -            |
| Operating Expenses                            |  | 7,081             | 7,081                       | -                       | 7,081                   | -               |
| Equipment                                     |  | -                 | -                           | -                       | -                       | -               |
| Total   |  | <u>\$ 81,820</u>  | <u>\$ 81,820</u>            | <u>\$ -</u>             | <u>\$ 81,820</u>        | <u>\$ -</u>     |

To the Grand Jury and Board of Supervisors of  
the County of San Mateo  
Redwood City, California

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

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 San Mateo, California (County) as of and for the fiscal year ended June 30, 2003, which collectively comprise the County’s basic financial statements and have issued our report thereon dated December 12, 2003. Our report included an explanatory paragraph due to the County adopting the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosure – an amendment of GASB Statement No. 3*. We did not audit the financial statements of the San Mateo Housing Authority (Authority) and the San Mateo Employees’ Retirement Association, which represents the following percentages of assets and revenues/additions as of and for the fiscal year ended June 30, 2003:

| <u>Opinion Unit</u>                                      | <u>Assets</u> | <u>Revenues/<br/>Additions</u> |
|--|---------------|--------------------------------|
| Business-type Activities                                 | 30.6%         | 38.5%                          |
| Each Major Enterprise Fund – San Mateo Housing Authority | 100.0%        | 100.0%                         |
| Aggregate Remaining Fund Information                     | 33.3%         | 3.5%                           |

Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the report of the 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.

***Compliance***

As part of obtaining reasonable assurance about whether the County’s basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

### *Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule for findings and questioned costs as item 2003-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management in a separate letter.

This report is intended solely for the information and use of the County of San Mateo Grand Jury, County Board of Supervisors, County management, 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.

*Macias, Gini & Company LLP*

Certified Public Accountants

Walnut Creek, California  
December 12, 2003

To the Grand Jury and Board of Supervisors of  
the County of San Mateo  
Redwood City, California

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

*Compliance*

We have audited the compliance of the County of San Mateo, 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 fiscal year ended June 30, 2003. 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 San Mateo Housing Authority (the Authority) that reported expenditures of federal awards of \$66,971,885, which is not included in the schedule of expenditures of federal awards for the year ended June 30, 2003. Our audit, described below, did not include the operations of the Authority because they engaged other auditors to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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 on the County's compliance with those requirements.



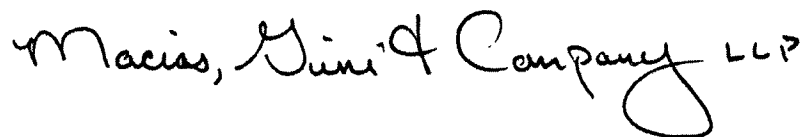
In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 03-2 through 03-4.

***Internal Control Over Compliance***

The management of the County is responsible for establishing and maintaining effective internal control over compliance with 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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the County of San Mateo Grand Jury, County Board of Supervisors, County management, 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.



Certified Public Accountants

Walnut Creek, California  
March 19, 2004

**COUNTY OF SAN MATEO**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended June 30, 2003

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*Section I – Summary of Auditor’s Results*

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Financial Statements:

|  |             |
|--|-------------|
| Type of auditor’s report issued:   | Unqualified |
| Internal control over financial reporting:   |             |
| • Material weaknesses identified?  | No          |
| • Reportable conditions identified that are not considered to be material weaknesses | Yes         |
| Noncompliance material to financial statements noted?                                | No          |

Federal Awards:

|  |               |
|--|---------------|
| Internal control over major programs:  |               |
| • Material weaknesses identified?  | No            |
| • Reportable conditions identified that are not considered to be material weaknesses                               | None reported |
| Type of auditor’s report issued on compliance for major programs   | Unqualified   |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | Yes           |

Identification of major programs:

| Program Title   | CFDA Number     |
|---|-----------------|
| Food Stamp Cluster  | 10.551 & 10.561 |
| Community Development Block Grants/Entitlement Grants         | 14.218          |
| Highway Planning and Construction                             | 20.205          |
| Special Programs for the Aging Cluster                        | 93.044 & 93.045 |
| Temporary Assistance to Needy Families                        | 93.558          |
| Foster Care - Title IV-E                                      | 93.658          |
| Block Grants for Prevention and Treatment for Substance Abuse | 93.959          |

|  |             |
|--|-------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$3,000,000 |
| Auditee qualified as low-risk auditee?                                   | No          |

**COUNTY OF SAN MATEO**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2003

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*Section II – Financial Statement Findings*

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**Finding 03-1 Medical Center Accounting**

*Introduction*

The last several years have been extremely difficult for county hospitals in California. The San Mateo Medical Center, like every other public hospital, has been under tremendous pressure to reduce its costs, driven largely by one of the worst state budget crises in California history. While the demand to deliver indigent health care services continues to rise, the pool of available resources to finance these services, at the federal, state and local levels, continues to shrink.

The Medical Center's operating revenues increased from \$75.3 million to \$86.3 million during the current fiscal year. Medical Center management did a good job of controlling the growth in operating costs during this same period as operating expenses increased less than 1% from \$141 million to \$142 million. Overall, this resulted in a decrease of the Medical Center's operating loss during the current year of \$10.1 million, from \$65.6 million to \$55.5 million. Nonoperating revenues at the Medical Center (i.e., principally County General Fund contributions for indigent care) increased overall just under 5% or \$2.6 million. The Medical Center ended the fiscal year with an increase in net assets of \$6.3 million. This surplus was primarily the result of the SB 1732 construction reimbursement program available to hospitals providing Medi-Cal inpatient services.

The Medical Center operates as an enterprise fund of the County. Each year, the Medical Center is subjected to auditing procedures in connection with the Countywide external financial audit. However, in fiscal 2002-03, the County, on behalf of the Medical Center's management, engaged Macias, Gini & Company LLP to perform the, first ever, external audit of the Medical Center's stand-alone financial statements. Management at the Medical Center should be commended for taking this first step towards improving its accountability and internal control over financial reporting. We would also like to point out that, while our findings and recommendations identify a number of areas that should be improved, findings of this nature are not unusual in a "first year audit".

*Allocation of Responsibilities for Accounting Staff*

In prior years, the County Controller's Office provided most of the direct support and interface with the independent auditors. During the current year, the Medical Center's staff assumed this responsibility and, with our guidance, committed to preparing its fiscal year 2002-03 annual financial statements. These statements include: a statement of net assets, a statement of revenues, expenses and changes in net assets, a statement of cash flows and related note disclosures. In addition, the financial statements were to be accompanied by *Management's Discussion and Analysis* - a high level financial summary prepared by the Medical Center's management. However, as the audit progressed, we noted that the division of responsibilities for accounting and financial reporting between the Controller's Office and the Medical Center's accounting staff was unclear. We discovered that the Medical Center staff was unable to provide certain details related to transactions and did not have the qualifications and training to prepare "GAAP basis" financial statements. Additionally, we determined that Medical Center staff was unable to provide support in two significant areas: (1) they were unable to provide reasoning and explanations for entries originated by the Controller's Office, and (2) they were unable to reconcile beginning net assets recorded in the general ledger to the amount reported in the County's Comprehensive Annual Financial Report. As a result, the audit process stalled and our firm was

**COUNTY OF SAN MATEO**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2003

**Finding 03-1 (Continued)**

required to provide extensive assistance to the Medical Center in sorting through these entries and ultimately in preparing an “auditable” trial balance.

We recommend developing detailed policies and procedures to better understand and manage the audit process, and to clarify the responsibilities of Medical Center staff and the Controller’s Office. These policies and procedures should be used as a basis for training as described more fully below. The annual audit is an intensive process and will require the Medical Center to dedicate staff who are qualified and well trained in these areas and that will take complete ownership of all aspects of the accounting and financial reporting process in the future.

*Establishing a Policies and Procedures Manual*

We recommend that the Chief Financial Officer (CFO) formalize and document accounting and financial reporting policies and procedures in a policies and procedures manual. Once documented, the policies and procedures manual should then be approved and adopted by the Board of Directors. During the course of our audit we noted a number of specific areas that should be addressed by this manual, including: (1) documentation, review and approval of journal entries, (2) documentation and monitoring of non-routine and related party transactions and (3) aggregation of Medical Center funds and detailed steps for trial balance conversion to GAAP basis presentation. We understand that the CFO is working with a consultant on this project and has committed to complete a policies and procedures manual during fiscal year 2004-2005.

*Training of Staff*

Once the Medical Center’s management determines the appropriate allocation of responsibilities and formalizes them in a policies and procedures manual as discussed above, they should develop a training program for accounting staff that achieves the following objectives:

- Increases understanding of roles in the financial reporting process.
- Explains the policies and procedures described in the manual.
- Instructs accounting staff on the preparation of financial statements in accordance with generally accepted accounting principles.
- Provides guidance on applying analytical procedures to account balances to facilitate the preparation of management’s discussion and analysis.

Additionally, developing a training program will help to ensure there is adequate cross-training and depth within the organization so that there is not too heavy a reliance on any one person.

*Management Response*

We concur with the recommendation. In response to this comment, we have hired a consultant to assist us in developing the policies and procedures described above. Additionally, we are working with the Controller’s office to develop a project plan, which is a tool that will be used to help us manage the process for preparing our 2003-04 financial statements. Once these policies and procedures are finalized, we plan to conduct training to ensure that our staff understands and can effectively follow them.

**COUNTY OF SAN MATEO**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2003

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*Section III – Federal Award Findings and Questioned Costs*

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**Finding 03-2 U.S. DEPARTMENT OF TRANSPORTATION**  
Highway Planning and Construction, CFDA Number 20.205  
Passed Through the State of California, Department of Transportation  
Administered by the San Mateo County Department of Public Works

*Criteria*

In accordance with the OMB A-133, non-federal entities are required to include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the Department of Labor regulations (29 CFR part 5, “Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction”). This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5(a)(3)(ii)(A) and 5.6).

*Condition*

During our testing over the federal compliance requirements of the Davis Bacon Act for the Highway Planning and Construction program, we noted that one of the four projects’ supporting records selected for certified payrolls testing could not be located.

*Effect*

We are unable to verify whether the project complied with the Davis Bacon Act requirements.

*Recommendation*

In accordance with Code of Federal Regulation 66.42, *Retention and Access Requirements for Records*, “all financial and programmatic records, supporting documents, statistical records, and other records are to be retained for three years starting on the last day of the application period.” We recommend management implement a tracking system to keep track of the files’ locations. Check-out cards could be used so that the person who takes the project files out of the file cabinets must indicate his/her name and the date so that someone else who might need to file know who to ask.

*Management Response*

The Department of Public Works Construction Management Division currently maintains a chronological filing system of all projects it manages. This includes all financial and programmatic records, supporting documents, etc. related to each project. The Sand Hill Road documents had not yet been filed and the certified payroll folder misplaced. The Construction Management Division plans on implementing specific filing deadline goals for each of its projects in order to minimize the chances of documents being misplaced in the future. Certified payroll records for the duration of the work were requested when the Department failed to find the requested documents. These certified payroll records verify that the Contractor labor force was compensated accordingly during the construction contract. These documents are currently on file.

**COUNTY OF SAN MATEO**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2003

**Finding 03-3**      **U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**  
Community Development Block Grants/Entitlement Grants, CFDA Number 14.218  
Administered by the San Mateo County Human Services Agency

*Criteria*

Per the OMB Circular A-133 *Compliance Supplement*, non-federal entities are prohibited from making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include all nonprocurement transactions such as subawards to subrecipients. All subrecipients must certify that the organization and its principals are not suspended or debarred. The non-federal entities may rely upon the certification unless it knows that the certification is erroneous. Non-federal entities may, but are not required to, check for suspended and debarred parties, which are listed in the *List of Parties Excluded From Federal Procurement or Nonprocurement Programs*, issued by the General Services Administration (GSA).

*Condition*

During our testing of internal controls and compliance over procurement, suspension and debarment related to the CDBG program, we noted that for the seven subrecipients selected for testing the County did not obtain certifications from the subrecipients that they were not suspended or debarred from participating in federally funded programs.

*Effect*

The County could be funding subrecipients that are ineligible to participate in federally funded programs. For the seven instances noted above related to the CDBG program, the total award amounts paid to these subrecipients during fiscal year 2003 were \$816,533.

*Recommendation*

We recommend that the County develop and implement procedures to ensure that subrecipients provide the appropriate certifications that they are not suspended or debarred before the subgrant award is approved.

*Management response*

Auditor's recommendation to include debarment and suspension language in contracts was made after audit was concluded towards the end of 2002. This recommendation was too late to be implemented for FY 02-03 as contracts have been executed during the first quarter of the new fiscal year (July-September 2002).

For FY 03-04, all contracts include a debarment and suspension language on the Section titled Other Program Requirements in Exhibit E.

**COUNTY OF SAN MATEO**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2003

**Finding 03-4 U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

Community Development Block Grant/Entitlement Grants, CFDA Number 14.218  
Administered by the San Mateo County Human Services Agency

*Criteria*

Under the requirements of the Single Audit Act and OMB Circular A-133, subrecipients of federal awards must be monitored by the primary recipient to determine whether the subrecipient has expended the awards in accordance with applicable laws and regulations. Furthermore, OMB Circular A-133 provides that, in such instances, the primary recipient should, among other things:

1. Determine whether the subrecipient has met the audit requirements of OMB Circular A-133, if applicable;
2. Determine whether the subrecipient spent federal awards provided in accordance with applicable laws and regulations; and
3. Consider various risk factors in developing subrecipient monitoring procedures such as:
  - a. relative size and complexity of the federal awards administered by the subrecipient,
  - b. prior experience with each subrecipient, and
  - c. cost-effectiveness of various monitoring procedures.

The primary recipient's responsibilities may be discharged for subrecipients receiving federal awards of \$300,000 or more by relying upon independent audits of the subrecipients, performed in accordance with OMB Circular A-133. For those subrecipients that are required to obtain single audit reports in accordance with OMB Circular A-133, the County, as the primary recipient, is also required to ensure that the audits are performed, and must follow-up on the resolution of all reported findings and questioned costs.

The primary recipient's responsibilities may be discharged for subrecipients receiving federal awards less than \$300,000 by performing a combination of the following procedures:

1. Relying on appropriate procedures performed by the primary recipient's internal audit department or program management personnel through on-site visits;
2. Reviewing documentation in support of amounts claimed for reimbursement; and
3. Applying certain agreed-upon procedures.

*Condition*

Three of the ten files selected for testing did not have documentation that subrecipient monitoring procedures were performed.

*Effect*

Without documenting and reviewing monitoring procedures performed, the County cannot ensure that it is in compliance with all applicable laws and regulations.

**COUNTY OF SAN MATEO**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2003

**Finding 03-4 (Continued)**

*Recommendation*

We recommend that the County develop and implement policies requiring the documentation and review of subrecipient monitoring activities.

*Management response:*

Revised monitoring forms and process were initiated for projects starting in FY 02-03. The three files tested, that did not have appropriate documentation on file, were projects prior to FY 02-03. However, for active older projects with overlapping fiscal years, old forms are being replaced with the current revised forms as they become due.



**COUNTY OF SAN MATEO**  
Status of Prior Years Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2003

**Reference Number:** 02-1

Federal Catalog Number/  
Program Name: 14.218/Community Development Block Grants/Entitlement Grants  
14.241/Housing Opportunities for Persons with AIDS (HOPWA)  
93.914 /HIV Emergency Relief Project Grants (HIV)

Audit Finding: Suspension and Debarment: Noted seven subrecipients selected for testing the CDBG program did not obtain certifications from the subrecipients that they were not suspended or debarred from participating in federally funded programs.

Noted one of the three subrecipients selected for testing the HOPWA program did not obtain certification from the subrecipient that they were not suspended or debarred from participating in federally funded programs.

Noted two of the three subrecipients selected for testing the HIV program did not obtain certifications from subrecipients that they were not suspended or debarred from participating in federally funded programs.

Status of Corrective Action: Corrected for the HOPWA and the HIV programs.  
See Finding No. 03-3 for CDBG's current year finding.

**Reference Number:** 02-2

Federal Catalog Number/  
Program Name: 93.230/Consolidated Knowledge Development and Application (KD&A) Program

Audit Finding: Subrecipient Monitoring: Noted that one of the five subrecipient files selected for testing did not have the required single audit report and procedures to ensure that subrecipients who are required to submit audit reports are doing so.

Status of Corrective Action: Corrected.

**COUNTY OF SAN MATEO**  
Status of Prior Years Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2003

**Reference Number:** 02-3

Federal Catalog Number/  
Program Name: 93.558/Temporary Assistance for Needy Families (TANF)

Audit Finding: Eligibility: Noted that two of the forty case files selected for testing did not have the appropriate redeterminations documented in the files.

Status of Corrective Action: Corrected.

**Reference Number:** 02-4

Federal Catalog Number/  
Program Name: 93.658/Foster Care - Title IV-E

Audit Finding: Eligibility: Noted that six of the forty participants selected for testing were paid rates in the months selected that did not agree to the state approved benefit schedule.

Status of Corrective Action: Corrected.

**Reference Number:** 02-5

Federal Catalog Number/  
Program Name: 93.914/HIV Emergency Relief Project Grants

Audit Finding: Eligibility: Several case files lacked appropriate supporting documentation for payment of benefits.

Status of Corrective Action: Corrected.

**Reference Number:** 01-2

Federal Catalog Number/  
Program Name: 14.218/Community Development Block Grants/Entitlement Grants

Audit Finding: Subrecipient Monitoring: One of the seven files selected for testing had a partially completed subrecipient monitoring checklist. Two of the seven files selected for testing did not have documentation that subrecipient monitoring procedures were performed. Four of the seven files selected for testing were missing the required single audit reports.

Status of Corrective Action: See Finding No. 03-4 for CDBG's current year finding.

**COUNTY OF SAN MATEO**  
Status of Prior Years Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2003

**Reference Number:** 01-3

Federal Catalog Number/  
Program Name: 93.558/Temporary Assistance for Needy Families (TANF)

Audit Finding: Eligibility: Noted that one of the forty cases selected for testing did not have one of the CW7 forms in the file.

Status of Corrective Action: Corrected.

**Reference Number:** 01-4

Federal Catalog Number/  
Program Name: 93.658/Foster Care - Title IV-E

Audit Finding: Eligibility: Noted four files were missing one or more of the FC-2, one file was missing the FC-3, three files were missing the supervisor's signature on the initial FC-2, two files indicated that the required 6-month eligibility redetermination was performed one month late and noted four files indicated that an incorrect rate or an undocumented rate was used to pay participants.

Status of Corrective Action: Corrected.

**Reference Number:** 00-4

Federal Catalog Number/  
Program Name: 93.558/Temporary Assistance for Needy Families (TANF)

Audit Finding: Eligibility: Noted at three sites that new and re-certification case files are not being reviewed in accordance with the County's review policy.

Status of Corrective Action: Corrected.