

COUNTY OF SAN BERNARDINO, CALIFORNIA

**Single Audit Report
(Uniform Guidance)**

For the Fiscal Year Ended June 30, 2016

COUNTY OF SAN BERNARDINO, CALIFORNIA

SINGLE AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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**INDEPENDENT AUDITOR'S 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**

To the Honorable Board of Supervisors
County of San Bernardino, California

We have audited, in accordance with the 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, 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 County of San Bernardino, California (County), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 23, 2016. Our report included an emphasis of matter paragraph regarding the County's adoption of Governmental Accounting Standards Board (GASB) Statement No.72, *Fair Value Measurement and Application*, effective July 1, 2015. Our report also includes a reference to other auditors who audited the financial statements of the County of San Bernardino Consolidated Fire Districts, the County of San Bernardino Redevelopment Successor Agency Private-Purpose Trust Fund, and the Housing Authority of the County of San Bernardino 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 of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as identified as item 2016-001.

Compliance and Other Matters

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

County's Response to Findings

The County's response to the findings identified in our audit is described in the County's separate corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Vavrinik, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 23, 2016



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE; AND THE SUPPLEMENTAL SCHEDULE OF OFFICE OF CALIFORNIA STATE DEPARTMENT OF AGING GRANTS

To the Honorable Board of Supervisors
County of San Bernardino, California

Report on Compliance for Each Major Federal Program

We have audited the County of San Bernardino, California's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2016. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Housing Authority of the County of San Bernardino (Housing Authority), which received \$86,923,433 in federal awards which is not included in the schedule during the year ended June 30, 2016. 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 the Uniform Guidance.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-002 through 2016-015. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, as items 2016-002, 2016-004, 2016-007, 2016-008, and 2016-010 through 2016-013, that we consider to be significant deficiencies.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and Supplemental Schedule of Office of California State Department of Aging Grants

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, 2016, and the related notes to the financial statements, which collectively comprise the County's financial statements. We have issued our report thereon dated December 23, 2016, which contained unmodified opinions on those financial statements. Our report includes an emphasis of matter regarding the County's adoption of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Our report also includes a reference to other auditors who audited the financial statements of the County of San Bernardino Consolidated Fire Districts, the County of San Bernardino Redevelopment Successor Agency Private-Purpose Trust Fund, and the Housing Authority of the County of San Bernardino as described in our report on the County's financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. The Supplemental Schedule of Office of California State Department of Aging Grants is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and supplemental schedule of Office of California State Department of Aging Grants are fairly stated in all material respects in relation to the financial statements as a whole.

Vavrinik, Trine, Day & Co. LLP

Rancho Cucamonga, California
March 31, 2017

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identification/ Pass-Through Entity Identification Number	Federal Award Expenditures	Pass-Through Awards to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
<u>Pass-Through Programs:</u>				
Child Nutrition Cluster:				
<u>California Department of Education:</u>				
School Breakfast Program	10.553	36-10363-6037469-01	\$ 192,938	\$ -
National School Lunch Program	10.555	36-10363-6037469-01	362,225	-
Total Child Nutrition Cluster			<u>555,163</u>	<u>-</u>
Supplemental Nutrition Assistance Program (SNAP) Cluster:				
<u>California Department of Social Services:</u>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	1946001347-A7	47,071,843	-
<u>California Department of Public Health:</u>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	13-20512	3,120,725	1,848,287
Total SNAP Cluster			<u>50,192,568</u>	<u>1,848,287</u>
<u>California Department of Education:</u>				
Child and Adult Care Food Program	10.558	223600	1,983,768	-
<u>California Department of Food and Agriculture:</u>				
Plant and Animal Disease, Pest Control, and Animal Care - Pierce's Disease Control	10.025	14-0189-SF	27,513	-
Plant and Animal Disease, Pest Control, and Animal Care - Pest Surveillance Canine Inspection Team	10.025	15-0294-SF	188,679	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	15-0510-SF	29,916	-
Subtotal			<u>246,108</u>	<u>-</u>
<u>California Department of Public Health:</u>				
Special Supplemental Nutrition Program for Women, Infants & Children	10.557	15-15109	10,999,843	-
Forest Service Schools and Roads Cluster:				
<u>State Controller's Office:</u>				
Schools and Roads - Grants to States	10.665	99003012	214,318	-
TOTAL - U. S. DEPARTMENT OF AGRICULTURE			<u>64,191,768</u>	<u>1,848,287</u>
U.S. DEPARTMENT OF DEFENSE				
<u>Direct Programs:</u>				
Electronic Absentee Systems for Elections	12.217		20,948	-
TOTAL - U.S. DEPARTMENT OF DEFENSE			<u>20,948</u>	<u>-</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<u>Pass-Through Programs:</u>				
Community Development Block Grant (CDBG) - Entitlement Grants Cluster:				
<u>City of Chino Hills:</u>				
Community Development Block Grants/Entitlement Grants	14.218	711008883190	10,000	-
<u>City of Hesperia:</u>				
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-06-0578	10,000	-
<u>Town of Apple Valley:</u>				
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-06-0588	5,169	-
<u>Direct Programs:</u>				
Community Development Block Grants/Entitlement Grants	14.218		6,421,935	2,463,845
Community Development Block Grants/Entitlement Grants - Neighborhood Stabilization Program Grant #1	14.218		145,672	-
Total CDBG Entitlement Grants Cluster			<u>6,592,776</u>	<u>2,463,845</u>
Emergency Solutions Grant Program	14.231		533,707	489,255
Home Investment Partnerships Program	14.239		1,320,861	-
Home Investment Partnerships Program	14.239	Loans	45,031,242	-
Subtotal			<u>46,352,103</u>	<u>-</u>
Continuum of Care Program - Homeless Management Information System (HMIS) FY 14/15	14.267		114,572	-
Continuum of Care Program - Homeless Assistance Planning Project	14.267		108,940	-
Continuum of Care Program - Homeless Management Information System (HMIS)	14.267		83,386	-
Continuum of Care Program - Homeless Management Information System (FY16)	14.267		182,324	-
Subtotal			<u>489,222</u>	<u>-</u>
TOTAL - U.S. DEPT. OF HOUSING AND URBAN DEVELOPMENT			<u>53,967,808</u>	<u>2,953,100</u>

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identification/ Pass-Through Entity Identification Number	Federal Award Expenditures	Pass-Through Awards to Subrecipients
U.S. DEPARTMENT OF THE INTERIOR				
<u>Direct Programs:</u>				
Natural Resource Stewardship	15.944		26	-
TOTAL - U.S. DEPARTMENT OF THE INTERIOR			26	-
U.S. DEPARTMENT OF JUSTICE				
<u>Pass-Through Programs:</u>				
<u>California Governor's Office of Emergency Services:</u>				
Crime Victim Assistance - Human Trafficking Advocacy Program	16.575	071-00000	50,182	-
Crime Victim Assistance - Unserved/Underserved Victim Advocacy and Outreach Program	16.575	071-00000	89,800	-
Crime Victim Assistance - Victim Witness Assistance Program	16.575	071-00000	758,126	-
Subtotal			898,108	-
Paul Coverdell Forensic Sciences Improvement Grant Program FY 15	16.742	CQ14 08 0360	8,133	-
Paul Coverdell Forensic Sciences Improvement Grant Program FY 16	16.742	CQ15 09 0360	11,650	-
Subtotal			19,783	-
<u>State of California Board of State and Community Corrections:</u>				
Juvenile Accountability Block Grants	16.523	N/A	86,137	-
<u>Direct Programs:</u>				
Edward Byrne Memorial Justice Assistance Grant Program - 2012	16.738		73,479	73,479
Edward Byrne Memorial Justice Assistance Grant Program - 2013	16.738		75,230	74,948
Edward Byrne Memorial Justice Assistance Grant Program - 2014	16.738		308,474	208,802
Edward Byrne Memorial Justice Assistance Grant Program - 2015	16.738		134,448	101,721
Edward Byrne Memorial Justice Assistance Grant Program (SHR)	16.738		250,000	-
Subtotal			841,631	458,950
Second Chance Act Prisoner Reentry Initiative	16.812		108,248	-
DNA Backlog Reduction Program - FY 2013	16.741		55,711	-
DNA Backlog Reduction Program - FY 2015	16.741		42,210	-
Subtotal			97,921	-
Law Enforcement Assistance Narcotics and Dangerous Drugs Training - Riverside Task Force (RTF) Agreement FY 14-15	16.004		5,285	-
Law Enforcement Assistance Narcotics and Dangerous Drugs Training - Riverside Task Force (RTF) Agreement FY 15-16	16.004		48,740	-
Subtotal			54,025	-
2015 Domestic Cannabis Eradication/Suppression Program	16.2015-09		104,461	-
2016 Domestic Cannabis Eradication/Suppression Program	16.2016-42		101,348	-
San Bernardino Gang Impact Team (GIT) Safe Streets Task Force (FY14-15)	16.281D-LA-223769		18,569	-
San Bernardino Gang Impact Team (GIT) Safe Streets Task Force (FY15-16)	16.281D-LA-223769		96,043	-
Subtotal			320,421	-
Southwest Border Prosecution Initiative Program	16.755		414,786	-
Equitable Sharing Program - IRNET	16.922		7,899,115	-
Equitable Sharing Program - NARCOTIC	16.922		5,553,646	-
Subtotal			13,452,761	-
TOTAL - U.S. DEPARTMENT OF JUSTICE			16,293,821	458,950

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

U.S. DEPARTMENT OF LABOR

Pass-Through Programs:

<u>California Employment Development Department:</u>					
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	7154900	1,222,393	-	
WIA/WIOA Cluster:					
<u>California Employment Development Department:</u>					
WIA/WIOA Adult Program	17.258	7154900	4,496,252	-	
WIA/WIOA Youth Activities	17.259	7154900	5,207,931	3,360,034	
WIA/WIOA Dislocated Worker Formula Grants	17.278	7154900	3,998,666	-	
Total WIA/WIOA Cluster			13,702,849	3,360,034	
<u>California Department of Aging:</u>					
Senior Community Service Employment Program - Title V (SCSEP)	17.235	TV-1516-20	304,554	-	
<u>County of Riverside:</u>					
Workforce Innovation Fund	17.283	09A0B	158,259	125,685	
TOTAL - U.S. DEPARTMENT OF LABOR			15,388,055	3,485,719	

U.S. DEPARTMENT OF TRANSPORTATION

Pass-Through Programs:

<u>Highway Planning and Construction Cluster:</u>					
<u>California Department of Transportation:</u>					
Highway Planning and Construction	20.205	85954	1,324,827	-	
Total Highway Planning and Construction Cluster			1,324,827	-	
<u>Highway Safety Cluster:</u>					
<u>California Office of Traffic Safety:</u>					
State and Community Highway Safety	20.600	PT1698	120,124	-	
National Priority Safety Programs	20.616	N/A	165,011	-	
Total Highway Safety Cluster			285,135	-	
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	20.308	400,045	-	
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT15107	135,542	-	
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1698	206,613	-	
Subtotal			742,200	-	
<u>Direct Programs:</u>					
Airport Improvement Program (FY14-15)	20.106		161,809	-	
Airport Improvement Program (FY15-16)	20.106		534,133	-	
Subtotal			695,942	-	
TOTAL - U.S. DEPARTMENT OF TRANSPORTATION			3,048,104	-	
<u>U.S. DEPARTMENT OF TREASURY</u>					
<u>Direct Programs:</u>					
Equitable Sharing Program	21.016		3,511	-	
TOTAL - U.S. DEPARTMENT OF TREASURY			3,511	-	

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identification/ Pass-Through Entity Identification Number	Federal Award Expenditures	Pass-Through Awards to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<u>Pass-Through Programs:</u>				
Medicaid Cluster:				
<u>California Department of Health Care Services:</u>				
Medical Assistance Program - Medi-Cal Assistance Program CFS Portion Only	93.778	MSO1809-17	4,030,765	-
Medical Assistance Program - Medi-Cal Assistance Program TAD Portion Only	93.778	MSO1809-17	43,628,279	-
Medical Assistance Program - Medical Assistance Program (California Children Services (2300))	93.778	4260-111-0001	4,250,822	-
Medical Assistance Program - Child Health and Disability Prevention Case Management	93.778	4260-111-0001	924,177	-
Medical Assistance Program - Early Periodic Screening, Diagnosis and Treatment	93.778	4260-111-0001	701,754	-
Medical Assistance Program - Program 3201 Family Support Services - HCPCFC	93.778	4260-111-0001	835,615	-
Medical Assistance Program - Medi-Cal Assistance Program (Alcohol)	93.778	N/A	5,661,589	5,019,711
<u>California Department of Aging:</u>				
Medical Assistance Program (Title XIX, MSSP)	93.778	MS-1516-17	14,454,164	-
<u>California Department of Social Services:</u>				
Medical Assistance Program - In-Home Supportive Services-Public Authority-IHSS-PA	93.778	N/A	2,957,983	-
Total Medicaid Cluster			77,445,148	5,019,711
Aging Cluster:				
<u>California Department of Aging:</u>				
Special Programs for the Aging-Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	AP-1516-20	22,365	-
Special Programs for the Aging-Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	93.042	AP-1516-20	4,223	-
Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	93.043	AP-1516-20	98,221	-
Special Programs for the Aging-Title III, Part B Grants for Supportive Services and Senior Centers	93.044	AP-1516-20	1,552,601	378,226
Special Programs for the Aging-Title III, Part C Nutrition Services	93.045	AP-1516-20	3,062,795	2,783,815
National Family Caregiver Support, Title III, Part E	93.052	AP-1516-20	464,992	308,421
Nutrition Services Incentive Program	93.053	AP-1516-20	573,253	573,253
Total Aging Cluster			5,778,450	4,043,715
<u>Association of Food and Drug Officials:</u>				
Food and Drug Administration Research	93.103	GMP - 1410-02006	5,138	-
Food and Drug Administration Research	93.103	GMP - 1410-02005	2,956	-
<u>National Association of County and City Health Officials:</u>				
Food and Drug Administration Research	93.103	5U50FD004334-04	2,834	-
Subtotal			10,928	-
<u>California Department of Public Health:</u>				
Immunization Cooperative Agreements	93.268	63-0317191	534,695	-
TANF Cluster:				
<u>California Department of Social Services:</u>				
Temporary Assistance for Needy Families	93.558	1946001347-A7	169,301,792	2,270,971
Total TANF Cluster			169,301,792	2,270,971
<u>California Department of Health Care Services:</u>				
Substance Abuse Prevention and Treatment Block Grant (SAPT)	93.959	N/A	10,105,108	6,585,808
<u>California Department of Public Health:</u>				
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	IU52PS004656-01	206,865	-
Childhood Lead Poisoning Prevention Projects-State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	14-10030	79,654	-
HIV Care Formula Grants	93.917	15-692 A-1	507,925	356,234
HIV Prevention Activities-Health Department Based	93.940	15-10946	478,372	-
Prevention Health Services - Sexually Transmitted Diseases Control Grants	93.977	15-10263	42,274	-
Maternal and Child Health Services Block Grant to the States (BIH portion)	93.994	N/A	180,412	-
Maternal and Child Health Services Block Grant to the States (MCAH)	93.994	N/A	291,304	-
Subtotal			471,716	-
Public Health Emergency Preparedness	93.069	94-6001347	1,856,125	-
Public Health Emergency Preparedness - Supplemental Ebola Funding	93.069	15-10379	3,857	-
Subtotal			1,859,982	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	14-10505	594,131	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements - LEMSAC	93.074	14-10506	56,127	-
Subtotal			650,258	-

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identification/ Pass-Through Entity Identification Number	Federal Award Expenditures	Pass-Through Awards to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
<u>California Department of Health Care Services:</u>				
Strategic Prevention Framework State Incentive Grant (SPF SIG)	93.243	N/A	102,309	87,221
Children's Health Insurance Program	93.767	4260-111-0001	760,001	-
Projects for Assistance in Transition from Homelessness (PATH)	93.150	N/A	501,327	-
Block Grants for Community Mental Health Services	93.958	N/A	3,696,147	1,137,277
<u>California Department of Social Services:</u>				
Guardianship Assistance	93.090	1946001347-A7	4,200,668	-
Promoting Safe and Stable Families	93.556	1946001347-A7	2,019,897	2,019,897
Refugee and Entrant Assistance - State Administered Programs-Admin.	93.566	1946001347-A7	7,116	-
Refugee and Entrant Assistance - State Administered Programs	93.566	1946001347-A7	95,199	-
Subtotal			102,315	-
Stephanie Tubbs Jones Child Welfare Services Program - Child Welfare Services - State Grants	93.645	1946001347-A7	1,618,259	-
Foster Care - Title IV-E - Probation	93.658	TAD 006852425 DCS 136498818	2,040,456	-
Foster Care - Title IV-E - TAD	93.658	1946001347-A7	66,280,745	-
Subtotal			68,321,201	-
Adoption Assistance - Administration	93.659	1946001347-A7	2,914,120	-
Adoption Assistance	93.659	1946001347-A7	27,491,805	-
Subtotal			30,405,925	-
Social Services Block Grant - Title XX	93.667	1946001347-A7	3,765,513	-
Social Services Block Grant	93.667	1946001347-A7	25,910,977	-
Subtotal			29,676,490	-
Chafee Foster Care Independence Program	93.674	1946001347-A7	91,153	308,439
<u>California Department of Child Support Services:</u>				
Child Support Enforcement	93.563	A Direct	26,142,837	-
Child Care Development Fund (CCDF) Cluster:				
<u>California Department of Education:</u>				
Child Care and Development Block Grant	93.575	36-2236	145,131	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	36-2236	423,118	-
Total CCDF Cluster			568,249	-
<u>California Department of Aging:</u>				
Medicare Enrollment Assistance Program	93.071	MI-1517-20	39,543	36,056
Affordable Care Act State Health Insurance Assistance Program (SHIP) and Aging and Disability Resource Center (ADRC) Options Counseling for Medicare-Medicaid Individuals in States with Approved Financial Alignment Models	93.626	FA-1516-20	77,973	73,471
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations: Health Insurance Counseling and Advocacy Program (HICAP)	93.779	HI-1516-20	172,506	159,437
<u>California Family Health Council:</u>				
Family Planning-Services	93.217	454-5320-71209-15 454-5320-71219-16-17	334,411	-
<u>Direct Programs:</u>				
Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526		1,839,024	-
Health Center Program Cluster:				
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224		123,232	-
Affordable Care Act (ACA) Grants for New and Expanded Services under The Health Center Program	93.527		2,333,526	-
Total Health Center Program Cluster			2,456,758	-
Head Start - Early Head Start Program - Child Care Partnership	93.600		2,043,577	-
Head Start	93.600		41,491,522	3,607,917
Subtotal			43,535,099	3,607,917
HIV Emergency Relief Project Grant	93.914		6,467,247	5,571,693
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918		396,133	-
TOTAL - U.S. DEPT. HEALTH AND HUMAN SERVICES			491,818,639	31,277,847
U.S. EXECUTIVE OFFICE OF THE PRESIDENT				
<u>Pass-Through Programs:</u>				
<u>California Office of National Drug Policy:</u>				
High Intensity Drug Trafficking Areas Program - High Intensity Drug Trafficking Area (IRNET & RMTF) G16LA0001A	95.001	G16LA0001A	690,451	-
High Intensity Drug Trafficking Areas Program - High Intensity Drug Trafficking Area (IRNET & RMTF) G13LA0001A	95.001	G13LA0001A	2,925	-
High Intensity Drug Trafficking Areas Program - High Intensity Drug Trafficking Area (IRNET & RMTF) G15LA0001A	95.001	G15LA0001A	370,567	-
<u>Direct Programs:</u>				
High Intensity Drug Trafficking Areas Program - DEA - Southern California Drug Task Force (SCDTF) FY15	95.001		9,943	-
High Intensity Drug Trafficking Areas Program - DEA - Southern California Drug Task Force (SCDTF) FY16	95.001		74,310	-
High Intensity Drug Trafficking Areas Program - Southern California Drug Task Force (SCDTF) FY14/15	95.001		77,349	-
Subtotal			1,225,545	-
TOTAL - U.S. EXECUTIVE OFFICE OF THE PRESIDENT			1,225,545	-

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identification/ Pass-Through Entity Identification Number	Federal Award Expenditures	Pass-Through Awards to Subrecipients
U.S. DEPARTMENT OF HOMELAND SECURITY				
<u>Pass-Through Programs:</u>				
<u>California Governor's Office of Emergency Services:</u>				
Fire Management Assistance Grant	97.046	Cal OES ID: 071-00000	61,100	-
Emergency Management Performance Grant FY15 (EMPG)	97.042	071-00000; 2015-00049	560,951	560,951
Pre-Disaster Mitigation Grant	97.047	07-91092	122,064	122,064
Homeland Security Grant Program - FY13	97.067	FIPS # 071-00000	56,765	-
Homeland Security Grant Program - FY14	97.067	FIPS # 071-00000	1,498,958	944,627
Homeland Security Grant Program - FY15	97.067	FIPS # 071-00000	259,824	259,824
Subtotal			1,815,547	1,204,451
<u>California Department of Parks & Recreation:</u>				
Boating Safety Financial Assistance	97.012	CONTRACT # C8957103	80,000	-
Boating Safety Financial Assistance	97.012	CONTRACT # C1570602	13,061	-
Subtotal			93,061	-
TOTAL - U.S. DEPARTMENT OF HOMELAND SECURITY			2,652,723	1,887,466
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 648,610,948	\$ 41,911,369

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the County of San Bernardino, California (County) under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County. The County's reporting entity is defined in Note 1 to the County's basic financial statements.

The County's basic financial statements include the operations of the Housing Authority of the County of San Bernardino (Housing Authority), which received \$86,923,433 in federal awards which is not included in the schedule during the year ended June 30, 2016. Our audit did not include the operations of the Housing Authority because the Housing Authority engaged other auditors to perform an audit in accordance with the Uniform Guidance.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the Schedule shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the County has determined that no identifying number is assigned for the program or the County was unable to obtain an identifying number from the pass-through entity.

NOTE 4 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The CFDA numbers included in this report were determined based on the program name, review of grant contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

COUNTY OF SAN BERNARDINO, CALIFORNIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 – AGING CLUSTER

The California Department of Aging considers other closely-related pass through programs by the State to be included with the Aging Cluster, in accordance with 2 *CFR* 200.12.

NOTE 6 – MEDICAID CLUSTER

Except for Medi-Cal administrative expenditures, Medicaid (Medi-Cal) and Medicare program expenditures are excluded from the Schedule. These expenditures represent fees for services; therefore, neither is considered a federal award program of the County for purposes of the Schedule or in determining major programs. The County assists the State of California (the State) in determining eligibility and provides Medi-Cal and Medicare services through County-owned health facilities.

Medi-Cal administrative expenditures are included in the Schedule as they do not represent fees for services.

NOTE 7 – INDIRECT COST RATE

The County has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 8 – OUTSTANDING LOANS OF FEDERAL FUNDS AT JUNE 30, 2016

The following schedule represents the amount of outstanding loans by CFDA No. that have continuing compliance requirements. All loans are provided by the U.S. Department of Housing and Urban Development (HUD). Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2016 consists of:

CFDA No.	Federal Program	Outstanding at June 30, 2016
14.239	Home Investment Partnerships Program	\$ 42,518,435

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for major federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u>Yes</u>

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant (CDBG) - Entitlement Grants Cluster
14.239	Home Investment Partnerships Program
93.778	Medicaid Cluster
93.041, 93.042, 93.043, 93.044, 93.045, 93.052 and 93.053	Aging Cluster
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.667	Social Services Block Grant

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 SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED FOR THE FISCAL YEAR ENDED JUNE 30, 2016

II. FINANCIAL STATEMENT FINDINGS

Finding 2016-001

EMPLOYER PAYROLL TRANSMISSION REPORTS

Criteria:

The employer is solely responsible for its financial statements and, therefore, is responsible for evaluating the information used to recognize and disclose pension amounts in its financial statements. Employer management must be able to support the underlying census data used by the plan actuary. Because the employer has access to the records substantiating the census data provided on active members, the employer should have processes and controls in place to determine that complete and accurate information is reported to the plan and the plan actuary regarding active members and that this underlying information is retained to support the measurement and valuation dates used by the plan and reported in the financial statements.

The plan typically acts as the record-keeper for census data. The plan prepares the census data file to provide to the actuary, which is based, in part, on information reported to the plan by the participating employer(s) on a periodic basis. The census data file is an accumulation of census data information reported by participating employer(s) to the plan over numerous years that is adjusted by the plan based on known events.

Census data is reported to the plan in numerous ways. It often begins with the enrollment of an employee, whether by the employer or directly by the employee, through an application process that communicates certain elements of census data—including name, Social Security number, date of birth, gender, date of hire, marital status, and position or job code.

Subsequent to enrollment, incremental changes to the census data are often reported to the plan through periodic employer (payroll) transmission reports that usually correspond with the periodic remittances of employee and employer contributions to the plan. The employer (payroll) transmission reports often include items such as pensionable wages, service credits (periods of time worked), employer contributions, and employee contributions for the period covered by the report. The plan uses the employer (payroll) transmission reports to update its records and the census data file for the current year. Similarly, other important status changes—such as position, marital status, and employment status—may be reported to the plan through a reporting mechanism other than the employer (payroll) transmission reports.

Condition:

Significant Deficiency – As a result of our audit procedures over the County’s net pension liability, remittances of employee and employer contributions to the plan and related census data, we noted the County did not maintain an archive of the employer (payroll) transmission reports submitted to the Retirement Plan (Plan) for fiscal year 2014-2015. Fiscal year 2014-2015 is the fiscal year that corresponds with the net pension liability measurement and valuation dates. Consequently, the County was required to obtain the transmission data file directly from the Plan which served as a substitute for the employer (payroll) transmission reports. We noted the County did implement procedures to reconcile the transmission data files provided by the Plan to the County’s records prior to the start of the audit.

With the County’s assistance, we were able to use the transmission data files provided by the Plan to perform our substantive audit procedures which resulted in no reconciling differences.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

II. FINANCIAL STATEMENT FINDINGS, CONTINUED

Context:

During our audit, we requested the employer payroll transmission reports for fiscal year 2014-2015. Upon our request it was noted that the County could not provide the transmission reports requested since they did not retain the reports. We noted the County did implement procedures to reconcile the transmission data files provided by the Plan to the County's records prior to the start of the audit.

Effect:

The County was unable to provide the employer payroll transmission reports submitted to the Plan for fiscal year 2014-2015, which resulted in alternative procedures performed in order to test the accuracy and completeness of the pensionable data in the transmission data file maintained by the Plan. We used the transmission data files provided by the Plan to perform our substantive audit procedures which resulted in no reconciling differences.

Cause:

The County did not retain or archive the employer payroll transmission reports for FY 2014-2015 in accordance with their internal retention policy.

Recommendation:

This is a repeat condition from Fiscal Year 2015.

We noted the County continues to make progress with implementing the planned corrective action. We noted the County did implement procedures to reconcile the transmission data files provided by the Plan to the County's records prior to the start of the audit. We continue to recommend that the County implement policies and procedures to ensure employer transmission reports submitted to the Plan are properly maintained. We also recommend that the County implement processes and controls to determine that complete and accurate information is reported to the Plan regarding active members on a periodic basis, but no less than quarterly. Suggested procedures can include agreeing aggregate employer/employee contributions and total number of active employees from the transmission files to the payroll registers and to the Plan's records.

View of Responsible Officials and Planned Corrective Action:

See separate corrective action plan.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2016-002

Program: Substance Abuse Prevention Treatment (SAPT)

CFDA No.: 93.959

Federal Grantor: U.S. Department of Health and Human Services

Passed-through: California Department of Health Care Services

Award Year: FY 2015-16

Compliance Requirement: Procurement, Suspension, and Debarment

Criteria:

Title 2 CFR Section 200.213 of the Uniform Guidance states that the County must comply with 2 CFR part 180, which implements Executive Orders 12549 and 12689, "Debarment and Suspension;" Federal awarding agency regulations in Title 2 of the CFR adopting/implementing the OMB guidance in 2 CFR part 180; program legislation; and the terms and conditions of the award. The *2016 Compliance Supplement* states:

- Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.
- When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/portal/public/SAM/>, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).
- Non-Federal entities receiving contracts from the Federal Government are required to comply with the contract clause at FAR 52.209-6 before entering into a subcontract that will exceed \$30,000, other than a subcontract for a commercially available off-the-shelf item.

Condition:

Significant Deficiency, Instance of Non-Compliance: As a result of the testwork performed, the County (Department of Behavioral Health) did not have proper procedures in place for verifying that vendors were not debarred, suspended or otherwise excluded, nor for ensuring there is a clause or condition stated in the contract, prior to entering into covered transactions.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Context:

One of the two contracts selected for testing did not include the EPLS clause or condition. In addition, the Department of Behavioral Health Compliance also reviewed its records and did not have support of their review of the contract. However, of the 2 transactions selected for testing, we noted none of the vendors selected were identified as a suspended or debarred vendor on Sam.gov as of the date of our fieldwork.

Effect:

As a result of the condition noted, there is an increased risk of non-compliance with procurement, suspension and debarment requirements.

Cause:

The County (Department of Behavioral Health) does not have proper procedures in place for verifying that vendors are not suspended, debarred or otherwise excluded prior to entering into covered transactions.

Recommendation:

We recommend the County (Department of Behavioral Health) implement policies and procedures to verify all vendors who are providing services to federally funded programs in excess of \$25,000 to ensure that the entity is not suspended, debarred, or otherwise excluded. This verification should be checked on the System for Awards Management (SAM) website, and evidence of the verification should be maintained.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

Finding 2016-003

Program: Medical Assistance Program (Medicaid Cluster)

CFDA No.: 93.778

Federal Grantor: U.S. Department of Health and Human Services

Passed-through: California Department of Health Services

Award Year: FY 2015-16

Compliance Requirements: Allowable Costs/Cost Principles, Cash Management

Criteria:

Title 2 CFR Section 200.302(b)(6) and (7) of the Uniform Guidance requires all non-Federal entities to establish written procedures to implement the requirements of 2 CFR section 200.305 (Payment) and for determining the allowability of costs in accordance with *Subpart E – Cost Principles* and the conditions of the Federal award.

Condition:

Instance of Non-Compliance – The County (Health Services System Department- HSS) has not established written procedures to implement the cash management requirements of 2 CFR Section 200.305. Further, the County (HSS Department) has not established written procedures for determining allowability of costs in accordance with *Subpart E – Cost Principles* or the conditions of the Federal award.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition noted above was identified during our procedures related to cash management and allowable costs for the Medical Assistance program, which is subject to the *Uniform Guidance*.

Effect:

The County (HSS Department) has not complied with the specific requirements for written procedures over cash management and allowable costs as described in the *Uniform Guidance*.

Cause:

The County's (HSS Department) procedures did not ensure the required written procedures were developed and implemented in accordance with the *Uniform Guidance*.

Recommendation:

We recommend the County (HSS Department) review its policies and formalize written procedures related to cash management requirements within 2 *CFR Section 200.305* and allowable costs in accordance with *Subpart E – Cost Principles*.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

Finding 2016-004

Program: Medical Assistance Program (Medicaid Cluster)

CFDA No.: 93.778

Federal Grantor: U.S. Department of Health and Human Services

Passed-through: California Department of Health Services

Award Year: FY 2015-16

Compliance Requirements: Eligibility

Criteria:

Per the *June 2016 OMB Compliance Supplement*, agencies are required to maintain eligibility records, including documents to support the agency's eligibility determination and information about each individual and benefits paid to or on behalf of the individual. In addition, it is required that eligibility determinations and redeterminations, including obtaining any required documentation and verifications, are performed to determine if individuals are eligible in accordance with the compliance requirements of the program.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Condition:

Significant Deficiency, Instance of Non-Compliance – As a result of our eligibility testing, we noted 2 cases in which the required documentation supporting the redetermination of eligibility was not available for review covering the fiscal year under audit.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

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

Effect:

Lack of reviewable evidence to support the timely eligibility redeterminations could lead to ineligible individuals receiving benefits.

Cause:

The condition is primarily caused by the County (HSS Department) not following its policies and procedures to ensure that documentation pursuant to redeterminations of program eligibility are securely retained.

Recommendation:

We recommend the County (HSS Department) strengthen its current policies and procedures with regards to the safekeeping of documentation associated with the redeterminations of eligibility to ensure that documentation is available for retrieval.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

Finding 2016-005

Program: Social Services Block Grant

CFDA No.: 93.667

Federal Grantor: U.S. Department of Health and Human Services

Passed-through: California Department of Social Services

Award Year: FY 2015-16

Compliance Requirements: Allowable Costs/Cost Principles, Cash Management

Criteria:

Title 2 CFR Section 200.302(b)(6) and (7) of the Uniform Guidance requires all non-Federal entities to establish written procedures to implement the requirements of 2 CFR section 200.305 (Payment) and for determining the allowability of costs in accordance with *Subpart E – Cost Principles* and the conditions of the Federal award.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Condition:

Instance of Non-Compliance – The County (Health Services System Department- HSS) has not established written procedures to implement the cash management requirements of 2 *CFR Section 200.305*. Further, the County (HSS Department) has not established written procedures for determining allowability of costs in accordance with *Subpart E – Cost Principles* or the conditions of the Federal award.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition noted above was identified during our procedures related to cash management and allowable costs for the Social Services Block Grant program, which is subject to the *Uniform Guidance*.

Effect:

The County (HSS Department) has not complied with the specific requirements for written procedures over cash management and allowable costs as described in the *Uniform Guidance*.

Cause:

The County's (HSS Department) procedures did not ensure the required written procedures were developed and implemented in accordance with the *Uniform Guidance*.

Recommendation:

We recommend the County (HSS Department) review its policies and formalize written procedures related to cash management requirements within 2 *CFR Section 200.305* and allowable costs in accordance with *Subpart E – Cost Principles*.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

Finding 2016-006

Program: Community Development Block Grant (CDBG) – Entitlement Grants Cluster

CFDA No.: 14.218

Federal Grantor: U.S. Department of Housing and Urban Development (HUD)

Award Year: FY 2015-16

Compliance Requirements: Allowable Costs/Cost Principles, Cash Management

Criteria:

Title 2 CFR Section 200.302(b)(6) and (7) of the *Uniform Guidance* requires all non-Federal entities to establish written procedures to implement the requirements of 2 *CFR section 200.305* (Payment) and for determining the allowability of costs in accordance with *Subpart E – Cost Principles* and the conditions of the Federal award.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Condition:

Instance of Non-Compliance – The County (Economic Development Agency Department-EDA) has not established written procedures to implement the cash management requirements of 2 *CFR Section 200.305*. Further, the County (EDA Department) has not established written procedures for determining allowability of costs in accordance with *Subpart E – Cost Principles* or the conditions of the Federal award.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition noted above was identified during our procedures related to cash management and allowable costs for the CDBG program, which is subject to the *Uniform Guidance*.

Effect:

The County (EDA Department) has not complied with the specific requirements for written procedures over cash management and allowable costs as described in the *Uniform Guidance*.

Cause:

The County's (EDA Department) procedures did not ensure the required written procedures were developed and implemented in accordance with the *Uniform Guidance*.

Recommendation:

We recommend the County (EDA Department) review its policies and formalize written procedures related to cash management requirements within 2 *CFR Section 200.305* and allowable costs in accordance with *Subpart E – Cost Principles*.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Finding 2016-007

Program: Community Development Block Grant (CDBG) – Entitlement Grants Cluster

CFDA No.: 14.218

Federal Grantor: U.S. Department of Housing and Urban Development (HUD)

Award Year: FY 2015-16

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Criteria:

Title 2 CFR Section 200.430 Compensation – Personal Services of the *Uniform Guidance* outline standards for documentation of personnel expenses, and require that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed and must:

- Be supported by a system of internal controls which provide reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Budget estimates alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes provided that:
 - The system for establishing the estimates produces reasonable approximations of the activity actually performed.
 - Significant changes are identified and entered into records in a timely manner.
- The system of internal controls includes processes to review after-the-fact interim charges made to a Federal award based on budget estimates. All necessary adjustments must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

Condition:

Significant Deficiency, Instance of Non-Compliance – The County (EDA Department) did not have a system of internal controls in place in order to ensure that all necessary adjustments were made to the estimated costs charged to the program, such that the final amount charged to the Federal award was accurate, allowable, and properly allocated, in accordance with *2 CFR 200.430*.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition noted above was identified during our procedures related to the activities allowed or unallowed, allowable costs/cost principles for the CDBG program, including review of the estimated payroll/personnel charges. We noted that there was not a system in place to ensure that estimated costs charged to the program were accurate, allowable, and properly allocated, prior to the drawdown of federal funds.

Effect:

The County (EDA Department) was unable to provide evidence of actual payroll/personnel charges that support the interim drawdowns of federal funds or an after-the-fact review of interim charges made to the Federal award based on budget estimates.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Cause:

The County (EDA Department) does not have procedures in place to ensure the salary cost charged to the program were properly supported by a system of internal controls, including a process to review after-the-fact interim charges made to the Federal award in accordance with 2 *CFR 200.430*.

Recommendation:

We recommend the County (EDA Department) implement policies and internal control procedures related to allowable costs for personnel for federal grants to ensure that the required budget to actual reviews are performed and documented in accordance with 2 *CFR 200.430*. We also recommend that the County (EDA Department) reconcile, on a quarterly basis, payroll costs charged to the program to the timekeeping system and the labor distribution reports.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

Finding 2016-008

Program: Community Development Block Grant (CDBG) – Entitlement Grants Cluster

CFDA No.: 14.218

Federal Grantor: U.S. Department of Housing and Urban Development (HUD)

Award Year: FY 2015-16

Compliance Requirements: Allowable Costs/Cost Principles

Criteria:

Title 2 CFR Section 200.430(e)(5) Indirect (F&A) Costs and Appendix VII (D)(1)(a) of the Uniform Guidance states that all departments or agencies of the governmental unit desiring to claim indirect costs under Federal awards must prepare an indirect cost rate proposal and related documentation to support those costs. The proposal and related documentation must be retained for audit in accordance with the records retention requirements contained 2 *CFR Section 200.333 Retention Requirements for Records*.

Furthermore, HUD requires that if Funding Assistance will be used for payment of indirect costs pursuant to 2 *CFR 200, Subpart E – Cost Principles* a schedule must be attached to the application, which identifies each department/agency that will carry out activities with the Funding Assistance, the indirect cost rate applicable to each department/agency, and the direct cost base to which the rate will be applied. Per the *HUD CPD-16-04*, the grantee can use the 10% de minimis rate without HUD’s prior approval.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Condition:

Significant Deficiency, Instance of Non-Compliance – We noted the County (EDA Department) did not receive preapproval from HUD to charge indirect costs to the CDBG program. We also noted the County (EDA Department) did not prepare a formal indirect cost rate proposal or calculate the 10% de minimis rate in accordance with the *Uniform Guidance*.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition noted above was identified during our procedures related to the allowable costs/cost principles for the CDBG program, including review of the indirect cost allocation method used by the County (EDA Department). We noted that the County (EDA Department) did not have an indirect cost rate proposal. We also noted that the indirect cost method used by the Department was not submitted to or approved by HUD as part of the grant application. However, during our audit fieldwork, we noted the County prepared an informal indirect cost rate, using the 10% de minimis rate and the modified total direct costs base (MTDC), noting the total indirect costs charged to the program were less than the total costs that would be permitted using the 10% de minimis rate.

Effect:

As a result of the condition noted, the County (EDA Department) is not applying indirect costs to the CDBG program in accordance with *Uniform Guidance*.

Cause:

The County (EDA Department) procedures did not ensure that indirect costs applied to the program were in accordance with *Uniform Guidance*.

Recommendation:

We recommend the County (EDA Department) develop an indirect cost rate proposal in accordance with *Uniform Guidance* or use the 10% de minimis rate permitted by the *Uniform Guidance*. We also recommend that the Department submit the indirect cost rate proposal as part of the application for funding as required by HUD.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Finding 2016-009

Program: Home Investment Partnerships Program (HOME)

CFDA No.: 14.239

Federal Grantor: U.S. Department of Housing and Urban Development (HUD)

Award Year: FY 2015-16

Compliance Requirements: Allowable Costs/Cost Principles, Cash Management

Criteria:

Title 2 CFR Section 200.302(b)(6) and (7) of the Uniform Guidance requires all non-Federal entities to establish written procedures to implement the requirements of 2 CFR section 200.305 (Payment) and for determining the allowability of costs in accordance with *Subpart E – Cost Principles* and the conditions of the Federal award.

Condition:

Instance of Non-Compliance – The County (Economic Development Agency Department- EDA) has not established written procedures to implement the cash management requirements of 2 CFR Section 200.305. Further, the County (EDA Department) has not established written procedures for determining allowability of costs in accordance with *Subpart E – Cost Principles* or the conditions of the Federal award.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition noted above was identified during our procedures related to cash management and allowable costs for the HOME program, which is subject to the *Uniform Guidance*.

Effect:

The County (EDA Department) has not complied with the specific requirements for written procedures over cash management and allowable costs as described in the *Uniform Guidance*.

Cause:

The County's (EDA Department) procedures did not ensure the required written procedures were developed and implemented in accordance with the *Uniform Guidance*.

Recommendation:

We recommend the County (EDA Department) review its policies and formalize written procedures related to cash management requirements within 2 CFR Section 200.305 and allowable costs in accordance with *Subpart E – Cost Principles*.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Finding 2016-010

Program: Home Investment Partnerships Program (HOME)

CFDA No.: 14.239

Federal Grantor: U.S. Department of Housing and Urban Development (HUD)

Award Year: FY 2015-16

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Criteria:

Title 2 CFR Section 200.430 Compensation – Personal Services of the *Uniform Guidance* outline standards for documentation of personnel expenses, and require that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed and must:

- Be supported by a system of internal controls which provide reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Budget estimates alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes provided that:
 - The system for establishing the estimates produces reasonable approximations of the activity actually performed.
 - Significant changes are identified and entered into records in a timely manner.
- The system of internal controls includes processes to review after-the-fact interim charges made to a Federal award based on budget estimates. All necessary adjustments must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

Condition:

Significant Deficiency, Instance of Non-Compliance – The County (EDA Department) did not have a system of internal controls in place in order to ensure that all necessary adjustments were made to the estimated costs charged to the program, such that the final amount charged to the Federal award was accurate, allowable, and properly allocated, in accordance with *2 CFR 200.430*.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition noted above was identified during our procedures related to the activities allowed or unallowed, allowable costs/cost principles for the HOME program, including review of the estimated payroll/personnel charges. We noted that there was not a system in place to ensure that estimated costs charged to the program was accurate, allowable, and properly allocated, prior to the drawdown of federal funds.

Effect:

The County (EDA Department) was unable to provide evidence of actual payroll/personnel charges that support the interim drawdowns of federal funds or an after-the-fact review of interim charges made to the Federal award based on budget estimates.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Cause:

The County (EDA Department) does not have procedures in place to ensure the salary cost charged to the program were properly supported by a system of internal controls, including a process to review after-the-fact interim charges made to the Federal award in accordance with 2 *CFR 200.430*.

Recommendation:

We recommend the County (EDA Department) implement policies and internal control procedures related to allowable costs for personnel for federal grants to ensure that the required budget to actual reviews are performed and documented in accordance with 2 *CFR 200.430*. We also recommend that the County (EDA Department) reconcile, on a quarterly basis, payroll costs charged to the program to the timekeeping system and the labor distribution reports.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

Finding 2016-011

Program: Home Investment Partnerships Program (HOME)

CFDA No.: 14.239

Federal Grantor: U.S. Department of Housing and Urban Development (HUD)

Award Year: FY 2015-16

Compliance Requirements: Allowable Costs/Cost Principles

Criteria:

Title 2 CFR Section 200.430(e)(5) Indirect (F&A) Costs and Appendix VII (D)(1)(a) of the Uniform Guidance states that all departments or agencies of the governmental unit desiring to claim indirect costs under Federal awards must prepare an indirect cost rate proposal and related documentation to support those costs. The proposal and related documentation must be retained for audit in accordance with the records retention requirements contained 2 *CFR Section 200.333 Retention Requirements for Records*.

Furthermore, HUD requires that if Funding Assistance will be used for payment of indirect costs pursuant to 2 *CFR 200, Subpart E – Cost Principles* a schedule must be attached to the application, which identifies each department/agency that will carry out activities with the Funding Assistance, the indirect cost rate applicable to each department/agency, and the direct cost base to which the rate will be applied. Per the *HUD CPD-16-04*, the grantee can use the 10% de minimis rate without HUD's prior approval.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Condition:

Significant Deficiency, Instance of Non-Compliance – We noted the County (EDA Department) did not receive preapproval from HUD to charge indirect costs to the HOME program. We also noted the County (EDA Department) did not prepare a formal indirect cost rate proposal or calculate the 10% de minimis rate in accordance with the *Uniform Guidance*.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition noted above was identified during our procedures related to the allowable costs/cost principles for the HOME program, including review of the indirect cost allocation method used by the County (EDA Department). We noted that the County (EDA Department) did not have an indirect cost rate proposal. We also noted that the indirect cost method used by the Department was not submitted to or approved by HUD as part of the grant application. However, during our audit fieldwork, we noted the County prepared an informal indirect cost rate, using the 10% de minimis rate and the modified total direct costs base (MTDC), noting the total indirect costs charged to the program were less than the total costs that would be permitted using the 10% de minimis rate.

Effect:

As a result of the condition noted, the County (EDA Department) is not applying indirect costs to the HOME program in accordance with *Uniform Guidance*.

Cause:

The County (EDA Department) procedures did not ensure that indirect costs applied to the program were in accordance with *Uniform Guidance*.

Recommendation:

We recommend the County (EDA Department) develop an indirect cost rate proposal in accordance with *Uniform Guidance* or use the 10% de minimis rate permitted by the *Uniform Guidance*. We also recommend that the Department submit the indirect cost rate proposal as part of the application for funding as required by HUD.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Finding 2016-012

Program: Home Investment Partnerships Program (HOME)

CFDA No.: 14.239

Federal Grantor: U.S. Department of Housing and Urban Development (HUD)

Award Year: FY 2015-16

Compliance Requirements: Program Income

Criteria:

2 CFR 200.307(e)(1) of the Uniform Guidance, states that ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the Federal awarding agency authorizes otherwise. Program income that the non-Federal entity did not anticipate at the time of the Federal award must be used to reduce the Federal award and non-Federal entity contributions rather than to increase the funds committed to the project.

Also, per the HOME and CDBG Guidebook, program income must follow all of the HOME rules and must be used before drawing down new HOME funds.

Condition:

Significant Deficiency, Instance of Non-Compliance – As a result of our program income testwork, we noted that program income generated with Federal awards was not expended for current costs prior to drawing down additional grant funds, and is remaining in the fund.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition noted above was identified during our procedures related to program income for the HOME program, which is subject to the *Uniform Guidance*.

Effect:

The County (EDA Department) has not complied with the specific requirements for program income as described in the *Uniform Guidance*.

Cause:

The County (EDA Department) did not follow compliance requirements over program income as stated in the *HOME and CDBG Guidebook* in accordance with the *Uniform Guidance*.

Recommendation:

We recommend the County (EDA Department) implement policies and procedures to comply with program income compliance requirements as stated in the *HOME and CDBG Guidebook* and the *Uniform Guidance*. We also recommend that the County (EDA Department) develop and implement internal cash management policies and procedures related to program income, which should include a tracking mechanism to ensure that program income is used before drawing down on new HOME funds.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

Finding 2016-013

Program: Home Investment Partnerships Program (HOME)

CFDA No.: 14.239

Federal Grantor: U.S. Department of Housing and Urban Development (HUD)

Award Year: FY 2015-16

Compliance Requirements: Special Tests and Provisions – Housing Quality Standards and Qualification as Affordable Housing

Criteria:

The *June 2016 Compliance Supplement* states that during the period of affordability (i.e., the period for which the non-Federal entity must maintain subsidized housing) for HOME assisted rental housing, the participating jurisdiction must perform on-site inspections to determine compliance with property standards and verify the information submitted by owners no less than (a) every 3 years for projects containing 1 to 4 units, (b) every 2 years for projects containing 5 to 25 units, and (c) every year for projects containing 26 or more units.

Also, per *24 CFR Section 92.252(f)(2) Qualification as Affordable Housing: Rental Housing*: Owners must annually provide the participating jurisdiction with information on rents and occupancy of HOME-assisted units to demonstrate compliance with program requirements. The participating jurisdiction must review rents for compliance and approve or disapprove them every year.

Condition:

Significant Deficiency, Instance of Non-Compliance – For 5 of the 5 HOME assisted rental housing projects selected for testwork, the County (EDA Department) did not perform on-site inspections for Housing Quality Standards in the required frequency based on the number of HOME assisted units. It was noted that for 2 of the 5 HOME assisted rental housing projects selected for testwork, on-site inspections were not performed during fiscal year 2015-2016.

For 2 of the 5 HOME assisted rental housing projects selected for testwork, the County (EDA Department) did not follow up on deficiencies that were noted as a result of the on-site inspections.

For 5 out of the 5 HOME assisted rental housing project loans selected for review, the County (EDA Department) did not perform annual reviews of the information on rents and occupancy of the HOME-assisted units to determine compliance with the HOME program. It was noted that for 2 of the 5 HOME assisted rental housing project loans selected for review, annual reviews were not performed during fiscal year 2015-2016.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Context:

The condition noted above was identified during our testing over special tests and provisions requirements of the program.

Effect:

By not performing all of the required on-site inspections and annual reviews for the HOME assisted rental housing projects, the County (EDA Department) increases its risk of non-compliance with special tests and provisions of the HOME Investment Partnerships Program.

Cause:

The County (EDA Department) did not perform all of the on-site inspections, or follow up on documented deficiencies, as required by the HOME program for HOME assisted rental housing projects.

Also, the County (EDA Department) did not perform the annual reviews of information on rents and occupancy of the HOME-assisted units as required under the HOME Investment Partnerships Program.

Recommendation:

It is recommended that the County (EDA Department) implement policies and procedures to ensure the requirements for the frequency of on-site Housing Quality Standards inspections and the review of information on rents and occupancy of HOME-assisted housing units are in accordance with the HOME program requirements.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

Finding 2016-014

Program: Home Investment Partnerships Program (HOME)

CFDA No.: 14.239

Federal Grantor: U.S. Department of Housing and Urban Development (HUD)

Award Year: FY 2015-16

Compliance Requirements: Special Tests and Provisions – Wage Rate Requirements

Criteria:

The *June 2016 Compliance Supplement* states that non-Federal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and the DOL 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 and 5.6; the A-102 Common Rule (Section___.36(i)(5); OMB Circular A-110 (2 CFR part 215, Appendix A, Contract Provisions); 2 CFR part 176, subpart C; and 2 CFR section 200.236).

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Furthermore, the United States Department of Labor states that the Copeland Act (40 U.S.C. Section 3145) requires contractors and subcontractors performing work on Federally financed or assisted construction contracts to “furnish weekly a statement with respect to the wages paid each employee during the preceding week.” U.S. Department of Labor (DOL) Regulations at 29 C.F.R. Section 5.5(a)(3)(ii) require contractors to submit weekly a copy of all payrolls to the Federal agency contracting for or financing the construction project, accompanied by a signed “Statement of Compliance” indicating that the payrolls are correct and complete and that each laborer or mechanic has been paid not less than the proper Davis-Bacon prevailing wage rate for the work performed.

Condition:

Instance of Non-Compliance –As a result of our testwork, we noted the County (EDA Department) did not consistently receive the certified payrolls from construction contractors/sub-contractors within the required timeframe as stated in the U.S. Department of Labor regulations.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition noted above was identified during our testing over special tests and provisions requirements of the program.

Effect:

By not having its construction contractors/sub-contractors submit certified payrolls within the required timeframe, the County (EDA Department) increases its risk of noncompliance with special tests and provisions related to the wage rate requirements set forth in the *June 2016 Compliance Supplement*.

Cause:

The County’s (EDA Department) construction contractors/sub-contractors did not submit the certified payrolls within the required timeframe, as required by the U.S. Department of Labor.

Recommendation:

It is recommended that the County (EDA Department) implement policies and procedures to ensure construction contractors/sub-contractors submit certified payroll within the timeframe required by the U.S. Department of Labor.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Finding 2016-015

Program: Aging Cluster

CFDA Nos.: 93.041, 93.042, 93.043, 93.044, 93.045, 93.052, 93.053

Federal Grantor: U.S. Department of Health and Human Services

Passed-through: California Department of Aging

Award Year: FY 2015-16

Compliance Requirements: Allowable Costs/Cost Principles, Cash Management

Criteria:

Title 2 CFR Section 200.302(b)(6) and (7) of the Uniform Guidance requires all non-Federal entities to establish written procedures to implement the requirements of 2 CFR section 200.305 (Payment) and for determining the allowability of costs in accordance with *Subpart E – Cost Principles* and the conditions of the Federal award.

Condition:

Instance of Non-Compliance – The County (Department of Aging and Adult Services-DAAS) has not established written procedures to implement the cash management requirements of 2 *CFR Section 200.305*. Further, the County (DAAS Department) has not established written procedures for determining allowability of costs in accordance with *Subpart E – Cost Principles* or the conditions of the Federal award.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition noted above was identified during our procedures related to cash management and allowable costs for the Aging Cluster program, which is subject to the *Uniform Guidance*.

Effect:

The County (DAAS Department) has not complied with the specific requirements for written procedures over cash management and allowable costs as described in the *Uniform Guidance*.

Cause:

The County's (DAAS Department) procedures did not ensure the required written procedures were developed and implemented in accordance with the *Uniform Guidance*.

Recommendation:

We recommend the County (DAAS Department) review its policies and formalize written procedures related to cash management requirements within 2 *CFR Section 200.305* and allowable costs in accordance with *Subpart E – Cost Principles*.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Summarized below is the current status of all audit findings reported in the prior year audit’s schedule of audit findings and questioned costs.

Federal Award Findings

Finding No.	Program Name	CFDA No.	Compliance Requirement	Status of Corrective Action
2015-001	Employer Payroll Transmission Reports	Not Applicable	Not Applicable	Partially Implemented (See finding at 2016-001)
2015-002	Equitable Sharing Program	16.922	Procurement Suspension and Debarment	Implemented
2015-003	Equitable Sharing Program	16.922	Reporting	Implemented

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SUPPLEMENTAL SCHEDULE OF OFFICE OF CALIFORNIA
STATE DEPARTMENT OF AGING GRANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Program Title	Federal CFDA Number	Contract Number	Federal Award Expenditures	State Expenditures
Senior Community Service Employment Program - Title V (SCSEP)	17.235	TV-1515-20	\$ 304,554	\$ -
Special Programs for the Aging - Chapter 3, Prevention of Elder Abuse	93.041	AP-1516-20	22,365	-
Special Programs for the Aging - Chapter 2, Long Term Care Ombudsman	93.042	AP-1516-20	4,223	-
Special Programs for the Aging - Title III, Part D, Disease Prevention	93.043	AP-1516-20	98,221	-
Special Programs for the Aging - Title III, Part B, Supportive Services	93.044	AP-1516-20	1,552,601	44,940
Special Programs for the Aging - Title III, Parts C1 and C2, Nutrition Services	93.045	AP-1516-20	3,062,795	355,607
National Family Caregiver Support - Title III, Part E	93.052	AP-1516-20	464,992	-
Nutrition Services Incentive Program	93.053	AP-1516-20	573,253	-
Medicare Improvements for Patients and Providers Act (MIPPA)	93.071	MI-1517-20	39,543	-
ACA Financial Alignment	93.626	FA-1516-20	77,973	-
Medi-Cal Assistance Program (Title XIX, MSSP)	93.778	MS-1516-17	14,454,164	8,113,012
Health Insurance Counseling and Advocacy Program (HICAP)	93.779	HI-1516-20	172,506	242,931
Ombudsman Special Deposit Fund (SDF)	N/A	AP-1516-20	-	72,745
Ombudsman Skilled Nursing Facility Quality & Accountability Fund (SNFQAF)	N/A	AP-1516-20	-	83,507
Ombudsman Public Health L & C Program Fund	N/A	AP-1516-20	-	7,101
Totals			\$ 20,827,190	\$ 8,919,843