



State of California

Federal Compliance Audit Report for the
Fiscal Year Ended June 30, 2022

June 2024

REPORT 2022-002





CALIFORNIA STATE AUDITOR

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June 26, 2024

2022-002

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

Dear Governor and Legislative Leaders:

As required by Government Code section 8543 et seq., the California State Auditor (State Auditor) presents this audit report concerning the review of the State of California's internal controls and compliance with federal laws and regulations for the year ended June 30, 2022. The State Auditor contracted with Macias Gini & O'Connell LLP (MGO) to perform this audit for fiscal year 2021–22.

This report concludes that the State did not materially comply with certain requirements for seven of the 17 federal programs or clusters of programs (federal programs) MGO audited, including one program for which the noncompliance was pervasive. Additionally, although MGO concluded that the State materially complied with requirements for the remaining federal programs it audited, the State continues to experience certain deficiencies in its accounting and administrative practices that affect its internal controls over compliance with federal requirements. Deficiencies in the State's internal control system could adversely affect its ability to administer federal programs in compliance with applicable requirements.

Respectfully submitted,

A handwritten signature in black ink that reads "Linus Li".

LINUS LI, CPA
Deputy State Auditor

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Contents

AUDITOR'S SECTION	1
Independent Auditor's Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedule of Expenditures of Federal Awards Performed in Accordance With <i>Government Auditing Standards</i>	6
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	8
Schedule of Findings and Questioned Costs	13
Schedule of Expenditures of Federal Awards Findings	19
Schedule of Federal Award Findings and Questioned Costs	27
U.S. Department of Agriculture	29
U.S. Department of Labor	32
U.S. Department of the Treasury	41
U.S. Department of Health and Human Services	43
AUDITEE'S SECTION	57
Schedule of Expenditures of Federal Awards	59
Notes to the Schedule of Expenditures of Federal Awards	75
Summary Schedule of Prior Audit Findings	81
Department of Finance Response Letter	101
Management's Response and Corrective Action Plan	105

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Auditor's Section

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

The Governor and the Legislature of the State of California:

Report on the Audit of the Schedule of Expenditures of Federal Awards

Qualified Opinion

We have audited the schedule of expenditures of federal awards (the Schedule) of the State of California (State) for the fiscal year ended June 30, 2022, and the related notes to the Schedule (the financial statement).

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statement presents fairly, in all material respects, the expenditures of federal awards of the State for the fiscal year ended June 30, 2022, in accordance with the cash basis of accounting described in Note 2.

Basis for Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the State, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Matter Giving Rise to Qualified Opinion on the Financial Statement

We were unable to obtain sufficient appropriate audit evidence supporting the eligible amount of the State's federal award expenditures for the Unemployment Insurance program (Assistance Listing Number 17.225) for the fiscal year ended June 30, 2022, due to the extent and pervasiveness of benefit payments made to ineligible claimants included in the reported expenditures.

Emphasis of Matters

Basis of Accounting

We draw attention to Note 2 to the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Federal Awards Not Included in the Financial Statement

As described in Note 1 to the financial statement, the State of California's basic financial statements include the operations of the University of California system, a component unit of the State of California, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency, a component unit of the State of California, which reported \$7.5 billion, \$3.9 billion, \$164.0 million, \$80.0 million, and \$1.1 billion, respectively, in federal awards, which are not included in the Schedule for the fiscal year ended June 30, 2022. Our audit, described above, did not include the federal awards of the University of California system, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency because these entities engaged other auditors to perform an audit in accordance with the Uniform Guidance. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

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

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2024, on our consideration of the State's internal control over financial reporting of the financial statement and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance of the financial statement, and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance of the financial statement.



Sacramento, California
June 21, 2024



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

The Governor and the Legislature of the State of California:

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the Schedule of Expenditures of Federal Awards (the Schedule) of the State of California (State) for the fiscal year ended June 30, 2022, and the related notes to the Schedule (the financial statement), and have issued our report thereon dated June 21, 2024. Our report is qualified because we were unable to obtain sufficient appropriate audit evidence supporting the eligible amount of the State’s federal award expenditures for the Unemployment Insurance program (Assistance Listing Number 17.225), and includes emphasis of matter paragraphs to describe the basis of accounting and those entities which are audited by other auditors and whose federal award expenditures are not included in the Schedule. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or 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 have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002.

State of California's Response to Findings

Government Auditing Standards requires auditors to perform limited procedures on the State's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The State's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

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.



Sacramento, California
June 21, 2024



**Independent Auditor's Report on Compliance for Each Major
Federal Program and Report on Internal Control Over
Compliance Required by the Uniform Guidance**

The Governor and the Legislature of the State of California:

Report on Compliance for Each Major Federal Program

Adverse, Qualified and Unmodified Opinions

We have audited the State of California's (State) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the fiscal year ended June 30, 2022. The State's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Adverse Opinion on the Unemployment Insurance Program

In our opinion, because of the significance of the matter discussed in the Basis for Adverse, Qualified and Unmodified Opinions section of our report, the State did not comply in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Unemployment Insurance program for the fiscal year ended June 30, 2022.

Qualified Opinion on Certain Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified and Unmodified Opinions section of our report, the State complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal programs listed in the Basis for Adverse, Qualified and Unmodified Opinions section of our report for the fiscal year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the fiscal year ended June 30, 2022.

Basis for Adverse, Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of State and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, modified, and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the State’s compliance with the compliance requirements referred to above.

Matters Giving Rise to Adverse Opinion on the Unemployment Insurance Program

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

Finding Number	Assistance Listing Number	Federal Program Name or Cluster	Compliance Requirement(s)	State Administering Department
2022-004 2022-005 2022-006	17.225	Unemployment Insurance	Activities Allowed or Unallowed Eligibility	Employment Development Department

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to that program.

Matters Giving Rise to Qualified Opinion on Certain Major Federal Programs

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

Finding Number	Assistance Listing Number	Federal Program Name or Cluster	Compliance Requirement(s)	State Administering Department
2022-003	10.557	Special Supplemental Nutrition Program for Women Infants, and Children	Eligibility	Department of Public Health
2022-007	21.027	Coronavirus State and Local Fiscal Recovery Funds	Activities Allowed or Unallowed	Department of Finance
2022-008	93.767	Children's Health Insurance Program	Activities Allowed or Unallowed	Department of Health Care Services
2022-008	93.778	Medical Assistance Program (Medicaid Cluster)	Activities Allowed or Unallowed	Department of Health Care Services
2022-010	93.917	HIV Care Formula Grants	Eligibility	Department of Public Health
2022-011	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Subrecipient Monitoring	Department of Public Health

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to these programs.

Other Matter – Federal Expenditures Not Included in the Compliance Audit

As described in Note 1 to the Schedule of Expenditures of Federal Awards (Schedule), the State's basic financial statements include the operations of the University of California system, a component unit of the State, the California State University system, the State Water Resources Control Board Water Pollution Control Revolving Fund, the State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency, a component unit of the State, which reported \$7.5 billion, \$3.9 billion, \$164.0 million, \$80.0 million, and \$1.1 billion, respectively, in federal awards, which are not included in the State's Schedule during the fiscal year ended June 30, 2022. Our compliance audit, described in the Adverse, Qualified and Unmodified Opinions section of our report, did not include the federal awards of the University of California system, the California State University system, the State Water Resources Control Board Water Pollution Control Revolving Fund, the State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency because these entities engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the State's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the State's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the State's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the State's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the State's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matter

Government Auditing Standards requires the auditor to perform limited procedures on the State's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The State's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-003, 2022-004, 2022-005, 2022-006, 2022-007, 2022-008, 2022-009, 2022-010, 2022-011, and 2022-012 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the State's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The State's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Sacramento, California
June 21, 2024

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Schedule of Findings and Questioned Costs

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**STATE OF CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditor’s Results

Financial Statements

Issued under a separate cover. Refer to California State Auditor’s 2022-001.1 report entitled *State of California: Internal Control and Compliance Audit Report for the Fiscal Year Ended June 30, 2022*.

Schedule of Expenditures of Federal Awards (Schedule)

Type of report the auditor issued on whether the Schedule audited was prepared in accordance with the cash basis of accounting:

Qualified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes
No

Noncompliance material to the Schedule noted?

Yes

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes
No

Type of auditor’s report issued on compliance for the major federal programs:

Refer to the tables that follow

Adverse Opinion

<u>Assistance Listing Number</u>	<u>Federal Program or Cluster</u>
17.225	Unemployment Insurance

Qualified Opinion

<u>Assistance Listing Number</u>	<u>Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
21.027	Coronavirus State and Local Fiscal Recovery Funds
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
93.767	Children’s Health Insurance Program
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
93.917	HIV Care Formula Grants

Unmodified Opinion

<u>Assistance Listing Number</u>	<u>Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
10.582	Fresh Fruit and Vegetable Program
14.231	Emergency Solutions Grant Program
21.023	Emergency Rental Assistance Program
84.010	Title I Grants to Local Educational Agencies
84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)
	Education Stabilization Fund:
84.425C	Governor’s Emergency Education Relief Fund
84.425D	Elementary and Secondary School Emergency Relief Fund
84.425G	Discretionary Grants: Reimagining Workforce Preparation Grants
84.425R	Discretionary Grants
84.425U	American Rescue Plan – Elementary and Secondary School Emergency Relief
84.425W	American Rescue Plan – Elementary and Secondary School Emergency Relief – Homeless Children and Youth
93.658	Foster Care Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.959	Block Grants for Prevention and Treatment of Substance Abuse

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

Yes

Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
10.582	Fresh Fruit and Vegetable Program
14.231	Emergency Solutions Grant Program
17.225	Unemployment Insurance
21.023	Emergency Rental Assistance Program
21.027	Coronavirus State and Local Fiscal Recovery Funds
84.010	Title I Grants to Local Educational Agencies
84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) Education Stabilization Fund:
84.425C	Governor’s Emergency Education Relief Fund
84.425D	Elementary and Secondary School Emergency Relief Fund
84.425G	Discretionary Grants: Reimagining Workforce Preparation Grants
84.425R	Discretionary Grants
84.425U	American Rescue Plan – Elementary and Secondary School Emergency Relief
84.425W	American Rescue Plan – Elementary and Secondary School Emergency Relief – Homeless Children and Youth
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
93.658	Foster Care Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	Children’s Health Insurance Program Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
93.917	HIV Care Formula Grants
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between type A and type B programs: \$272,017,698

Auditee qualified as low-risk auditee? No

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Schedule of Expenditures of Federal Awards Findings

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EMPLOYMENT DEVELOPMENT DEPARTMENT

Reference Number: 2022-001

Type of Finding: Material Weakness and Material Instance of Noncompliance

Criteria

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

The non-Federal entity must:

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

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart F - Audit Requirements. §200.510 Financial statements (2 CFR 200.510):

- (b) *Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:
 - (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.

Condition

The State of California (State) has a decentralized financial reporting process, which requires State agencies and departments to provide specific financial information to the Department of Finance (Finance) in order to annually compile the Schedule of Expenditures of Federal Awards (Schedule). In its effort to more efficiently and accurately prepare the Schedule in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Finance developed the Single Audit Expenditures Reporting Database (Database). Finance developed the Database to include all of the relevant data fields necessary to compile and produce the Schedule. Finance also created a Single Audit Database User Manual, which provides specific guidance to users for accessing and navigating through the database.

Due to the unprecedented impacts from the COVID-19 pandemic, the Employment Development Department (EDD) was unable to timely report to Finance through the Database with accurate and reliable federal cash basis expenditures for its largest federal award program that it administers, the Unemployment Insurance (ALN 17.225) program. The delay resulted in Finance being unable to compile and produce a complete and final approved Schedule until December 2023. Although an initial estimated expenditure amount was reported by EDD of \$27.0 billion, the final amount reported in the Schedule was \$23.3 billion.

Cause

Given the substantial increase in claimants seeking assistance under the Unemployment Insurance program resulting from the COVID-19 pandemic, EDD was overwhelmed with the administration of the Unemployment Insurance program.

Effect

The difficulties that EDD encountered from the COVID-19 pandemic, resulted in the late reporting and submission of final federal cash basis expenditures to Finance. The untimely submission continued to limit and constrain Finance from compiling and producing a final complete and accurate Schedule.

Questioned Costs

Questioned costs were not determinable.

Recommendation

EDD should continue to evaluate existing processes and controls related to its ability to properly report, and timely submit complete and accurate federal award cash basis expenditures to the Database, which affords Finance the ability to timely compile and produce a final Schedule pursuant to the Uniform Guidance.

Views of Responsible Officials and Corrective Action Plan

EDD agrees with this finding. The deferred transition to FI\$Cal and the difficulties experienced thereafter have continued to cause EDD to be late with submitting year-end financials and its ability to submit timely the cash basis expenditures into the Single Audit Expenditures Reporting Database (Database). In addition, the onset of the COVID-19 pandemic created additional issues which ultimately impacted the EDD's ability to submit timely year-end financials. However, the EDD continues to make progress to gain ground in the department's efforts to follow the State's deadlines for submitting year-end financials and entering the cash basis expenditures into the Database.

During fiscal year 2022-23, the EDD completed a restructuring within the accounting area which realigned workload amongst the units and provided additional resources in critical areas. These changes will have a lasting effect and help the department to be better positioned going forward in processing the accounting workload and ultimately be able to catch up and submit year-end financials and enter the cash basis expenditures into the Database by the State's deadlines. In addition, the EDD took lessons learned from the financial audits from the prior two fiscal years to update processes and procedures and applied that knowledge going forward. Also, staff continue to participate in various trainings offered by the Department of Finance and the Department of FI\$Cal. In addition, staff work with the control agencies when issues arise that would impact our accounting functions.

While the EDD has been behind in submitting year-end financials for prior years, the department is making great progress on catching up. The EDD submitted the last of its fiscal year 2021-22 financials in May 2023 and submitted the last of its fiscal year 2022-23 financials in January 2024. The department is now working on identifying the ineligible payment data needed in order to accurately reflect the cash basis expenditures to enter into the Database. The EDD's goal is to submit fiscal year 2023-24 financials in November 2024. Similar to the 2020-21 financial audit, the EDD will take the knowledge learned during prior audit seasons and continue to engage with the control agencies, and continue to train and develop staff in order to keep progressing towards the department's goal of becoming timely with the submission of the year-end financials and the entering of the cash basis expenditures into the Database.

DEPARTMENT OF PUBLIC HEALTH

Reference Number: 2022-002

Type of Finding: Material Weakness and Instance of Noncompliance

Criteria

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

The non-Federal entity must:

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

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart F - Audit Requirements. §200.510 Financial statements (2 CFR 200.510):

- (b) *Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:
 - (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
 - (4) Include the total amount provided to subrecipients from each Federal program.

Condition

The State of California (State) has a decentralized financial reporting process, which requires State agencies and departments to provide specific financial information to the Department of Finance (Finance) in order to annually compile the Schedule of Expenditures of Federal Awards (Schedule). In its effort to more efficiently and accurately prepare the Schedule in accordance with the requirements of 2 CFR 200.510, Finance developed the Single Audit Expenditures Reporting Database (Database) to include all relevant data fields necessary to compile and produce the Schedule. Finance also created a Single Audit Database User Manual, which provides specific guidance to users for accessing and navigating through the database. Departments are given access to the centralized Database by Finance in order to upload and report federal award information for all federal award programs which they administer.

The California Department of Public Health (Public Health) understated federal expenditures and overstated amounts passed through to subrecipients for the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) program (ALN No. 93.323).

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

Cause

Public Health was a subrecipient of federal funds provided by their bona fide agent, Heluna Health, during the fiscal year ended June 30, 2022. Initially, the ELC program funds were not identified and recognized as federal expenditures until January 2023. During its compilation of federal award expenditures for reporting in Finance's Database, Public Health did not properly analyze and capture all relevant financial transactions related to the ELC program.

Effect

Federal expenditures originally reported in the Schedule by Public Health for the ELC program were understated by \$154,155,192 and the amounts passed through to subrecipients were overstated by \$516,650,718.

Questioned Costs

No questioned costs were identified.

Recommendation

Public Health should establish a more thorough internal review and communication process between ELC program administration and accounting personnel to ensure information submitted to Finance for compilation of the Schedule is complete and accurate.

Views of Responsible Officials and Corrective Action Plan

Public Health's Accounting Office will generate the FI\$Cal Year End Close report (KK_12 expenditure) and collaborate with the ELC program to ensure that all expenditures captured are complete and accurate, ensuring timely reporting of the SEFA data for FY 2023-24 and beyond. Please note that the ELC program has been reported in the FY 2022-23 SEFA. Additionally, we will update the procedures to document the SEFA reporting for the ELC program.

Estimated Implementation Date: September 2024

Contact: Jennifer Chan, Accounting Administrator II
Federal Reporting Unit, Financial Management Division
California Department of Public Health

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Schedule of Federal Award Findings and Questioned Costs

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U.S. DEPARTMENT OF AGRICULTURE

Reference Number:	2022-003
Category of Finding:	Eligibility
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Assistance Listing Number:	10.557
Federal Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children COVID-19 Special Supplemental Nutrition Program for Women, Infants, and Children
Federal Award Numbers and Years:	202019W100647; 2020 202020W100347, 2020 202020W100647, 2020 202120W600347, 2021 202120W600647, 2021 202121W100347, 2021 202121W100647, 2021

Criteria

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

The non-Federal entity must:

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

Title 7 – Agriculture. Subtitle B - Regulations of the Department of Agriculture. Chapter II – Food and Nutrition Service, Department of Agriculture. Subchapter A – Child Nutrition Programs. Part 246 - Special Supplemental Nutrition Program for Women, Infants and Children, §246.7 - Certification of participants:

- (c) Eligibility criteria and basic certification procedures.

- (1) To qualify for the Program, infants, children, and pregnant, postpartum, and breastfeeding women must:

- (i) Reside within the jurisdiction of the State (except for Indian State agencies). Indian State agencies may establish a similar requirement. All State agencies may determine a service area for any local agency, and may require that an applicant reside within the service area. However, the State agency may not use length of residency as an eligibility requirement.

- (ii) Meet the income criteria specified in paragraph (d) of this section.

(iii) Meet the nutritional risk criteria specified in paragraph (e) of this section.

(2) (i) At certification, the State or local agency must require each applicant to present proof of residency (i.e., location or address where the applicant routinely lives or spends the night) and proof of identity. The State or local agency must also check the identity of participants, or in the case of infants or children, the identity of the parent or guardian, or proxies when issuing food, cash-value vouchers or food instruments. The State agency may authorize the certification of applicants when no proof of residency or identity exists (such as when an applicant or an applicant's parent is a victim of theft, loss, or disaster; a homeless individual; or a migrant farmworker). In these cases, the State or local agency must require the applicant to confirm in writing his/her residency or identity. Further, an individual residing in a remote Indian or Native village or an individual served by an Indian tribal organization and residing on a reservation or pueblo may establish proof of residency by providing the State agency their mailing address and the name of the remote Indian or Native village.

(e) Nutritional risk. To be certified as eligible for the Program, applicants who meet the Program's eligibility standards specified in paragraph (c) of this section must be determined to be at nutritional risk. ... Nutritional risk data shall be documented in the participant's file and shall be used to assess an applicant's nutritional status and risk; tailor the food package to address nutritional needs; design appropriate nutrition education, including breastfeeding promotion and support; and make referrals to health and social services for follow-up, as necessary and appropriate.

(1) Determination of nutritional risk.

(ii) Timing of nutritional risk data.

(A) Weight and height or length. Weight and height or length shall be measured not more than 60 days prior to certification for program participation.

(B) Hematological test for anemia.

(1) For pregnant, breastfeeding, and postpartum women, and child applicants, the hematological test for anemia shall be performed or obtained from referral sources at the time of certification or within 90 days of the date of certification. The hematological test for anemia may be deferred for up to 90 days from the time of certification for applicants who have at least one qualifying nutritional risk factor present at the time of certification. If no qualifying risk factor is identified, a hematological test for anemia must be performed or obtained from referral sources (with the exception of presumptively eligible pregnant women).

(2) Infants nine months of age and older (who have not already had a hematological test performed, between six and nine months of age, by a competent professional authority or obtained from referral sources), shall between nine and twelve months of age have a hematological test performed or obtained from referral sources. Such a test may be performed more than 90 days after the date of certification.

(3) For pregnant women, the hematological test for anemia shall be performed during their pregnancy. For persons certified as postpartum or breastfeeding women, the hematological test for anemia shall be performed after the termination of their pregnancy. For breastfeeding women who are 6-12 months postpartum, no additional blood test is necessary if a test was performed after the termination of their pregnancy. The participant or parent/guardian shall be informed of the test results when there is a finding of anemia, and notations reflecting the outcome of the tests shall be made in the participant's file. Nutrition education, food package tailoring, and referral services shall be provided to the participant or parent/guardian, as necessary and appropriate.

Condition

During the fiscal year ended June 30, 2020, the Special Supplemental Food Program for Women, Infants and Children (WIC) nutrition program implemented phase 1 of a new management information system known as the Women, Infants, and Children Web Information System Exchange (WIC-WISE) in a two-phased approach to replace the WIC Management Information Systems (WIC-MIS).

WIC-WISE is programmed such that updates to eligibility information overwrites existing data. As a result, key data and documentation to support the initial participant eligibility is removed during the recertification process. The California Department of Public Health, WIC Division requested a correction to WIC-WISE to retain eligibility history in the “Cert History Report” when subsequent eligibility information is inputted. The correction had not been implemented and the system defect still existed during the fiscal year ended June 30, 2022.

Identification as a Repeat Finding

Finding 2021-003 was reported in the immediate prior year.

Cause

The phase 1 implementation of WIC-WISE did not include system functionality to retain historical eligibility documentation when subsequent information was entered during the participant recertification process.

Effect

The system limitation of WIC-WISE does not allow for the retention of proper documentation of eligibility information. Accordingly, there is an increased risk for the occurrence of benefits being provided to ineligible individuals, which may not be prevented or detected in a timely manner.

Questioned Costs

Questioned costs were not determinable.

Context

Total food vouchers disbursed to program participants during the fiscal year ended June 30, 2022, totaled \$566,045,030.

Recommendation

WIC-WISE system updates should be promptly implemented and tested to ensure that participant data and eligibility documentation is appropriately retained within the system.

Views of Responsible Officials and Corrective Action Plan

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

U.S. DEPARTMENT OF LABOR

Reference Number:	2022-004
Category of Finding:	Activities Allowed or Unallowed Eligibility
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Employment Development Department (EDD)
Assistance Listing Number:	17.225
Federal Program Title:	COVID-19 Unemployment Insurance
Federal Award Number and Year:	UI-37212-22-55-A-6; 2022

Criteria

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

The non-Federal entity must:

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

Title 20 - Employees’ Benefits, Chapter V, Employment and Training Administration, Department of Labor, Part 625 - Disaster Unemployment Assistance, §625.14 Overpayments; disqualification for fraud:

- (h) Provisions in the procedures of each State with respect to detection and prevention of fraudulent overpayments of DUA shall be, as a minimum, commensurate with the procedures adopted by the State with respect to regular compensation and consistent with the Secretary's “Standard for Fraud and Overpayment Detection,” Employment Security Manual, part V, sections 7510 et seq. (Appendix C of this part).
- (i) Any individual who, with respect to a major disaster, makes or causes another to make a false statement or misrepresentation of a material fact, knowing it to be false, or knowingly fails or causes another to fail to disclose a material fact, in order to obtain for the individual or any other person a payment of DUA to which the individual or any other person is not entitled, shall be disqualified as follows:
 - (1) If the false statement, misrepresentation, or nondisclosure pertains to an initial application for DUA –
 - i. The individual making the false statement, misrepresentation, or nondisclosure shall be disqualified from the receipt of any DUA with respect to that major disaster; and

- ii. If the false statement, misrepresentation, or nondisclosure was made on behalf of another individual, and was known to such other individual to be a false statement, misrepresentation, or nondisclosure, such other individual shall be disqualified from the receipt of any DUA with respect to that major disaster; and
- (2) If the false statement, misrepresentation, or nondisclosure pertains to a week for which application for a payment of DUA is made –
- i. The individual making the false statement, misrepresentation, or nondisclosure shall be disqualified from the receipt of DUA for that week and the first two compensable weeks in the Disaster Assistance Period that immediately follow that week, with respect to which the individual is otherwise entitled to a payment of DUA; and
 - ii. If the false statement, misrepresentation, or nondisclosure was made on behalf of another individual, and was known to such other individual to be a false statement, misrepresentation, or nondisclosure, such other individual shall be disqualified from the receipt of DUA for that week and the first two compensable weeks in the Disaster Assistance Period that immediately follow that week, with respect to which the individual is otherwise entitled to a payment of DUA.

Title 15 - Commerce and Trade, Chapter 116, Coronavirus Economic (CARES Act) Subchapter II - Unemployment Insurance Provisions, §9023 Emergency Increase in Unemployment Compensation Benefits

(f) Fraud and Overpayments:

- (1) In General – If an individual knowingly has made, or caused to be made by another, a false statement or representation of a material fact, or knowingly has failed, or caused another to fail, to disclose a material fact, and as a result of such false statement or representation or of such nondisclosure such individual has received an amount of Federal Pandemic Unemployment Compensation or Mixed Earner Unemployment Compensation to which such individual was not entitled, such individual—
- 1. shall be ineligible for further Federal Pandemic Unemployment Compensation Mixed Earner Unemployment Compensation in accordance with the provisions of the applicable State unemployment compensation law relating to fraud in connection with a claim for unemployment compensation

Condition

During the fiscal year ended June 30, 2022, EDD continued its administration of the Pandemic Unemployment Assistance (PUA) program, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act for COVID-19 relief in unemployment compensation. Under the CARES Act, the PUA program was to be administered in accordance with the Disaster Unemployment Assistance (DUA) program under section 625 of Title 20, Code of Federal Regulations. Claimants eligible for PUA benefits were paid additional benefits under the Federal Pandemic Unemployment Compensation program (FPUC).

In EDD's administration of the PUA and FPUC programs, \$3,559,865,590 in benefit payments were estimated to be ineligible payments and have not been reported in the schedule of expenditures of federal awards. The estimate was made by the Unemployment Insurance Branch and was based on data parameters to identify claimants that received benefits that matched ineligible criteria for identity fraud or eligibility fraud for misrepresented information.

Out of 138 PUA benefit payments tested, there were 27 benefit payments to claimants determined to be ineligible whose identity or employment was not sufficiently verified.

Identification as a Repeat Finding

Finding 2021-004 was reported in the immediate prior year.

Cause

Existing internal controls did not prevent, or detect and correct, instances of potential fraud for benefit payments for the following reasons.

- There was a significant increase in unemployment claims that overwhelmed EDD's existing fraud detection process.
- There were insufficient controls in place to prevent or detect fraud associated with benefit payments related to incarceration, identity, and multiple claims from the same address.

Effect

EDD did not have adequate oversight controls to ensure that benefit payments were not being made to fraudulent claimants. Accordingly, benefit payments were made to fraudulent claimants who were not eligible.

Questioned Costs

Likely questioned costs were estimated to be \$3,559,865,590 for fiscal year 2021-22. Known questioned costs were \$417,860.

Context

Benefits paid to claimants under the COVID-19 Unemployment Insurance program for the fiscal year ended June 30, 2022, totaled \$15,246,314,741.

The sample was not a statistically valid sample.

Recommendation

EDD should continue to strengthen controls, such as database identification cross-matches, ID.me verification, partnerships with law enforcement and Thompson Reuters, as well as system enhancements to mitigate the potential of further employment benefit fraud. Such improvements in internal controls should improve EDD's ability to timely prevent and detect unemployment benefit fraud.

Views of Responsible Officials and Corrective Action Plan

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

Reference Number:	2022-005
Category of Finding:	Activities Allowed or Unallowed Eligibility
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Employment Development Department (EDD)
Assistance Listing Number:	17.225
Federal Program Title:	COVID-19 Unemployment Insurance
Federal Award Number and Year:	UI-37212-22-55-A-6; 2022

Criteria

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

The non-Federal entity must:

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

Title 20 - Employees’ Benefits, Chapter V, Employment and Training Administration, Department of Labor, Part 625 - Disaster Unemployment Assistance, §625.6 Weekly amount; jurisdictions; reductions

Eligibility and Disqualifications.

- (b) If the weekly amount computed under paragraph (a) of this section is less than 50 percent of the average weekly payment of regular compensation in the State, as provided quarterly by the Department, or, if the individual has insufficient wages from employment or insufficient or no net income from self-employment (which includes individuals falling within paragraphs (a)(3) and (b)(3) of § 625.5) in the applicable base period to compute a weekly amount under paragraph (a) of this section, the individual shall be determined entitled to a weekly amount equal to 50 percent of the average weekly payment of regular compensation in the State.
- (e) The State agency shall immediately determine, upon the filing of an initial application for DUA, a weekly amount under the provisions of paragraphs (a) through (d) of this section, as the case may be, based on the individual's statement of employment or self-employment preceding the individual's unemployment that was a direct result of the major disaster, and wages earned or paid for such employment or self-employment. An immediate determination of a weekly amount shall also be made where, in conjunction with the filing of an initial application for DUA, the individual submits documentation substantiating employment or self-employment and wages earned or paid for such employment or self-employment, or, in the absence of documentation, where any State agency records of employment or self-employment and wages earned or paid for such employment or self-employment, justify the determination of a weekly amount. An immediate determination shall also be made based

on the individual's statement or in conjunction with the submittal of documentation in those cases where the individual was to commence employment or self-employment on or after the date the major disaster began but was prevented from doing so as a direct result of the disaster.

- (1) In the case of a weekly amount determined in accordance with paragraph (e) of this section, based only on the individual's statement of earnings, the individual shall furnish documentation to substantiate the employment or self-employment or wages earned from or paid for such employment or self-employment or documentation to support that the individual was to commence employment or self-employment on or after the date the major disaster began. In either case, documentation shall be submitted within 21 calendar days of the filing of the initial application for DUA.
- (3) For purposes of a computation of a weekly amount under paragraph (a) of this section, if an individual submits documentation to substantiate employment or self-employment in accordance with paragraph (e)(1), but not documentation of wages earned or paid during the base period set forth in paragraph (a)(2) of this section, including those cases where the individual has not filed a tax return for the most recent tax year that has ended, the State agency shall immediately redetermine the weekly amount of DUA payable to the individual in accordance with paragraph (b) of this section.

Condition

During the fiscal year ended June 30, 2020, EDD implemented the Pandemic Unemployment Assistance (PUA) program, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act for COVID-19 relief in unemployment compensation. Under the CARES Act, the PUA program was to be administered in accordance with the Disaster Unemployment Assistance (DUA) program under section 625 of Title 20, Code of Federal Regulations. The amount of PUA payable to an unemployed or unemployed self-employed individual for a week of total unemployment shall be the weekly amount of compensation the individual would have been paid as regular compensation, as computed under the provisions of the applicable State law for a week of total unemployment. The weekly amount determination is calculated using the wages reported by the claimant. Upon receipt of a PUA claim, EDD would verify wages reported to ensure accurate weekly benefit amounts under PUA.

Out of 138 PUA benefit payments tested, there were 67 claimants with verification issues (either wages, self-employment, or both).

Identification as a Repeat Finding

Finding 2021-005 was reported in the immediate prior year.

Cause

EDD did not perform timely wage and employment verifications of the claimants due to the significant increase in claims resulting from the COVID-19 pandemic.

Effect

EDD did not have adequate oversight controls to ensure that the claimant's wages were timely and properly reviewed and approved. Accordingly, there was an increased risk for the occurrence of overpayment in benefits being provided to individuals, which was not timely prevented or detected.

Questioned Costs

Known questioned costs for the 67 claimants were \$702,538.

Context

Benefits paid to claimants under the COVID-19 Unemployment Insurance program for the fiscal year ended June 30, 2022, totaled \$15,246,314,741.

The sample was not a statistically valid sample.

Recommendation

EDD should ensure that proper verification procedures are in place to minimize the number of claimants with wage and/or employment verification issues. Effective and robust verification procedures should assist EDD in processing unemployment benefits only to eligible claimants.

Views of Responsible Officials and Corrective Action Plan

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

Reference Number:	2022-006
Category of Finding:	Activities Allowed or Unallowed Eligibility
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Employment Development Department (EDD)
Assistance Listing Number:	17.225
Federal Program Title:	Unemployment Insurance COVID-19 Unemployment Insurance
Federal Award Number and Year:	UI-37212-22-55-A-6; 2022

Criteria

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

The non-Federal entity must:

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

Title 22 - Social Security, Division 1 - Employment Development Department, Subdivision 1 - Director of Employment Development, Division - 1 Unemployment and Disability Compensation, Part 1 - Unemployment Compensation, Chapter 5 Unemployment Compensation Benefits, Article 1 - Eligibility and Disqualifications §1256, §1257 and §1326

Eligibility and Disqualifications, §1256 California Code of Regulations:

- (a) An individual is disqualified for unemployment compensation benefits if the director finds that he or she left his or her most recent work voluntarily without good cause or that he or she has been discharged for misconduct connected with his or her most recent work.

Eligibility and Disqualifications, §1257 California Code of Regulations:

- (a) An individual is also disqualified for unemployment compensation benefits if: He or she willfully, for the purpose of obtaining unemployment compensation benefits, either made a false statement or representation, including, but not limited to, using a false name, false social security number, or other false identification, with actual knowledge of the falsity thereof, or withheld a material fact in order to obtain any unemployment compensation benefits under this division.

Continued Claim for Unemployment Benefits - Filing and Contents, §1326-6 California Code of Regulations:

- (c) The claimant shall, to maintain his or her eligibility to file continued claims during a continuous period of unemployment, file continued claims at intervals of not more than two weeks, or such other interval as the department shall require, unless he or she shows good cause for his or her delay in filing his or her continued claim.

Condition

In EDD's administration of the Unemployment Insurance program, \$525,494,406 in benefit payments were estimated by EDD to be potentially ineligible payments and have not been reported in the schedule of expenditures of federal awards. The estimate was based on data parameters to identify claimants whom received benefits that matched ineligible criteria for identity or eligibility fraud due to misrepresented information.

The Unemployment Insurance Branch of EDD reviews unemployment insurance claims of claimants for involuntary separation to ensure separations were for valid reasons under the Unemployment Insurance Code. Out of 88 unemployment insurance benefit payments tested, there were 6 claimants receiving benefits, whose reasons for involuntary separation indicated separation reasons due to voluntary quitting without good cause and 6 claimants receiving benefits that made false statements regarding wages.

In addition to the Unemployment Insurance program, EDD continued its administration of the Pandemic Emergency Unemployment Compensation (PEUC) program for the fiscal year ended June 30, 2022. Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act for COVID-19, the PEUC program eligibility was determined from individuals who have exhausted all rights to regular unemployment compensation (UC) under state or Federal law and have no rights to regular UC under any other state or Federal law. A claimant must have an eligible existing Unemployment Insurance program claim that has been exhausted prior to being eligible for PEUC. Out of 50 PEUC benefit payments tested, 1 claimant received benefits, whose reason for involuntary separation indicated separation reasons due to voluntary quitting without good cause, 1 claimant received benefits without completing weekly certifications, and 1 claimant was receiving full benefits while earning wages.

Identification as a Repeat Finding

Finding 2021-006 was reported in the immediate prior year.

Cause

EDD has acknowledged that the adjudication process for potential eligibility issues, which includes work separation, was inadequately or not timely performed due to the significant increase in claims resulting from the COVID-19 pandemic.

Effect

By EDD not performing timely and adequate review for potential eligibility issues, benefit payments were made to ineligible claimants.

Questioned Costs

Known questioned costs for the 12 claimants identified for the unemployment compensation were \$57,752 for Unemployment Insurance Program and \$31,800 for the Federal Pandemic Unemployment Compensation program of the COVID-19 Unemployment Insurance.

Known questioned costs for the 3 claimants identified were \$9,386 for the PEUC program and \$6,000 for the Federal Pandemic Unemployment Compensation (FPUC) program of the COVID-19 Unemployment Insurance.

Context

Benefits paid to claimants under the Unemployment Insurance program for the fiscal year ended June 30, 2022, totaled \$7,720,873,424. Benefits to claimants under the PEUC and FPUC programs were \$1,713,827,584 and \$11,923,097,900, respectively.

The sample was not a statistically valid sample.

Recommendation

EDD should enhance its adjudication process to support proper eligibility determinations and decrease improper payments to ineligible claimants.

Views of Responsible Officials and Corrective Action Plan

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

U.S. DEPARTMENT OF THE TREASURY

Reference Number:	2022-007
Category of Finding:	Activities Allowed or Unallowed
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	Department of Finance (Finance)
Assistance Listing Number:	21.027
Federal Program Title:	Coronavirus State and Local Fiscal Recovery Funds
Federal Award Number and Years:	N/A; 2021

Criteria

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

The non-Federal entity must:

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

Sections 602(c)(1)(C) and 603(c)(1)(C) of the Social Security Act provide that State and Local Fiscal Recovery Funds (SLFRF) may be used “for the provision of government services to the extent of the reduction in revenue of such...government due to the COVID-19 public health emergency relative to the revenues collected in the most recent full fiscal year of the ...government prior to the emergency”.

The interim final rule adopted a definition based largely on the components reported under “General Revenue from Own Sources” in the Census Bureau’s Annual Survey of State and Local Government Finances. Under the interim final rule, general revenue included revenue collected by a recipient and generated from its underlying economy, and it would capture a range of different types of tax revenues, as well as other types of revenue that are available to support government services. Specifically, revenue under the interim final rule included money that is received from tax revenue, current charges, and miscellaneous general revenues and excluded refunds and other correcting transactions, proceeds from issuance of debt or the sale of investments, agency or private trust transactions, revenue from utilities, social insurance trust revenues, and intergovernmental transfers from the federal government, including transfers made pursuant to section 9901 of the ARPA.

Condition

Finance included contributions by State employees to 457(b) and 401(k) deferred compensation plans in the calculation of base year revenues. The contributions from State employees are deposited directly with the third-party deferred compensation plan administrator and do not result in revenue reported by the State in its basic financial statements. Furthermore, the employee contributions do not represent revenues available to the State for the provision of government services and should have been excluded from the calculation of general revenue for the base year and preceding fiscal years establishing the average annual growth rate of general revenues.

Identification as a Repeat Finding

This was not a repeat finding from the immediate prior year.

Cause

The process established by Finance to review and determine the proper inclusion or exclusion of the State's general ledger revenue accounts in its calculation of base year revenue and preceding fiscal year revenues did not consider whether certain general ledger revenue accounts were reported within the State's basic financial statements. Additionally, the review controls over the revenue loss calculation did not detect the inclusion of specific general ledger revenue accounts which are included in revenues for budgetary purposes, but which are excluded for financial reporting purposes in the State's basic financial statements.

Effect

By including the employee contributions as general revenues in the base revenue calculation, the amount of total revenue loss calculated as available to potentially fund general government services was overstated by \$977,898,160.

Questioned Costs

No questioned costs were identified.

Context

The amount of revenue loss available to the State to fund general government services was initially calculated as \$17,823,151,622. Subsequently, the State revised its calculation by removing contribution amounts by State employees to 457(b) and 401(k) deferred compensation plans, resulting in a revenue loss calculation of \$16,845,253,462, a reduction of 5.5%. As of June 30, 2022, the State has reported \$11,158,313,000 of total revenue loss utilized for the provision of government services. The amount of revenue loss funded expenditures reported for fiscal year 2022 was not impacted by the reduction.

Recommendation

Finance should include a reconciliation between general revenues identified for inclusion in the revenue loss calculation and the State's basic financial statements, to ensure that all revenue recorded in the identified general ledger revenue accounts are in compliance with the definition of general revenues as established by the U.S. Treasury in the Final Rule.

Views of Responsible Officials and Corrective Action Plan

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

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Reference Number:	2022-008
Category of Finding:	Activities Allowed or Unallowed
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Health Care Services (Health Care Services)
Assistance Listing Number:	93.767
Federal Program Title:	Children’s Health Insurance Program
Federal Award Numbers and Years:	2205CA5021; 2022 2105CA5021; 2021
Assistance Listing Number:	93.778
Federal Program Title:	Medical Assistance Program
Federal Award Numbers and Years:	2205CA5ADM; 2022 2205CA5MAP; 2022 2105CA5ADM; 2021 2105CA5MAP; 2021

Criteria

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

The non-Federal entity must:

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

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

§14705:

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

§14713:

- (b) If the department determines that a mental health plan has failed to comply with the requirements of Chapter 7 (commencing with Section 14000), Chapter 8 (commencing with Section 14200), Chapter 8.8 (commencing with Section 14600), or this chapter, the department may impose sanctions and plans of correction pursuant to Section 14197.7.

Condition

Fifteen of 56 contractor counties of Short-Doyle funding were tested and 10 had not submitted their cost reports by the December 31 due date. Three of the 10 contractor counties had not submitted their cost reports for fiscal year 2020-21 (more than 12 months late) and 7 of the 10 contractor counties have subsequently submitted their cost reports for fiscal year 2020-21.

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

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

Identification as a Repeat Finding

Finding 2021-008 was reported in the immediate prior year.

Cause

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

Effect

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

Questioned Costs

Questioned costs were not determinable.

Context

For the fiscal year ended June 30, 2022, disbursements of Short-Doyle funding from the Medical Assistance Program to the 10 noncompliant contractor counties totaled \$1,521,017,226, the 15 tested contractor counties totaled \$1,827,939,268, and all 56 contractor counties totaled \$2,511,609,039.

For the fiscal year ended June 30, 2022, disbursements of Short-Doyle funding from the Children's Health Insurance Program to the 10 noncompliant contractor counties totaled \$143,710,692, the 15 tested contractor counties totaled \$165,488,866, and all 56 contractor counties totaled \$218,883,485.

The sample was not a statistically valid sample.

Recommendation

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

Views of Responsible Officials and Corrective Action Plan

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

Reference Number:	2022-009
Category of Finding:	Activities Allowed or Unallowed
Type of Finding:	Material Weakness
State Administering Department:	California Department of Health Care Services (Health Care Services)
Assistance Listing Number:	93.959
Federal Program Title:	Block Grants for Prevention and Treatment of Substance Abuse (SAPT)
Federal Award Numbers and Years:	1B08TI083437-01; 2021 6B08TI083437-01M002; 2021 6B08TI083437-01M003; 2021 6B08TI083437-01M004; 2021

Criteria

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

The non-Federal entity must:

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

Condition

During our testing of 40 employee timesheets, 19 of the 40 employees did not prepare and submit timesheets as required by the Department of Health Care Services (Health Care Services) internal control procedures.

Identification as a Repeat Finding

This was not a repeat finding from the immediate prior year.

Cause

Health Care Services did not adhere to its documented controls due to the effects of COVID-19. The effects resulted in high staff turnover and increased demand on staff resources.

Effect

Nonadherence to the internal controls over the documentation of employee timesheets can result in the risk of noncompliance with established policies and procedures.

Questioned Costs

None.

Context

Expenditures related to payroll costs charged to the SAPT program for fiscal year 2021-22 totaled \$11,606,958.

Recommendation

Health Care Services should adhere to its processes and controls in place to ensure all required employees submit a timesheet.

Views of Responsible Officials and Corrective Action Plan

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

Reference Number:	2022-010
Category of Finding:	Eligibility
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Assistance Listing Number:	93.917
Federal Program Title:	HIV Care Formula Grants COVID-19 HIV Care Formula Grants
Federal Award Numbers and Years:	5 X07HA12778-13-00; 2021 6 X07HA12778-13-01; 2021 6 X07HA12778-13-02; 2022 6 X07HA12778-13-03; 2022 6 X07HA12778-13-04; 2022 2 X07HA12778-14-00; 2022 6 X07HA12778-14-01; 2022 6 X07HA12778-14-02; 2022 6 X07HA12778-14-03; 2022

Criteria

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

The non-Federal entity must:

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

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

- (a) In general

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

- (b) Eligible individual

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

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

California State AIDS Drug Assistance Program Guidelines January 2022:

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

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

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

HRSA PCN 15-04 (Revised 1/11/2019):

The RWHAP legislation requires that rebates collected on ADAP medication purchases be applied to the RWHAP Part B Program with a priority, but not a requirement, that the rebates be placed back into ADAP. Although ADAP rebates are neither program income nor refunds, they are subject to the same regulatory provision regarding expenditure. These rebates must be used for the statutorily permitted purposes under the RWHAP Part B Program, which are limited to core medical services including ADAP, support services, clinical quality management, and administrative expenses (including planning and evaluation) as part of a comprehensive system of care for low-income individuals living with HIV.

Condition

Our sample of 60 participants from a population of 25,749 participants who received benefits during the fiscal year identified 10 participants who did not submit all required documentation, including proof of HIV/AIDS diagnosis, proof of residency, and income documentation to verify their annual MAGI did not exceed 500 percent Federal Poverty Level based on household size and income.

Identification as a Repeat Finding

Finding 2021-011 was reported in the immediate prior year pertaining to not submitting all required documentation.

Cause

Procedures that required the collection of valid supporting documents were not followed. Existing internal controls did not prevent, or detect and correct, the occurrence of benefits being provided to potentially ineligible individuals.

Effect

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

Questioned Costs

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

Context

Pharmacy benefits management services are provided by a contractor who received administrative fees and reimbursements for prescription drug costs to program participants. Payments to the contractor totaled \$108,210,356 for approximately 26,000 program participants for the fiscal year ended June 30, 2022.

The sample was not a statistically valid sample.

Recommendation

The ADAP Branch should continue to monitor compliance with its policies to ensure enrollment workers and secondary reviews of ADAP applications follow the established guidelines and retain acceptable documentation to support eligibility determinations. Applications that have been granted an eligibility exception (i.e., Temporary Access Period, Medi-Cal Eligibility Exception Request, or Eligibility Exception Request) should be reviewed in a timely manner to ensure clients who do not provide the required documentation within the approved extension period are disenrolled in a timely manner.

Views of Responsible Officials and Corrective Action Plan

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

Reference Number:	2022-011
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Assistance Listing Number:	93.323
Federal Program Title:	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
Federal Award Number and Year:	NU50CK000539; 2021

Criteria

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

The non-Federal entity must:

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

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. §200.332 Requirements for pass-through entities (2 CFR 200.332):

All pass-through entities must:

- (b) Evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:
 - (1) The subrecipient’s prior experience with the same or similar subawards;
 - (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F of this part, and the extent to which the same or similar subaward has been audited as a major program;
 - (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
 - (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).
- (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- (1) Reviewing financial and performance reports required by the pass-through entity.
 - (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward.
 - (3) Issuing a management decision for applicable audit findings pertaining only to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521.
 - (4) The pass-through entity is responsible for resolving audit findings specifically related to the subaward and not responsible for resolving cross-cutting findings. If a subrecipient has a current Single Audit report posted in the Federal Audit Clearinghouse and has not otherwise been excluded from receipt of Federal funding (e.g., has been debarred or suspended), the pass-through entity may rely on the subrecipient's cognizant audit agency or cognizant oversight agency to perform audit follow-up and make management decisions related to cross-cutting findings in accordance with section §200.513(a)(3)(vii). Such reliance does not eliminate the responsibility of the pass-through entity to issue subawards that conform to agency and award-specific requirements, to manage risk through ongoing subaward monitoring, and to monitor the status of the findings that are specifically related to the subaward.
- (f) Verify that every subrecipient is audited as required by Subpart F of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501.
- (g) Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.

Condition

Public Health did not establish a formal risk assessment process over its subrecipients of federal awards to determine the frequency and extent of subrecipient monitoring to be performed. While Public Health received reimbursement invoices from subrecipients, there did not appear to be other financial or programmatic monitoring to verify subrecipients compliance with applicable requirements. In addition, Public Health did not obtain Single Audit reports from those subrecipients as required.

Identification as a Repeat Finding

Finding 2021-014 was reported in the immediate prior year.

Cause

Procedures to perform the required subrecipient monitoring were not established nor performed by Public Health.

Effect

By not properly evaluating the risk of noncompliance, Public Health may inadvertently award grant funds to subrecipients who lack the necessary mechanisms or understanding to adhere to federal statutes. This increases the likelihood of noncompliance arising during the performance of the grant-funded activities. Furthermore, failure to perform monitoring procedures or obtain Single Audit reports increases the risk for not properly identifying subrecipient program control weaknesses, noncompliance, and performing sufficient follow-up on any subrecipient corrective action.

Questioned Costs

No questioned costs were identified.

Context

Disbursements to subrecipients for the ELC program totaled \$301,107,041, or 31.0% of total reported program expenditures.

Recommendation

Public Health should establish and document formal procedures for conducting risk assessments of its subrecipients, including criteria for evaluating organizational capacity, financial stability, compliance history, and programmatic capabilities. Public Health should also develop and implement specific subrecipient monitoring procedures and establish a process for obtaining Single Audit reports from its subrecipients. Furthermore, a monitoring mechanism should be implemented to track compliance with the single audit mandate among subrecipients, including regular follow-ups and documentation of communication efforts.

Views of Responsible Officials and Corrective Action Plan

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

Reference Number:	2022-012
Category of Finding:	Special Tests and Provisions – Provider Health and Safety Standards
Type of Finding:	Material Weakness
State Administering Department:	California Department of Public Health (Public Health)
Assistance Listing Number:	93.778
Federal Program Title:	Medical Assistance Program
Federal Award Numbers and Years:	2205CA5ADM; 2022 2205CA5MAP; 2022 2105CA5ADM; 2021 2105CA5MAP; 2021

Criteria

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

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Condition

There was no evidence of surveyor signature or supervisor review and approval on Form CMS-1539 for all 40 surveys of providers tested.

Identification as a Repeat Finding

This was not a repeat finding from the immediate prior year.

Cause

California Department of Public Health (Public Health) did not adhere to its documented controls due to staff members either no longer working with Public Health or being on extended leave.

Effect

Nonadherence to internal controls over the review and approval process of the Form CMS-1539 can result in the risk of statewide noncompliance as providers may not meet the prescribed health and safety standards. Further, the integrity of the surveys can be compromised because they are being conducted with no apparent oversight.

Questioned Costs

No questioned costs were identified.

Context

A total of 987 surveys were included in the population, which consisted of all surveys completed by Public Health for Hospitals, Intermediate Care Facility and Individuals with Intellectual Disabilities and Nursing Facilities during fiscal year 2021-22.

Recommendation

Public Health should update its processes and controls in place to ensure compliance with established procedures and performance of timely review and approval of the Form CMS-1539, including for situations when staff is on leave and/or has left the department.

Views of Responsible Officials and Corrective Action Plan

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

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Auditee's Section

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**Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022**

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STATE OF CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of Agriculture				
Agricultural Research Basic and Applied Research	10.001		\$ 57,496	\$ -
Plant and Animal Disease, Pest Control, and Animal Care	10.025		48,791,396	28,445,348
Inspection Grading and Standardization	10.162		33,504	-
Market Protection and Promotion	10.163		3,635,133	-
Specialty Crop Block Grant Program - Farm Bill	10.170		12,578,231	9,852,843
COVID-19 - Specialty Crop Block Grant Program - Farm Bill	10.170		1,226,226	1,019,593
Total Specialty Crop Block Grant Program - Farm Bill			<u>13,804,457</u>	<u>10,872,436</u>
Organic Certification Cost Share Programs	10.171		1,340,755	-
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178		559	559
Trade Mitigation Program Eligible Recipient Agency Operational Funds (Noncash)	10.178		48,077,168	-
Total Trade Mitigation Program Eligible Recipient Agency Operational Funds			<u>48,077,727</u>	<u>559</u>
Food Insecurity Nutrition Incentive Grants Program	10.331		6,016,355	5,524,036
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475		148,347	-
Meat, Poultry, and Egg Products Inspection	10.477		29,863	-
Food Safety Cooperative Agreements	10.479		463,563	-
Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) Data and Technical Assistance Grants	10.537		17,372	-
Farmers' Market Supplemental Nutrition Assistance Program Support Grants	10.545		13,650	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		900,050,970	276,191,433
COVID-19 Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		52,232,571	-
Total Special Supplemental Nutrition Program for Women, Infants, and Children			<u>952,283,541</u>	<u>276,191,433</u>
Child and Adult Care Food Program	10.558		619,535,727	606,380,118
COVID-19 - Child and Adult Care Food Program	10.558		41,088,439	41,088,439
Total Child and Adult Care Food Program			<u>660,624,166</u>	<u>647,468,557</u>
State Administrative Expenses for Child Nutrition	10.560		40,900,002	-
WIC Farmers' Market Nutrition Program (FMNP)	10.572		1,487,636	45,975
Team Nutrition Grants	10.574		75,150	75,150
Senior Farmers Market Nutrition Program	10.576		882,976	850,248
WIC Grants To States (WGS)	10.578		751,690	-
Child Nutrition Discretionary Grants Limited Availability	10.579		5,999,821	5,988,806
Pandemic EBT Administrative Costs	10.649		101,462,255	2,605,871
COVID-19 - Pandemic EBT Administrative Costs	10.649		863,271	863,271
Total Pandemic EBT Administrative Costs			<u>102,325,526</u>	<u>3,469,142</u>
Cooperative Forestry Assistance	10.664		4,571,247	1,383,557
Urban and Community Forestry Program	10.675		1,245,529	608,430
Forest Legacy Program	10.676		1,048,293	1,020,000
Forest Stewardship Program	10.678		77,647	20,467
Forest Health Protection	10.680		197,847	43,017
Good Neighbor Authority	10.691		2,456,281	2,252,217
Watershed Restoration and Enhancement Agreement Authority	10.693		717,897	2,717
State & Private Forestry Cooperative Fire Assistance	10.698		325,028	-
Partnership Agreements	10.699		601,816	-
Total Excluding Clusters			<u>1,899,001,711</u>	<u>984,262,095</u>
SNAP Cluster				
Supplemental Nutrition Assistance Program (Noncash)	10.551		13,128,155,870	-
COVID-19 Supplemental Nutrition Assistance Program (Noncash)	10.551		5,604,552,136	-
Total Supplemental Nutrition Assistance Program			<u>18,732,708,006</u>	<u>-</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		1,211,793,086	1,087,350,800
COVID-19 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		24,681,017	24,681,017
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			<u>1,236,474,103</u>	<u>1,112,031,817</u>
Total SNAP Cluster			<u>19,969,182,109</u>	<u>1,112,031,817</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Child Nutrition Cluster				
School Breakfast Program	10.553		683,834,638	683,834,638
National School Lunch Program	10.555		2,215,174,935	2,215,174,935
COVID-19 - National School Lunch Program	10.555		112,128,236	112,128,236
National School Lunch Program (Noncash)	10.555		218,814,114	-
Total National School Lunch Program			<u>2,546,117,285</u>	<u>2,327,303,171</u>
Special Milk Program for Children	10.556		92,019	92,019
Summer Food Service Program for Children	10.559		67,000,704	66,111,045
Fresh Fruit and Vegetable Program	10.582		9,985,375	9,820,694
Total Child Nutrition Cluster			<u>3,307,030,021</u>	<u>3,087,161,567</u>
Food Distribution Cluster				
Commodity Supplemental Food Program	10.565		8,742,160	8,570,750
COVID-19 - Commodity Supplemental Food Program	10.565		359,312	359,312
Commodity Supplemental Food Program (Noncash)	10.565		33,297,453	-
Total Commodity Supplemental Food Program			<u>42,398,925</u>	<u>8,930,062</u>
Emergency Food Assistance Program (Administrative Costs)	10.568		19,243,713	18,626,333
COVID-19 Emergency Food Assistance Program (Administrative Costs)	10.568		14,800,816	14,800,816
Total Emergency Food Assistance Program (Administrative Costs)			<u>34,044,529</u>	<u>33,427,149</u>
Emergency Food Assistance Program (Food Commodities) (Noncash)	10.569		102,184,982	-
COVID-19 - Emergency Food Assistance Program (Food Commodities) (Noncash)	10.569		64,958,446	-
Total Emergency Food Assistance Program (Food Commodities)			<u>167,143,428</u>	<u>-</u>
Total Food Distribution Cluster			<u>243,586,882</u>	<u>42,357,211</u>
Forest Service Schools and Roads Cluster				
Schools and Roads - Grants to States	10.665		29,942,287	29,942,287
Total Forest Service Schools and Roads Cluster			<u>29,942,287</u>	<u>29,942,287</u>
Research and Development Cluster				
Specialty Crop Block Grant Program - Farm Bill	10.170		11,615,124	11,502,182
COVID-19 - Specialty Crop Block Grant Program - Farm Bill	10.170		108,617	93,904
Total Specialty Crop Block Grant Program - Farm Bill			<u>11,723,741</u>	<u>11,596,086</u>
Total Research and Development Cluster			<u>11,723,741</u>	<u>11,596,086</u>
Total U.S. Department of Agriculture			<u>25,460,466,751</u>	<u>5,267,351,063</u>
U.S. Department of Commerce				
Coastal Zone Management Administration Awards	11.419		2,523,490	-
Coastal Zone Management Estuarine Research Reserves	11.420		958,480	855,802
Regional Fishery Management Councils	11.441		233,072	-
Unallied Management Projects	11.454		665,428	-
Meteorologic and Hydrologic Modernization Development	11.467		741,675	-
Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478		135,237	135,237
Total Excluding Clusters			<u>5,257,382</u>	<u>991,039</u>
Research and Development Cluster				
Interjurisdictional Fisheries Act of 1986	11.407		186,147	-
Coastal Zone Management Estuarine Research Reserves	11.420		305,421	305,421
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438		14,017,344	10,413,411
Unallied Science Program	11.472		1,103,569	-
Total Research and Development Cluster			<u>15,612,481</u>	<u>10,718,832</u>
Total U.S. Department of Commerce			<u>20,869,863</u>	<u>11,709,871</u>
U.S. Department of Defense				
Community Economic Adjustment Assistance for Responding to Threats to the Resilience of a Military Installation	12.003		60,507	-
Payments to States in Lieu of Real Estate Taxes	12.112		146,971	146,971
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		13,557,493	-
Basic and Applied Scientific Research	12.300		60,144	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401		96,119,162	-

See accompanying notes to the Schedule of Expenditures of Federal Awards.

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
COVID-19 National Guard Military Operations and Maintenance (O&M) Projects	12.401		63,481	-
Total National Guard Military Operations and Maintenance (O&M) Projects			96,182,643	-
National Guard ChalleNGe Program	12.404		23,548,312	-
Community Investment	12.600		1,728,905	1,491,346
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610		198,229	132,149
Economic Adjustment Assistance for State Governments	12.617		1,314,442	897,303
Air Force Defense Research Sciences Program	12.800		22,474	-
Other - U.S. Department of Defense	12.U01		1,316,670	-
Total Excluding Clusters			138,136,790	2,667,769
Total U.S. Department of Defense			138,136,790	2,667,769
U.S. Department of Housing and Urban Development				
Manufactured Home Dispute Resolution	14.171		86,564	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		74,144,177	63,994,506
COVID-19 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		8,303,912	3,840,021
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			82,448,089	67,834,527
Emergency Solutions Grant Program	14.231		13,205,415	11,871,377
COVID-19 Emergency Solutions Grant Program	14.231		167,607,753	163,371,688
Total Emergency Solutions Grant Program			180,813,168	175,243,065
Home Investment Partnerships Program	14.239		20,042,120	14,827,347
Housing Opportunities for Persons with AIDS	14.241		3,829,406	3,829,406
COVID-19 Housing Opportunities for Persons with AIDS	14.241		397,316	263,861
Total Housing Opportunities for Persons with AIDS			4,226,722	4,093,267
Housing Trust Fund	14.275		12,838,474	10,682,825
Equal Opportunity in Housing	14.400		2,945,541	-
Lead Hazard reduction Demonstration Grant Program	14.905		27,451	-
Total Excluding Clusters			303,428,129	272,681,031
CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster				
National Disaster Resilience Competition	14.272		15,581,105	15,367,221
Total U.S. Department of Housing and Urban Development			319,009,234	288,048,252
U.S. Department of the Interior				
Southern Nevada Public Land Management	15.235		428,955	-
Environmental Quality and Protection	15.236		124,392	-
Federal Oil and Gas Royalty Management State and Tribal Coordination	15.427		1,854,134	-
Geothermal Resources	15.434		4,324,697	4,324,697
Minerals Leasing Act	15.437		37,501,991	37,501,991
National Forest Acquired Lands	15.438		30	30
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508		1,595	-
Central Valley Improvement Act, Title XXXIV	15.512		1,241,727	-
Fish and Wildlife Coordination Act	15.517		2,276,589	8,646
Recreation Resources Management	15.524		2,977,402	-
Central Valley, Trinity River Division, Trinity River Fish and Wildlife Management	15.532		4,792	-
Lake Tahoe Regional Wetlands Development	15.543		61,587	-
San Joaquin River Restoration	15.555		1,486,321	49,523
SECURE Water Act - Research Agreements	15.560		(35,736)	-
Coastal Wetlands Planning, Protection and Restoration	15.614		2,259,841	1,765,485
Cooperative Endangered Species Conservation Fund	15.615		14,123,858	-
Clean Vessel Act	15.616		999,824	461,772
Sportfishing and Boating Safety Act	15.622		1,373,070	1,373,070
North American Wetlands Conservation Fund	15.623		188,543	188,543
Coastal	15.630		6,252	-
State Wildlife Grants	15.634		10,631	-
Central Valley Project Improvement Act (CVPIA)	15.648		1,076,697	-

See accompanying notes to the Schedule of Expenditures of Federal Awards.

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Endangered Species Recovery Implementation	15.657		24,328	-
Earthquake Hazards Program Assistance	15.807		27,697	-
U.S. Geological Survey Research and Data Collection	15.808		100,090	-
National Cooperative Geologic Mapping	15.810		512,023	-
National Geological and Geophysical Data Preservation	15.814		20,206	-
Historic Preservation Fund Grants-In-Aid	15.904		2,055,392	323,638
Outdoor Recreation Acquisition, Development and Planning	15.916		1,757,047	1,665,484
National Maritime Heritage Grants	15.925		256,144	256,144
Redwood National Park Cooperative Management with the State of California	15.937		131,490	-
Heritage Partnership	15.939		147,433	-
Natural Resource Stewardship	15.944		1,171	-
Other - U.S. Department of the Interior	15.U02		3,024,871	-
Total Excluding Clusters			80,345,084	47,919,023
Fish and Wildlife Cluster				
Sport Fish Restoration	15.605		3,270,699	-
Wildlife Restoration and Basic Hunter Education	15.611		2,302,335	-
Enhanced Hunter Education and Safety	15.626		77,230	-
Total Fish and Wildlife Cluster			5,650,264	-
Research and Development Cluster				
Wildlife Resource Management	15.247		25,543	1,663
Central Valley Improvement Act, Title XXXIV	15.512		3,724,642	-
Fish and Wildlife Coordination Act	15.517		11,699	-
Central Valley, Trinity River Division, Trinity River Fish and Wildlife Management	15.532		1,028,092	-
Sport Fish Restoration	15.605		17,709,578	415,145
Fish and Wildlife Management Assistance	15.608		85,306	-
Wildlife Restoration and Basic Hunter Education	15.611		19,868,546	120,502
Cooperative Endangered Species Conservation Fund	15.615		3,699,366	2,927,062
State Wildlife Grants	15.634		1,908,547	110,328
Endangered Species Conservation - Recovery Implementation Funds	15.657		42,058	-
Endangered Species Conservation-Wolf Livestock Loss Compensation and Prevention	15.666		7,587	-
Adaptive Science	15.670		182,160	-
Prescott Marine Mammal Rescue Assistance	15.683		4,724	-
White-nose Syndrome National Response Implementation	15.684		36,226	-
Other - U.S. Department of the Interior	15.U03		6,292	-
Total Research and Development Cluster			48,340,366	3,574,700
Total U.S. Department of the Interior			134,335,714	51,493,723
U.S. Department of Justice				
Law Enforcement Assistance Narcotics and Dangerous Drugs Laboratory Analysis	16.001		534,083	-
Sexual Assault Services Formula Program	16.017		1,035,624	1,035,624
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034		41,648,812	41,383,066
Services for Trafficking Victims	16.320		641,278	425,348
Antiterrorism Emergency Reserve	16.321		748,495	440,870
Juvenile Justice and Delinquency Prevention	16.540		3,527,949	2,933,638
National Criminal History Improvement Program (NCHIP)	16.554		2,036,042	-
Crime Victim Assistance	16.575		226,071,123	216,452,531
Crime Victim Compensation	16.576		15,651,001	-
Drug Court Discretionary Grant Program	16.585		492,038	57,923
Violence Against Women Formula Grants	16.588		13,456,013	12,481,965
Residential Substance Abuse Treatment for State Prisoners	16.593		826,782	696,530
Bulletproof Vest Partnership Program	16.607		229,385	229,385
Regional Information Sharing Systems				
<i>Pass-Through from The Western States Information Network (BI)</i>	16.610	15PBJA-21-GG-00349-R	1,466,850	-
<i>Pass-Through from The Western States Information Network (BI)</i>	16.610	2018-RS-CX-0004	308,263	-
Total Regional information Sharing Systems			1,775,113	-
Public Safety Partnership and Community Policing Grants	16.710		4,351	-
Special Data Collections and Statistical Studies	16.734		1,988,371	-
PREA Program: Strategic Support for PREA Implementation	16.735		71,491	71,491

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FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Edward Byrne Memorial Justice Assistance Grant Program	16.738		12,855,855	11,945,009
DNA Backlog Reduction Program	16.741		1,212,550	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		2,847,117	2,644,264
Support for Adam Walsh Act Implementation Grant Program	16.750		274,631	-
Edward Byrne Memorial Competitive Grant Program	16.751		147,172	147,172
Postconviction Testing of DNA Evidence	16.820		521,275	505,623
STOP School Violence	16.839		646,383	307,120
Equitable Sharing Program	16.922		27,204	-
Other - U.S. Department of Justice	16.U04		449,785	-
Total Excluding Clusters			329,719,923	291,757,559
Research and Development Cluster				
National Criminal History Improvement Program (NCHIP)	16.554		7,951	-
Total Research and Development Cluster			7,951	-
Total U.S. Department of Justice			329,727,874	291,757,559
U.S. Department of Labor				
Labor Force Statistics	17.002		7,313,954	-
Compensation and Working Conditions	17.005		901,368	-
Unemployment Insurance	17.225		7,795,871,269	-
COVID-19 Unemployment Insurance	17.225		15,498,272,223	-
Total Unemployment Insurance			23,294,143,492	-
Senior Community Service Employment Program	17.235		6,267,130	5,999,521
Trade Adjustment Assistance	17.245		5,416,293	-
WIOA Pilots, Demonstrations, and Research Projects	17.261		119,767	-
Reentry Employment Opportunities	17.270		25,600	-
Work Opportunity Tax Credit Program (WOTC)	17.271		2,771,974	-
Temporary Labor Certification for Foreign Workers	17.273		2,013,247	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277		20,873,956	19,648,562
WIOA Dislocated Worker National Reserve Demonstration Grants	17.280		538,704	538,397
Apprenticeship USA Grants	17.285		149,998	-
Hurricanes and Wildfires of 2017 Supplemental - National Dislocated Worker Grants	17.286		6,381,643	6,373,387
Occupational Safety and Health State Program	17.503		33,198,597	-
COVID-19 - Occupational Safety and Health State Program	17.503		3,719,493	-
Total Occupational Safety and Health State Program			36,918,090	-
Consultation Agreements	17.504		6,538,325	-
Mine Health and Safety Grants	17.600		379,933	-
Disability Employment Policy Development	17.720		185,125	87,982
Total Excluding Clusters			23,390,938,599	32,647,849
Employment Service Cluster				
Employment Service/Wagner-Peyser Funded Activities	17.207		69,648,250	2,389,078
Jobs for Veterans State Grants	17.801		16,234,353	-
Total Employment Service Cluster			85,882,603	2,389,078
WIOA Cluster				
WIOA Adult Program	17.258		119,972,309	115,788,968
WIOA Youth Activities	17.259		118,027,199	106,257,662
WIOA Dislocated Worker Formula Grants	17.278		132,150,218	114,097,547
Total WIOA Cluster			370,149,726	336,144,177
Total U.S. Department of Labor			23,846,970,928	371,181,104
U.S. Department of Transportation				
Airport Improvement Program	20.106		25,890	-
Highway Training and Education	20.215		41,461	-
Fuel Tax Evasion-Intergovernmental Enforcement Effort	20.240		54,288	-
Capital Assistance to States - Intercity Passenger Rail Service	20.317		2,212,091	2,212,091
ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319		(238,812)	-

See accompanying notes to the Schedule of Expenditures of Federal Awards.

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319		9,353,257	9,353,257
Total High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants			9,114,445	9,353,257
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		33,326,585	33,242,202
Formula Grants for Rural Areas and Tribal Transit Program	20.509		26,859,076	24,887,279
COVID-19 Formula Grants for Rural Areas and Tribal Transit Program	20.509		26,358,055	25,850,660
Total Formula Grants for Rural Areas and Tribal Transit Program			53,217,131	50,737,939
Paul S. Sarbanes Transit in the Parks	20.520		109,645	-
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528		2,639,173	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		35,884,849	23,349,871
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614		752,140	-
E-911 Grant Program	20.615		4,222,369	3,711,172
Pipeline Safety Program State Base Grant	20.700		6,474,312	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		1,207,725	120,674
PHMSA Pipeline Safety Underground Natural Gas Storage Grant	20.725		1,121,994	-
Total Excluding Clusters			150,404,098	122,727,206
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205		3,984,602,848	1,314,580,336
COVID-19 - Highway Planning and Construction	20.205		94,550,817	80,458
Total Highway Planning and Construction			4,079,153,665	1,314,660,794
Recreational Trails Program	20.219		2,656,492	-
Total Highway Planning and Construction Cluster			4,081,810,157	1,314,660,794
FMCSA Cluster				
Motor Carrier Safety Assistance Program	20.218		19,810,070	-
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237		662,208	-
Total FMCSA Cluster			20,472,278	-
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		16,251,650	15,076,102
COVID-19 - Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		1,483,467	1,483,467
Total Enhanced Mobility of Seniors and Individuals with Disabilities			17,735,117	16,559,569
Total Transit Services Programs Cluster			17,735,117	16,559,569
Federal Transit Cluster				
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526		1,454,619	1,454,619
Total Federal Transit Cluster			1,454,619	1,454,619
Highway Safety Cluster				
State and Community Highway Safety	20.600		21,942,205	12,521,703
National Priority Safety Programs	20.616		25,590,303	15,665,456
Total Highway Safety Cluster			47,532,508	28,187,159
Research and Development Cluster				
Highway Research and Development Program	20.200		258,142	-
Highway Planning and Construction	20.205		4,768,734	-
State and Community Highway Safety	20.600		43,015	-
National Priority Safety Programs	20.616		70,477	-
Total Research and Development Cluster			5,140,368	-
Total U.S. Department of Transportation			4,324,549,145	1,483,589,347
U.S. Department of the Treasury				
Equitable Sharing	21.016		638,383	-
COVID-19 Coronavirus Relief Fund	21.019		195,464,449	8,773,932
COVID-19 Emergency Rental Assistance Program	21.023		3,464,114,210	667,533,583
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		13,460,216,545	2,057,077,047
Total Excluding Clusters			17,120,433,587	2,733,384,562
Total U.S. Department of the Treasury			17,120,433,587	2,733,384,562

See accompanying notes to the Schedule of Expenditures of Federal Awards.

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Equal Employment Opportunity Commission				
Other - Equal Employment Opportunity Commission	30.U05		2,770,878	-
Total Excluding Clusters			2,770,878	-
Total Equal Employment Opportunity Commission			2,770,878	-
General Services Administration				
Donation of Federal Surplus Personal Property (Noncash)	39.003		644,149	-
Election Reform Payments	39.011		950,409	-
Total Excluding Clusters			1,594,558	-
Total General Services Administration			1,594,558	-
National Endowment for the Arts				
Promotion of the Arts Partnership Agreements	45.025		2,446,305	1,406,162
Grants to States	45.310		16,026,395	9,575,357
COVID-19 Grants to States	45.310		10,154,643	10,154,643
Total Grants to States			26,181,038	19,730,000
Total Excluding Clusters			28,627,343	21,136,162
Total National Endowment for the Arts			28,627,343	21,136,162
Small Business Administration				
State Trade Expansion	59.061		930,446	894,886
Total Excluding Clusters			930,446	894,886
Total Small Business Administration			930,446	894,886
U.S. Department of Veterans Affairs				
Grants to States for Construction of State Home Facilities	64.005		5,790,490	-
COVID-19 Veterans State Nursing Home Care	64.015		33,144,091	-
VHA Primary Care	64.047		60,408	-
Burial Expenses Allowance for Veterans	64.101		622,755	-
Veterans Housing Guaranteed and Insured Loans	64.114		173,535,208	-
All-Volunteer Force Educational Assistance	64.124		1,314,230	-
Total Excluding Clusters			214,467,182	-
Total U.S. Department of Veterans Affairs			214,467,182	-
Environmental Protection Agency				
Air Pollution Control Program Support	66.001		7,900,441	-
State Indoor Radon Grants	66.032		51,199	51,199
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		192,458	-
Diesel Emissions Reduction Act (DERA) State Grants	66.040		2,875	-
Congressionally Mandated Projects	66.202		284,773	278,794
Multipurpose Grants to States and Tribes	66.204		172,868	-
State Environmental Justice Cooperative Agreement Program	66.312		200,000	200,000
Water Pollution Control State, Interstate, and Tribal Program Support	66.419		6,516,065	-
State Public Water System Supervision	66.432		7,126,000	-
State Underground Water Source Protection	66.433		378,020	-
Voluntary School and child Care Lead Testing and Reduction Grant Program (SDWA 1464(d))	66.444		14,358	-
Water Quality Management Planning	66.454		874,448	379,392
Nonpoint Source Implementation Grants	66.460		8,272,067	4,313,028
Regional Wetland Program Development Grants	66.461		130,823	128,067
Beach Monitoring and Notification Program Implementation Grants	66.472		406,567	363,526
Performance Partnership Grants	66.605		1,933,379	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608		106,948	-
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707		692	-
Hazardous Waste Management State Program Support	66.801		8,099,980	-

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FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		681,932	-
Underground Storage Tank (UST) Prevention, Detection, and Compliance Program	66.804		180,000	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805		2,386,798	-
State and Tribal Response Program Grants	66.817		1,736,330	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		1,773,832	1,647,599
Targeted Airshed Grant Program	66.956		128,993	127,394
Total Excluding Clusters			49,551,846	7,488,999
Research and Development Cluster				
Regional Wetland Program Development Grants	66.461		24,380	24,380
Total Research and Development Cluster			24,380	24,380
Total Environmental Protection Agency			49,576,226	7,513,379
U.S. Department of Energy				
State Energy Program	81.041		3,792,430	-
Weatherization Assistance for Low-Income Persons	81.042		6,789,080	6,168,959
Nuclear Legacy Cleanup Program	81.065		971,725	-
Environmental Remediation and Waste Processing and Disposal	81.104		688,939	-
Long-Term Surveillance and Maintenance	81.136		23,758	-
Environmental Monitoring/Cleanup, Cultural and Resource Management, Emergency Response Research, Outreach, Technical Analysis	81.214		37,340	-
Sustainable Energy for Homes and Business	81.U06		57,785	-
Total Excluding Clusters			12,361,057	6,168,959
Total U.S. Department of Energy			12,361,057	6,168,959
U.S. Department of Education				
Adult Education - Basic Grants to States	84.002		108,105,787	100,028,433
Title I Grants to Local Educational Agencies	84.010		2,217,221,205	2,197,027,872
Migrant Education State Grant Program	84.011		123,584,382	117,477,330
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		15,516	-
Career and Technical Education -- Basic Grants to States	84.048		117,711,699	107,645,069
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		360,077,747	-
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177		3,427,577	3,147,022
Special Education-Grants for Infants and Families	84.181		46,777,985	-
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187		2,227,030	-
Education for Homeless Children and Youth	84.196		11,318,633	11,131,763
Charter Schools	84.282		5,259,477	4,721,741
Twenty-First Century Community Learning Centers	84.287		136,293,233	132,720,105
Special Education - State Personnel Development	84.323		2,241,938	2,241,938
Rural Education	84.358		5,091,765	4,819,566
English Language Acquisition State Grants	84.365		167,842,820	163,625,246
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367		267,357,387	259,623,175
Grants for State Assessments and Related Activities	84.369		25,258,161	18,522,849
Comprehensive Literacy Development	84.371		9,141,360	8,909,207
School Improvement Grants	84.377		21,246,732	20,882,409
Disability Innovation Fund (DIF)	84.421		2,316,141	-
Student Support and Academic Enrichment Program	84.424		150,877,099	150,128,552
COVID-19 Governor's Emergency Education Relief Fund	84.425C		184,905,609	184,905,609
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D		3,109,976,994	3,109,439,056
COVID-19 Discretionary Grants: Reimagining Workforce Preparation Grants	84.425G		13,466,138	-
COVID-19 Discretionary Grants	84.425R		145,144,039	-
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief	84.425U		2,210,021,662	2,206,487,335
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W		29,310,589	29,095,676
Total COVID-19 Education Stabilization Fund			5,692,825,031	5,529,927,676
Randolph-Sheppard - Financial Relief and Restoration Payments	84.426		906,516	-
Disaster Recovery Assistance for Education	84.938		1,300,290	1,231,926
Total Excluding Clusters			9,478,425,511	8,833,811,879

See accompanying notes to the Schedule of Expenditures of Federal Awards.

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Special Education Cluster (IDEA)				
Special Education Grants to States	84.027		1,595,573,490	1,550,809,199
Special Education Preschool Grants	84.173		50,421,001	49,493,783
COVID-19 - Special Education Preschool Grants	84.173		1,261,589	1,261,589
Total Special Education Preschool Grants			51,682,590	50,755,372
Total Special Education Cluster (IDEA)			1,647,256,080	1,601,564,571
Total U.S. Department of Education				
			11,125,681,591	10,435,376,450
U.S. Election Assistance Commission				
Help America Vote Act Requirements Payments	90.401		9,259,645	-
COVID-19 - Help America Vote Act Requirements Payments	90.401		3,943,785	-
Total Help American Vote Act Requirements Payments			13,203,430	-
2018 HAVA Election Security Grants	90.404		913,851	-
COVID-19 2018 HAVA Election Security Grants	90.404		6,522,374	-
Total 2018 HAVA Election Security Grants			7,436,225	-
Total Excluding Clusters			20,639,655	-
Total U.S. Election Assistance Commission				
			20,639,655	-
U.S. Department of Health and Human Services				
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		484,153	484,153
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042		1,882,658	1,735,056
COVID-19 Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042		375,703	375,703
Total Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals			2,258,361	2,110,759
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043		2,660,035	2,660,035
COVID-19 - Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043		724,941	724,941
Total Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services			3,384,976	3,384,976
COVID-19 Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048		1,707,200	1,562,836
National Family Caregiver Support, Title III, Part E	93.052		20,215,908	19,679,433
COVID-19 National Family Caregiver Support, Title III, Part E	93.052		3,414,612	2,914,538
Total National Family Caregiver Support, Title III, Part E			23,630,520	22,593,971
Public Health Emergency Preparedness	93.069		34,863,844	24,114,919
Environmental Public Health and Emergency Response	93.070		1,229,690	-
Medicare Enrollment Assistance Program	93.071		2,143,717	1,874,932
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		103,657	-
Guardianship Assistance	93.090		146,249,454	146,042,789
COVID-19 Guardianship Assistance	93.090		9,642,051	9,642,051
Total Guardianship Assistance			155,891,505	155,684,840
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		5,287,219	4,144,083
Food and Drug Administration Research	93.103		4,901,184	-
Maternal and Child Health Federal Consolidated Programs	93.110		69,266	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		8,877,361	4,476,504
Preventive Medicine Residency	93.117		100,297	-
Emergency Medical Services for Children	93.127		31,577	-
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130		561,374	-
Injury Prevention and Control Research and State and Community Based Programs	93.136		10,528,423	4,111,967
Projects for Assistance in Transition from Homelessness (PATH)	93.150		9,858,325	-
Grants to States for Loan Repayment	93.165		925,500	-
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197		999,919	-
Traumatic Brain Injury State Demonstration Grant Program	93.234		249,177	-
State Capacity Building	93.240		292,922	-

See accompanying notes to the Schedule of Expenditures of Federal Awards.

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
State Rural Hospital Flexibility Program	93.241		77,673	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		2,716,551	1,823,025
Early Hearing Detection and Intervention	93.251		(4,781)	-
Immunization Cooperative Agreements	93.268		36,886,005	12,751,273
COVID-19 Immunization Cooperative Agreements	93.268		210,562,638	94,917,437
Immunization Cooperative Agreements (Noncash)	93.268		522,007,656	-
Total Immunization Cooperative Agreements			<u>769,456,299</u>	<u>107,668,710</u>
Viral Hepatitis Prevention and Control	93.270		249,656	55,725
Small Rural Hospital Improvement Grant Program	93.301		94,314	-
COVID-19 Small Rural Hospital Improvement Grant Program	93.301		184,038	-
Total Small Rural Hospital Improvement Grant Program			<u>278,352</u>	<u>-</u>
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)				
<i>Pass-Through from Heluna Health</i>		95-2557063		
State Health Insurance Assistance Program	93.324		971,912,951	301,107,041
Behavioral Risk Factor Surveillance System	93.324		3,983,921	3,021,352
Behavioral Risk Factor Surveillance System	93.336		388,365	-
COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354		20,556,732	13,046,793
Flexible Funding Model - Infrastructure Development and Maintenance for State Manufactured Food Regulatory Programs	93.367		767,436	-
ACL Independent Living State Grants	93.369		3,588,595	3,588,595
National and State Tobacco Control Program	93.387		3,542,240	708,511
COVID-19 - Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391		4,335,365	4,268,059
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426		2,218,313	-
Every Student Succeeds Act/Preschool Development Grants	93.434		15,584,841	1,736,775
Well-Integrated Screening and Evaluation for Women Across the Nation (WISEWOMAN)	93.436		214,009	-
State Physical Activity and Nutrition (SPAN)	93.439		873,451	472,953
ACL Assistive Technology	93.464		1,886,481	-
Alzheimer's Disease Program Initiative (ADPI)	93.470		328,738	328,738
Title IV-E Kinship Navigator Program	93.471		817,820	817,820
Preventing Maternal Deaths: Supporting Maternal Mortality Review Committees	93.478		385,888	-
COVID-19 - Family Violence Prevention and Services/ Sexual Assault/Rape Crisis Services and COVID-19 Provider Relief Fund	93.497		502,324	473,374
COVID-19 Provider Relief Fund	93.498		3,690,107	3,690,107
Low Income Household Water Assistance Program	93.499		2,072,342	499,281
COVID-19 - Low Income Household Water Assistance Program	93.499		450,562	444,089
Total Low Income Household Water Assistance Program			<u>2,522,904</u>	<u>943,370</u>
MaryLee Allen Promoting Safe and Stable Families Program	93.556		35,211,468	33,817,690
COVID-19 - MaryLee Allen Promoting Safe and Stable Families Program	93.556		2,602,215	2,602,215
Total MaryLee Allen Promoting Safe and Stable Families Program			<u>37,813,683</u>	<u>36,419,905</u>
Temporary Assistance for Needy Families	93.558		2,858,613,333	2,391,205,198
COVID-19 Temporary Assistance for Needy Families	93.558		187,676,024	187,676,024
Total Temporary Assistance for Needy Families			<u>3,046,289,357</u>	<u>2,578,881,222</u>
Child Support Enforcement	93.563		694,188,805	545,275,945
COVID-19 Child Support Enforcement	93.563		2,293	-
Total Child Support Enforcement			<u>694,191,098</u>	<u>545,275,945</u>
Child Support Enforcement Research	93.564		393,418	355,206
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566		53,836,402	48,995,404
Low-Income Home Energy Assistance	93.568		183,610,409	174,961,370
COVID-19 Low-Income Home Energy Assistance	93.568		99,641,980	95,845,667
Total Low-Income Home Energy Assistance			<u>283,252,389</u>	<u>270,807,037</u>
Community Services Block Grant	93.569		63,370,285	60,910,051
COVID-19 Community Services Block Grant	93.569		37,571,436	35,854,740
Total Community Services Block Grant			<u>100,941,721</u>	<u>96,764,791</u>
Refugee and Entrant Assistance Discretionary Grants	93.576		(155)	-
U.S. Repatriation	93.579		100,235	60,000
Refugee and Entrant Assistance Targeted Assistance Grants	93.584		(20,716)	-

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FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
State Court Improvement Program	93.586		2,457,576	-
Community-Based Child Abuse Prevention Grants	93.590		4,431,235	4,130,414
COVID-19 - Community-Based Child Abuse Prevention Grants	93.590		25,000,000	25,000,000
Total Community-Based Child Abuse Prevention Grants			29,431,235	29,130,414
Grants to States for Access and Visitation Programs	93.597		894,109	-
Chafee Education and Training Vouchers Program (ETV)	93.599		7,898,063	-
Adoption and Legal Guardianship Incentive Payments	93.603		11,177,820	11,177,820
Developmental Disabilities Basic Support and Advocacy Grants	93.630		7,444,243	-
Support for Ombudsman and Beneficiary Counseling Programs for States Participating in Financial Alignment Model Demonstrations for Dually Eligible Individuals	93.634		1,646,864	535,652
Children's Justice Grants to States	93.643		1,702,039	1,536,676
Adult Medicaid Quality: Improving Maternal and Infant Health Outcomes in Medicaid and CHIP	93.644		(242)	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645		28,230,361	28,230,361
Foster Care Title IV-E	93.658		1,263,494,034	1,121,219,064
COVID-19 Foster Care Title IV-E	93.658		36,735,971	36,735,971
Total Foster Care Title IV-E			1,300,230,005	1,157,955,035
Adoption Assistance	93.659		659,192,957	655,163,131
COVID-19 Adoption Assistance	93.659		70,765,799	70,765,799
Total Adoption Assistance			729,958,756	725,928,930
Social Services Block Grant	93.667		464,205,768	199,480,167
Child Abuse and Neglect State Grants	93.669		7,790,686	7,325,342
COVID-19 - Child Abuse and Neglect State Grants	93.669		136,749	136,749
Total Child Abuse and Neglect State Grants			7,927,435	7,462,091
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		9,238,476	8,789,823
COVID-19 Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		4,917,521	4,659,919
Total Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services			14,155,997	13,449,742
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674		13,014,284	11,036,693
COVID-19 - John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674		31,000,000	215,565
Total John H. Chafee Foster Care Program for Successful Transition to Adulthood			44,014,284	11,252,258
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738		757,229	485,989
COVID-19 - PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738		45,033	45,033
Total PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds			802,262	531,022
PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Funds	93.745		269	-
Elder Abuse Prevention Interventions Program	93.747		247,457	130,453
COVID-19 - Elder Abuse Prevention Interventions Program	93.747		1,991,201	1,991,201
Total Elder Abuse Prevention Interventions Program			2,238,658	2,121,654
Children's Health Insurance Program	93.767		2,692,763,149	-
COVID-19 Children's Health Insurance Program	93.767		223,828,688	-
Total Children's Health Insurance Program			2,916,591,837	-
Opioid STR	93.788		108,479,704	-
Money Follows the Person Rebalancing Demonstration	93.791		10,377,191	-
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796		29,180,549	-
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817		2,389,531	2,389,531
Promoting Population Health through Increased capacity in Alcohol Epidemiology	93.845		40,010	-
Maternal, Infant and Early Childhood Home Visiting Grant	93.870		20,289,421	16,510,984
COVID-19 - Maternal, Infant and Early Childhood Home Visiting Grant	93.870		102,476	-
Total Maternal, Infant and Early Childhood Home Visiting Grant			20,391,897	16,510,984
National Bioterrorism Hospital Preparedness Program	93.889		27,879,624	10,877,386
COVID-19 National Bioterrorism Hospital Preparedness Program	93.889		481,413	481,413
Total National Bioterrorism Hospital Preparedness Program			28,361,037	11,358,799

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FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898		9,796,264	190,066
Grants to States for Operation of State Offices of Rural Health	93.913		(5,834)	-
HIV Care Formula Grants	93.917		144,569,319	27,753,907
COVID-19 HIV Care Formula Grants	93.917		546,850	546,850
Total HIV Care Formula Grants			145,116,169	28,300,757
HIV Prevention Activities Health Department Based	93.940		23,730,888	12,410,130
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		1,546,309	330,167
Tuberculosis Demonstration, Research, Public and Professional Education	93.947		93,112	-
Block Grants for Community Mental Health Services	93.958		115,546,212	-
COVID-19 - Block Grants for Community Mental Health Services	93.958		40,465,326	-
Total Block Grants for Community Mental Health Services			156,011,538	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959		236,316,385	-
COVID-19 - Block Grants for Prevention and Treatment of Substance Abuse	93.959		112,415,091	-
Total Block Grants for Prevention and Treatment of Substance Abuse			348,731,476	-
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977		7,839,362	1,712,715
Mental Health Disaster Assistance and Emergency Mental Health	93.982		92,002,003	-
Preventive Health and Health Services Block Grant	93.991		12,227,471	1,144,507
Maternal and Child Health Services Block Grant to the States	93.994		38,422,509	16,728,410
Other - Department of Health and Human Services	93.U07		28,190,121	-
Total Excluding Clusters			12,929,980,476	6,525,722,286
Aging Cluster				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		43,147,927	41,113,733
COVID-19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		13,900,236	12,781,347
Total Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers			57,048,163	53,895,080
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045		82,668,089	80,951,044
COVID-19 Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045		36,305,641	32,794,951
Total Special Programs for the Aging, Title III, Part C, Nutrition Services			118,973,730	113,745,995
Nutrition Services Incentive Program	93.053		13,235,556	13,235,556
Total Aging Cluster			189,257,449	180,876,631
CCDF Cluster				
Child Care Disaster Relief	93.489		2,582,640	-
Child Care and Development Block Grant	93.575		910,682,628	535,707,156
COVID-19 Child Care and Development Block Grant	93.575		480,643,141	480,643,141
Total Child Care and Development Block Grant			1,391,325,769	1,016,350,297
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		272,636,636	224,598,756
Total CCDF Cluster			1,666,545,045	1,240,949,053
Head Start Cluster				
Head Start	93.600		5,139,542	3,310,923
COVID-19 Head Start	93.600		259,396	259,396
Total Head Start			5,398,938	3,570,319
Total Head Start Cluster			5,398,938	3,570,319
Medicaid Cluster				
State Medicaid Fraud Control Units	93.775		39,554,453	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777		51,529,774	-
COVID-19 - State Survey and Certification of Health Care Providers and Suppliers (Title XVIII)	93.777		3,856,190	-
Total State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare			55,385,964	-
Medical Assistance Program	93.778		75,669,114,949	-
COVID-19 Medical Assistance Program	93.778		5,868,420,502	-
Total Medical Assistance Program			81,537,535,451	-
Total Medicaid Cluster			81,632,475,868	-
Total U.S. Department of Health and Human Services			96,423,657,776	7,951,118,289

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FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Corporation for National and Community Service				
State Commissions	94.003		1,070,699	-
AmeriCorps	94.006		33,880,006	33,706,541
Training and Technical Assistance	94.009		58,530	-
Volunteer Generation Fund	94.021		14,513	-
Total Excluding Clusters			35,023,748	33,706,541
Foster Grandparent/Senior Companion Cluster				
Foster Grandparent Program	94.011		1,162,208	-
Total Foster Grandparent/Senior Companion Cluster			1,162,208	-
Total Corporation for National and Community Service			36,185,956	33,706,541
Executive Office of the President				
<i>Pass-Through from INCH/LA Police Chief's Association/Riverside County</i>	95.001	G19LA0007A	3	-
<i>Pass-Through from INCH/LA Police Chief's Association/Riverside County</i>	95.001	G20LA0007A	92,140	-
<i>Pass-Through from LA Clear/LA Police Chief's Association/City of Monrovia</i>	95.001	G19LA0006A	54,095	-
<i>Pass-Through from LA Clear/LA Police Chief's Association/City of Monrovia</i>	95.001	G20LA0006A	1,303,141	-
<i>Pass-Through from The Western States Information Network</i>	95.001	G21OR0003A	107,861	-
Total High Intensity Drug Trafficking Areas Program			1,557,240	-
Total Excluding Clusters			1,557,240	-
Total Executive Office of the President			1,557,240	-
Social Security Administration				
Disability Insurance/SSI Cluster				
Social Security Disability Insurance	96.001		243,624,829	-
Total Disability Insurance/SSI Cluster			243,624,829	-
Total Social Security Administration			243,624,829	-
U.S. Department of Homeland Security				
Non-Profit Security Program	97.008		6,425,257	6,425,257
Boating Safety Financial Assistance	97.012		3,753,059	2,151,328
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023		573,768	-
Flood Mitigation Assistance	97.029		654,481	614,198
Crisis Counseling	97.032		919,199	919,199
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		1,169,039,438	1,014,948,239
Hazard Mitigation Grant	97.039		75,925,058	60,475,848
National Dam Safety Program	97.041		108,346	-
Emergency Management Performance Grants	97.042		17,340,097	13,405,899
COVID-19 Emergency Management Performance Grants	97.042		14,098,722	5,784,170
Total Emergency Management Performance Grants			31,438,819	19,190,069
Cooperating Technical Partners	97.045		613,101	-
Fire Management Assistance Grant	97.046		12,922,693	2,947,890
BRIC: Building Resilient Infrastructure and Communities	97.047		5,274,648	4,758,997
COVID-19 Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050		10,548,393	-
Homeland Security Grant Program	97.067		165,518,471	144,161,747
Earthquake Consortium	97.082		617,168	567,849
Disaster Assistance Projects	97.088		4,625,796	4,276,507
Total Excluding Clusters			1,488,957,695	1,261,437,128
Total U.S. Department of Homeland Security			1,488,957,695	1,261,437,128
Total Expenditures of Federal Awards			\$ 181,345,132,318	\$ 30,218,535,044

See accompanying notes to the Schedule of Expenditures of Federal Awards.

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Notes to the Schedule of Expenditures of Federal Awards

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STATE OF CALIFORNIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the expenditures for all federal award programs received by the State of California (State) for the fiscal year ended June 30, 2022, except for federal awards received by the University of California system, a component unit of the State, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency, a component unit of the State. While these entities' operations are included in the State's basic financial statements, these entities engaged other auditors to perform an audit in accordance with the U.S. Office of Management and Budget, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200) also referred to as the "Uniform Guidance."

As noted above, the Schedule presents only a portion of the State's operations. The Schedule is not intended to and does not present the financial position, changes in net position/fund balance, or cash flows of the State.

2. BASIS OF ACCOUNTING

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

State departments' records are periodically reconciled to the federal receipts and department expenditure reports maintained by the California State Controller's Office. Negative amounts shown in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. ASSISTANCE LISTING NUMBER

The Assistance Listing Number (ALN) and federal program titles listed in the Schedule were obtained from the federal funding agency, the pass-through grantor, or the U.S. General Services Administration's System for Award Management (SAM).

The ALN is a five-digit number. The first two digits identify the federal funding agency and the last three digits identify the specific federal program. If a valid three-digit ALN extension is unknown or unavailable, the letter "U" is used to indicate "unidentified", followed by a two digit number. COVID-19 Emergency Acts expenditures are denoted by the prefix COVID-19 in the federal program title.

4. NONCASH FEDERAL AWARDS

The State is the recipient of federal awards that do not result in cash receipts or disbursements. These noncash federal awards include a variety of items, such as food and nutritional purchase assistance, commodities, vaccines, or federal excess property. Noncash awards received by the State are included in the Schedule. Noncash awards for the fiscal year ended June 30, 2022, are as follows:

Assistance Listing Number	Federal Program Title	Noncash Awards for the Fiscal Year Ended June 30, 2022
10.178	Trade Mitigation Program Eligible Recipient Agency Operational Funds	\$ 48,077,168
10.551	Supplemental Nutrition Assistance Program	13,128,155,870
10.551	COVID-19 Supplemental Nutrition Assistance Program	5,604,552,136
10.555	National School Lunch Program	218,814,114
10.565	Commodity Supplemental Food Program	33,297,453
10.569	Emergency Food Assistance Program (Food Commodities)	102,184,982
10.569	COVID-19 - Emergency Food Assistance Program (Food Commodities)	64,958,446
39.003	Donation of Federal Surplus Personal Property	644,149
93.268	Immunization Cooperative Agreements	522,007,656
Total		\$ 19,722,691,974

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

Loans and loan guarantees outstanding, and insurance in effect at June 30, 2022, are summarized in the schedule below.

Assistance Listing Number	Federal Program Title	Loans/Loan Guarantees Outstanding as of June 30, 2022	Insurance in Effect as of June 30, 2022
64.114	Veterans Housing Guaranteed and Insured Loans	\$ -	\$ 173,535,208
81.041	State Energy Program	3,792,430	-
Total		\$ 3,792,430	\$ 173,535,208

6. PASS-THROUGH AWARDS

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

7. SUBRECIPIENTS

The State awards federal funds to non-federal entities (subrecipients) to assist with the implementation and administration of federal programs. Subrecipients are monitored by the State to ensure federal funds are expended in accordance with authorized laws, regulations, and the provisions of contracts or grant agreements. Amounts provided to subrecipients from each federal program are included in a separate column in the Schedule.

8. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule, which is prepared on the cash expenditure basis as explained in Note 2.

9. INDIRECT COST RATE

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

- Governor's Office of Planning and Research
- California Tahoe Conservancy
- California Sierra Nevada Conservancy
- California Emergency Medical Services Authority
- California Department of Veterans Affairs
- California Delta Protection Commission
- Colorado River Board of California

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

10. DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)

The State is the recipient of federally donated Personal Protective Equipment (PPE). The fair market value of the PPE at the time of receipt was \$193,471,760.

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

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Reference Number:	2021-001
State Administering Department:	California Employment Development Department (EDD)
Audit Finding:	<p><u>Material Weakness and Material Instance of Noncompliance.</u> Due to the unprecedented impacts from the COVID-19 pandemic, the Employment Development Department (EDD) was unable to timely report to Finance through the Database with accurate and reliable federal cash basis expenditures for its largest federal award programs that it administers, the Unemployment Insurance (ALN 17.225) and Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (ALN 97.050) programs. The delay resulted in Finance being unable to compile and produce a complete and final approved Schedule until December 2022. Although initial estimated expenditure amounts were reported by EDD for both programs, \$90.6 billion and \$7.5 billion, respectively, the final amounts reported in the Schedule for both programs were ultimately updated to \$92.7 billion and \$6.5 billion, respectively.</p> <p>EDD should continue to evaluate its existing process and controls related to its ability to properly account for, report, and timely submit complete and accurate federal award cash basis expenditures to the Database, which affords Finance the ability to timely compile and produce a final Schedule pursuant to the Uniform Guidance.</p>
Status of Corrective Action:	<p><u>Partially Corrected.</u> The deferred transition to the Financial Information System for California (FI\$Cal) and the COVID-19 pandemic have resulted in delays in obtaining the data needed to submit year-end financial statements to the California State Controller’s Office (SCO) and report in the Database. These delays resulted in EDD reporting estimated expenditures into the Database and updating once actual expenditures were known.</p> <p>Below is EDD’s actual and anticipated submittal timeline for the three most recent fiscal years:</p> <p>Fiscal year ending June 30, 2021</p> <ul style="list-style-type: none">• Financial statements were submitted to SCO, July 2022.• Expenditures were finalized in the Database, November 2022. <p>Fiscal year ending June 30, 2022</p> <ul style="list-style-type: none">• Financial statements were submitted to SCO, March 2023.• Initial expenditures were finalized in the Database, July 2023. Updates are needed once the ineligible payment dataset is known. The goal is to complete all updates by October 2023.

Fiscal year ending June 30, 2023

- The goal is to submit financial statements to SCO in December 2023.
- The goal is to finalize the expenditures in the Database within a month after submitting the financial statements. The ability to finalize the expenditures is dependent on the availability of the ineligible payment dataset.

If there are no delays in submitting the 2022-23 financial statements, this will be the first time since the FI\$Cal transition that EDD can submit year-end financial statements in the same calendar year they are due. While this is still past SCO's deadline, it positions EDD to submit timely 2023-24 financial statements.

Refer to finding 2022-001.

Reference Number: **2021-002**

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

Audit Finding: Material Weakness and Instance of Noncompliance. Public Health failed to include \$479,996,082 of federal expenditures and \$367,405,431 of subrecipient expenditures for the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) program (ALN No. 93.323) in the Database, which Finance uses to prepare the State's annual Schedule. The error resulted in an additional major program that was required to be audited as a major program in accordance with the Uniform Guidance and the State having to reissue its federal compliance audit report for the fiscal year ended June 30, 2021.

Status of Corrective Action: Partially Corrected. Public Health properly included Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) program (ALN No. 93.323) program expenditures in the Schedule for the fiscal year end June 30, 2022.

Refer to finding 2022-002.

Reference Number: **2021-003**

Assistance Listing Number: 10.557

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

Audit Finding: Eligibility. During the fiscal year ended June 30, 2020, the Special Supplemental Food Program for Women, Infants and Children (WIC) nutrition program implemented phase 1 of a new management information system known as the Women, Infants, and Children Web Information System Exchange (WIC-WISE) in a two-phased approach to replace the WIC Management Information Systems (WIC-MIS).

WIC-WISE is programmed such that updates to eligibility information overwrites existing data. As a result, key data and documentation to support the initial participant eligibility is removed during the recertification process. The California Department of Public Health, WIC Division requested a correction to WIC-WISE to retain eligibility history in the “Cert History Report” when subsequent eligibility information is entered. This correction will be included in a future release targeted for May 2023. As such, the system defect still existed during the fiscal year ended June 30, 2021. Accordingly, sample testing was not performed.

WIC-WISE system updates should be promptly implemented and tested to ensure that participant data and eligibility documentation is appropriately retained within the system.

Status of Corrective Action:

Remains Uncorrected. Public Health’s WIC Division agrees that the WIC-WISE system does not currently store eligibility history that should be included in the “Cert History Report” and the initial eligibility data is overwritten when subsequent eligibility information is entered into WIC-WISE. However, WIC-WISE includes preventative internal stops or checkpoints that disallow ineligible individuals to be certified and issued benefits (e.g., over income limits, not a California resident, no nutrition risk factor, etc.). User acceptance testing vetted these items prior to system implementation in 2019-20.

The WIC Division has entered Defect Correction #6972 in the Team Foundation Services, the tracking mechanism used to track system changes and defects. The Defect Correction #6972 supports a system change to ensure initial eligibility information is retained when subsequent eligibility information is entered into WIC-WISE. This correction is currently in active user acceptance testing and the updated report coding is in progress. Implementation of this correction is expected in Fall 2023 or sooner.

Refer to finding 2022-003.

Reference Number:	2021-004
Assistance Listing Number:	17.225
State Administering Department:	California Employment Development Department (EDD)

Audit Finding: Activities Allowed or Unallowed and Eligibility. During the fiscal year ended June 30, 2021, EDD continued its administration of the Pandemic Unemployment Assistance (PUA) program, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act for COVID-19 relief in unemployment compensation. Under the CARES Act, the PUA program was to be administered in accordance with the Disaster

Unemployment Assistance (DUA) program under section 625 of Title 20, Code of Federal Regulations. Claimants eligible for PUA benefits were paid additional benefits under the Federal Pandemic Unemployment Compensation program (FPUC).

In EDD's administration of the PUA and FPUC programs, \$17,143,006,979 in benefit payments were estimated to be potentially fraudulent payments. The estimate was made by the Unemployment Insurance Branch and was based on data parameters to identify claimants that received benefits that matched imposter fraud for identity or eligibility fraud for misrepresented information.

Out of 138 PUA benefit payments tested, there were 26 benefit payments to claimants determined to be potentially fraudulent whose identity was not sufficiently verified.

EDD should continue to evaluate and enhance its fraud detection and prevention internal controls, increasing the use of automation features and other analytical tools in an effort to increase efficiency, continue to reduce workload, and enhance detection and timely identification of unemployment benefit fraud.

Status of Corrective Action:

Remains Uncorrected. Since fiscal year 2020-21, EDD has implemented dozens of strict anti-fraud measures to continue to evaluate and enhance its fraud detection. These measures, as described in the response to the 2019-20 California State Auditor Finding Reference Number 2020-005, included but were not limited to, crossmatching claimant information against law enforcement and government databases, and implementing rigorous new identity verification procedures. As a result, EDD caught and stopped multiple fraud attempts using the enhancements placed into effect in September 2020

EDD implemented the following measures to address the nationwide fraud attempts perpetrated against the new emergency federal benefit programs in 2020-21:

- Implemented additional crossmatches in September 2020 to detect multiple claims per address.
- Ceased automatically backdating PUA claims under federal rules in September 2020.
- Strengthened identity verification procedures in October 2020 by implementing ID.me.
- Implemented additional crossmatches in November 2020 against state inmate information.
- Vetted applications against law enforcement databases and other tools provided by Thomson Reuters in December 2020 to further curb identity and non-identity fraud.
- Established a 1099-G call center to help identity theft victims deal with any tax-related questions.

Refer to finding 2022-004.

Reference Number:	2021-005
Assistance Listing Number:	17.225
State Administering Department:	California Employment Development Department (EDD)
Audit Finding:	<p><u>Activities Allowed or Unallowed and Eligibility.</u> During the fiscal year ended June 30, 2020, EDD implemented the Pandemic Unemployment Assistance (PUA) program, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act for COVID-19 relief in unemployment compensation. Under the CARES Act, the PUA program was to be administered in accordance with the Disaster Unemployment Assistance (DUA) program under section 625 of Title 20, Code of Federal Regulations. The amount of PUA payable to an unemployed or unemployed self-employed individual for a week of total unemployment shall be the weekly amount of compensation the individual would have been paid as regular compensation, as computed under the provisions of the applicable State law for a week of total unemployment. The weekly amount determination is calculated using the wages reported by the claimant. Upon receipt of a PUA claim, EDD would verify wages reported to ensure accurate weekly benefit amounts under PUA.</p> <p>Out of 138 PUA benefit payments tested, there were 4 claimants whose wages were not reduced or suspended due to a lack of wage verification and 8 claimants whose self-employment were not verified.</p> <p>EDD should continue to look for ways to enhance its capacity to perform timely wage verifications to ensure accurate eligibility determinations and claimant benefit payments.</p>
Status of Corrective Action:	<p><u>Remains Uncorrected.</u> Given the unprecedented volume of unemployment insurance claims during the federal disaster, approximately 20 million claims compared to 3.8 million during the Great Recession, EDD has taken actions to speed payments to eligible claimants whenever possible. For example, EDD launched a Conditional Payment Program in July 2021 to speed payments to claimants who were certified for benefits and have already received at least one week of benefits in the past, but whose payments were later pending for more than two weeks. EDD also boosted its capacity to complete workloads, prioritize timely payments, and employ automation among other measures.</p> <p>As reported in the response to the 2019-20 California State Auditor Finding Reference Number 2020-006, EDD began automatically crossmatching EDD wage records and Franchise Tax Board (FTB) records in November 2020, to assist in verifying the income of PUA claimants. Claimants who could not be automatically verified through the FTB record match were required to submit additional documentation to EDD for manual reviews.</p>

Regarding the manual processing of the income documents to substantiate the PUA weekly benefit amounts that have been increased above the minimum California weekly benefit amount (WBA) of \$167, in June 2022, EDD submitted a blanket waiver application to the U.S. Department of Labor (DOL), pursuant to the DOL Unemployment Insurance Program Letter 20-21, Change 1. EDD's application is pending DOL's determination. If approved, the blanket waiver application would cover any overpayments for claimants who, through no fault of their own, failed to provide proof of income substantiation to support the increase or whose WBA would have been decreased because the proof they provided was insufficient.

To address the employment verification or self-employment substantiation (known in California as "Self-employment/Employment Substantiation" or "SEES"), the verification process is being implemented in two phases. Phase One of the SEES effort was implemented on November 10, 2021, and involved notifying claimants registered in California's UI Online (UIO) system by email and text of their requirements to provide SEES documentation. Phase Two will involve notifying claimants who did not respond to the UIO request for SEES documentation and those who are not registered in UIO, via a paper notice mailed through the United States Postal Service. EDD submitted a blanket waiver application in June 2022 to DOL regarding this issue. The blanket waiver application covers any overpayments for claimants who, through no fault of their own, provided insufficient documentation or did not provide any documentation. EDD recently received approval for the blanket waiver for the SEES population and is in the process of determining the next steps.

Regarding questioned costs, EDD will further assess implementation based on the DOL's decision. If the blanket waiver of \$325,948 is approved, EDD will pursue recovery of the associated overpayments from individuals deemed ineligible for benefits, to the extent allowable under federal and state laws. Any overpayments recovered will be returned to the accounts from which they were paid.

Refer to finding 2022-005.

Reference Number:	2021-006
Assistance Listing Number:	17.225
State Administering Department:	California Employment Development Department (EDD)
Audit Finding:	<u>Activities Allowed or Unallowed and Eligibility.</u> In EDD's administration of the Unemployment Insurance program, \$1,440,071,129 in benefit payments were estimated to be potentially fraudulent payments. The estimate was made by the Unemployment Insurance Branch and was based on data

parameters to identify claimants that received benefits that matched imposter fraud for identity or eligibility fraud for misrepresented information.

The Unemployment Insurance Branch of EDD reviews unemployment insurance claims of claimants for involuntary separation to ensure separations were for valid reasons under the Unemployment Insurance Code. Out of 138 unemployment insurance benefit payments tested, there were 4 claimants receiving benefits, whose reasons for involuntary separation indicated separation reasons due to voluntary quitting without good cause.

EDD should continue its work catching up with the adjudication process to support proper eligibility determinations and decrease improper payments to ineligible claimants.

Status of Corrective Action:

Remains Uncorrected. EDD experienced an unprecedented workload increase because of the COVID-19 pandemic. DOL provided the flexibility to augment state civil services staff to perform unemployment insurance program related activities and contract staff to process unemployment compensation administrative activities. In September 2021, EDD entered into a contract with the vendor Maximus to assist in processing deferred workloads. EDD developed a workload plan that prioritized its deferred workloads outlined in the risk assessment performed by Accenture (i.e., high-risk cases were processed before low-risk cases) to ensure all deferred workloads were liquidated. As of April 30, 2023, EDD fully liquidated its deferred workloads in alignment with the projected workload forecast. Additionally, EDD's eligibility determinations are current to support the timely and proper determination of claimants' eligibility, decreasing the volume of improper payments issued to claimants.

Refer to finding 2022-006.

Reference Number:

2021-007

Assistance Listing Number:

21.019

State Administering Department:

California Business, Consumer Services, and
Housing Agency
California Department of Education
California Department of Social Services

Audit Finding:

Subrecipient Monitoring. For 2 of 60 subawards tested, the State did not communicate required subaward information to its subrecipients of the Coronavirus Relief Fund (CRF) program at the time of the subaward, or when the State became aware of changes in subaward information, including identification that the subaward funds represented federal funding. Also, for 4 of 60 direct costs tested, the transactions were subsequently determined to be subawards, for which the required subaward information was

not properly communicated to the subrecipients. The 4 direct costs transactions were from the Business, Consumer Services and Housing Agency; 1 of the subawards was from the California Department of Education; and 1 of the subawards was from the California Department of Social Services.

The state administering departments identified above should review all subawards provided which were funded using CRF program funds, provide the subrecipients with subaward information required by 2 CFR 200.332(a), and determine whether the subrecipients properly reported CRF subawards and related expenditures in their respective schedule of expenditures of federal awards pursuant to 2 CFR 200.502. If federal subawards were not reported, the state administering departments should perform appropriate follow-up monitoring procedures.

Status of Corrective Action:

BCSH – Partially Corrected. The California Interagency Council on Homelessness (Cal ICH) within BCSH will conduct mandatory desk reviews of the CRF subawards to verify that subrecipients properly reported their CRF awards and related expenditures pursuant to 2 CFR 200.502. This process is currently underway and is planned to be completed in one year.

Additionally, Cal ICH has developed an improved communication system between the leadership and program staff to ensure changes are clearly communicated. This will also ensure Cal ICH's subrecipients are notified in a timely manner upon any changes in subaward information, such as identifying if subaward funds represent federal funding so that expenditures are spent in accordance with federal statutes, regulations, and the terms and conditions of federal awards. This process has been completed.

CDE – Fully Corrected. CDE reviewed its CRF reporting and determined CRF subawards and related expenditures may not have been completely reported in the respective Schedule of its subrecipients. CDE has notified all subaward recipients regarding the change in funding and requested that they review their financial statements to determine if any corrections in reporting are needed.

All recipients were directed to contact and submit any revised information to Social Services, which is now the control agency responsible for administering the impacted programs.

Social Services - Fully Corrected. Counties were formally notified of the program changes at the state level in December 2022 via County Fiscal Letter 22/23-31. As part of Social Services' regular fiscal on-site monitoring review process of counties selected based on risk-assessment criteria, Social Services will include in the on-site monitoring review a discussion regarding all subawards funded using CRF program funds and whether the subrecipients properly reported their CRF subawards and related expenditures in the respective Schedule. The on-site monitoring reviews began in April 2023 and will continue through June 2024.

Reference Number:	2021-008
Assistance Listing Numbers:	93.767 93.778
State Administering Department:	California Department of Health Care Services (Health Care Services)
Audit Finding:	<p><u>Activities Allowed or Unallowed.</u> Fifteen of 56 contractor counties of Short-Doyle funding were tested and seven had not submitted their cost reports by the December 31 due date. Two of the seven contractor counties had not submitted their cost reports for fiscal year 2019-20 (more than 12 months late) and five of the seven contractor counties have subsequently submitted their cost reports for fiscal year 2020-21.</p> <p>Although the Mental Health Division of Health Care Services did take the required action of notifying the seven contractor counties in writing within 30 days of the noncompliance, it has not taken any additional action necessary to ensure contract and performance compliance.</p> <p>The cost reports are the basis for the allocation of payments made to contractor counties providing mental health services to eligible beneficiaries and serve to provide the Mental Health Division with fiscal oversight for contract and performance compliance.</p> <p>Health Care Services should develop and follow policies and procedures to take additional action for significantly late annual cost reports. These policies and procedures should include imposing sanctions, including, but not limited to, fines, penalties, the withholding of payments, probationary or corrective actions, or any other actions deemed necessary to promptly ensure contract and performance compliance.</p>
Status of Corrective Action:	<p><u>Partially Corrected.</u> Health Care Services is currently working to implement the sanctions policy communicated in the Behavioral Health Information Notice 22-045, as included in Health Care Services' response to the 2019-20 California State Auditor Finding Reference Number 2020-007. Due to the timing of the communication, the policy has not yet impacted the timeliness of the counties' cost report submissions.</p> <p>Health Care Services will provide the implemented sanction policy, evidence of corrected managed care plans, and documentation supporting how the new monitoring plan will help determine counties' compliance upon full implementation.</p> <p>Due to the complex nature of developing, reviewing, publishing, and revising a sanction process, Health Care Services anticipates this will be implemented by December 31, 2023.</p> <p>Refer to finding 2022-008.</p>

Reference Number: **2021-009**

Assistance Listing Number: 93.917

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

Audit Finding: Cash Management. Out of 25 cash drawdowns reviewed, one sample did not meet the requirements to minimize the timing between Public Health’s Office of AIDS receipt of Federal funds and disbursement of those funds for program purposes. The funds from this drawdown were designated to pay 33 vendor invoices. However, payments for 23 of these invoices were made between 16 to 175 days after the drawdown occurred. One invoice was paid 598 days after the date of the drawdown.

The Public Health’s Office of AIDS (OA) should continue to monitor compliance with its policies to ensure staff follow established guidelines to minimize the timing between drawdown and disbursement of Federal funds.

Status of Corrective Action: Fully Corrected. OA has implemented the recommendation. OA has taken steps to resolve the issue by realigning staff and responsibilities within its Support Branch for a greater focus on fiscal reporting and invoice processing. The Care Branch, whose invoices were audited, has also put an increased emphasis on tracking and reviewing invoices for payments to prevent similar delays. The two subsequent Ryan White grant closeouts had all invoices processed and paid prior to the federal financial reporting closeout deadlines to ensure that invoice payments were not held for extended timeframes.

Reference Number: **2021-010**

Assistance Listing Number: 93.767

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

Audit Finding: Eligibility. Out of 40 Children’s Health Insurance Program (CHIP) beneficiaries tested, there was one beneficiary where the transaction sent to terminate eligibility failed and eligibility continued in error, and one instance where the beneficiary remained in a transitional aid code for an extended period.

Through subawards, Health Care Services has delegated performance of eligibility determinations to California county welfare agencies that collect and record this information in their respective eligibility systems (collectively known as the Statewide Automated Welfare System [SAWS]) and the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS), which transmit eligibility data to the Health Care Services’ Medi-Cal Eligibility Data System (MEDS). Health Care Services then pays: (1) managed care plans monthly to provide

eligible services for beneficiaries (Managed Care); (2) medical providers for services provided directly to beneficiaries (Fee for Service), and (3) the U.S. Centers for Medicare and Medicaid Services (CMS) for Medicare premiums (Premiums).

Health Care Services should continue with the quality control process used to monitor all MEDS alerts to ensure that the system has a process of identifying and alerting caseworkers to the review of beneficiaries that may be still receiving benefits when deemed ineligible. Health Care Services should continue its efforts to utilize focus reviews to assess counties' risk of delays in renewal activities. Health Care Services should then work directly with those county welfare agencies to implement policies and procedures to improve their compliance status.

Health Care Services should ensure there are controls in place to ensure all beneficiaries have the proper supporting documentation to be eligible.

Status of Corrective Action:

Partially Corrected. CMS has confirmed that the continuous enrollment requirement was ended on March 31, 2023 and has been delinked from the public health emergency in the Consolidation Appropriations Act of 2023. Health Care Services began the continuous coverage requirement unwinding activities on April 1, 2023, including the resumption of renewals. Per the current county oversight timeline established within the California Advancing and Innovating in Medi-Cal (CalAIM) implementation timeline, the oversight and monitoring activities resumption, which include focus reviews and MEDS alerts processing, shall begin 14 months after the onset of the continuous coverage requirement unwinding activities; therefore, the new implementation date to initiate these activities is May 1, 2024.

In the interim, Health Care Services is in the process of providing counties with updated guidance on prioritizing MEDS alerts processing that directly impacts eligibility. Health Care Services is also considering the feasibility of developing additional MEDS training for county staff.

In addition, Health Care Services will review county data to identify counties that are not meeting renewal and application processing timelines during the unwinding period. Health Care Services will then perform an informal review of those counties to identify the reasons for the delay in processing time. However, during the unwinding, counties are not subject to any adverse actions as a result of these reviews.

Reference Number:	2021-011
Assistance Listing Number:	93.917
State Administering Department:	California Department of Public Health (Public Health)

Audit Finding:

Eligibility. Our sample of 60 participants from a population of 28,417 participants who received benefits during the fiscal year identified 1 participant's annual recertification was not conducted in a timely manner and 16 participants who did not submit all required documentation, including proof of HIV/AIDS diagnosis, proof of residency, and income documentation to verify their annual MAGI did not exceed 500 percent Federal Poverty Level based on household size and income.

The AIDS Drug Assistance Program (ADAP) Branch should continue to monitor compliance with its policies to ensure enrollment workers and secondary reviews of ADAP applications follow the established guidelines and retain acceptable documentation to support eligibility determinations and timely annual recertification. Applications that have been granted an eligibility exception (i.e., Temporary Access Period, Medi-Cal Eligibility Exception Request, or Eligibility Exception Request) should be reviewed in a timely manner to ensure clients who do not provide the required documentation within the approved extension period are disenrolled in a timely manner.

Status of Corrective Action:

Remains Uncorrected. ADAP developed and implemented the internal quality assurance (QA) process in April 2022 to ensure that secondary reviews of ADAP applications consistently enforce the existing guidelines, including maintaining acceptable supporting documentation and meeting eligibility requirements.

During 2020-21 and through December 2021, ADAP issued multiple policy memos to respond to the COVID-19 pandemic. These policy memos enabled staff and enrollment workers to defer documentation collection when necessary, and ensure clients impacted by the pandemic and associated site closures did not lose eligibility and access to life-saving medications and comprehensive healthcare. These flexibilities in Public Health's guidelines were implemented based on guidance from the Health Resources and Services Administration (HRSA), which encouraged ADAP to reassess Public Health's eligibility and recertification policies and procedures and remove barriers that may impede social distancing or other public health strategies necessary to minimize COVID-19 transmission. This documentation deferral expired on December 31, 2021. Starting January 1, 2022, ADAP enforced full documentation and eligibility requirements, combined with ongoing QA efforts, to mitigate future findings in ADAP applications dated January 1, 2022 onward.

Refer to finding 2022-010.

Reference Number:

2021-012

Assistance Listing Numbers:

93.044
93.045
93.053

State Administering Department: California Department of Aging (Aging)

Audit Finding: Reporting. We examined the Federal Funding Accountability and Transparency Act (FFATA) reporting for the Aging Cluster for the fiscal year ended June 30, 2021, pertaining to 7 subrecipients of federal funds out of a population of 33. The required FFATA reporting submissions pertaining to these subawards were made; however, the submission occurred in July 2022, 21 months after the official submission due date.

We recommend that Aging update its current practices for managing subaward reporting under the FFATA to ensure that applicable subawards are identified and the required submissions are made timely.

Status of Corrective Action: Fully Corrected. Aging developed and implemented the FFATA Reporting procedures in June 2023 and dedicated staff to manage the subaward and reporting processes. Aging met the federal reporting due date for the 2022-23 FFATA reporting.

Reference Number: **2021-013**

Assistance Listing Numbers: 93.767
93.778

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

Audit Finding: Reporting. We examined the Federal Funding Accountability and Transparency Act (FFATA) reporting for the Medicaid Cluster and Children’s Health Insurance Program for the fiscal year ended June 30, 2021. The required FFATA reporting submissions pertaining to these subawards were not made.

We recommend that DHCS update its current practices for managing subaward reporting under the FFATA to ensure that applicable subawards are identified and the required submissions are made timely.

Status of Corrective Action: Partially Corrected. Health Care Services is reviewing current guidance related to FFATA and the definitions of pass-through payments to subrecipients and subcontractors. Health Care Services will assess if changes or improvements are needed for the process to ensure compliance with FFATA as appropriate.

Reference Number: **2021-014**

Assistance Listing Number: 93.323

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

Audit Finding: Public Health did not establish a formal risk assessment process over its subrecipients of federal awards to determine the frequency and extent of subrecipient monitoring to be performed. While Public Health received reimbursement invoices from subrecipients, there did not appear to be other financial or programmatic monitoring to verify subrecipients compliance with applicable requirements. In addition, Public Health did not obtain Single Audit reports from those subrecipients as required.

Status of Corrective Action: Remains Uncorrected. Public Health is in the process of developing formal procedures for conducting risk assessments and establishing procedures for monitoring and a process for obtaining single audit reports for its subrecipients.

Refer to finding 2022-011

Reference Number: **2021-015**

Assistance Listing Numbers: 93.767
93.778

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

Audit Finding: Special Tests and Provisions. The Medical Assistance Program reporting of overpayments tested did not reflect the correct federal share because Form CMS-64 included all CHIP overpayments (42 CFR 433.320). All 20 CHIP overpayments tested did not reflect the correct federal share (Federal Financial Participation or FFP rate) and were not correctly reported on Form CMS-21 (42 CFR 433.320 via 42 CFR 457.628).

Health Care Services should have a process in place to ensure that the CMS-64 and CMS-21 reports properly report CHIP and Medicaid overpayments.

Health Care Services should update the system to assign the appropriate FFP rate for each overpayment. With this implementation, CHIP overpayments can be appropriately identified with the correct FFP rate and reported on the CMS-21.

Status of Corrective Action: Fully Corrected. Effective September 1, 2021, System Development Notice (SDN) 20039 made updates to the Claims Processing Accounts Receivable System (AR system), allowing Health Care Services to use the correct Federal Medicaid Assistance Percentage (FMAP) rate, including the State Children’s Health Insurance Program (SCHIP), when reporting overpayments on the CMS-64 and CMS-21. The updates include the following:

1. High-level and detailed business requirements that include SCHIP:

- a. Create a new field in the AR system for the budget program that includes SCHIP.
 - b. The following California Omnibus Budget Reconciliation Act of 1985 (COBRA) reports have been updated to include the budget program and FFP rate fields: MCC-R-001, MCC-R-002, MCC-R-027, MCC-R-028, MCC-R-032 Part A, B, and C.
2. Coding modifications for COBRA reports:
- a. MCC-R-001
 - b. MCC-R-002
 - c. MCC-R-027
 - d. MCC-R-028
 - e. MCC-R-032 PART A
 - f. MCC-R-032 PART B
 - g. MCC-R-032 PART C
3. Test cases conducted that include SCHIP.

The MCC-R-001 and MCC-R-002 are monthly reports that display FFP to be reported and FFP to be reclaimed that occurred in the reporting month at the designated budget program and FFP rate. These monthly reports are summarized for the reporting quarter under the “FFP To Be Reported” and “FFP To Be Reclaimed” sections of the MCC-R-032 Part A, B, and C quarterly FFP Summary reports.

The MCC-R-027 and MCC-R-028 are monthly reports that display out-of-business and bankruptcy transactions that occurred in the reporting month, reclaiming the federal share of each overpayment using the same FMAP rate that was reported for the original overpayment. The FFP Rate, Computable, and FFP amounts from the MCC-R-027 and MCC-R-028 monthly reports are summarized for the reporting quarter under the “Bankruptcy and Out of Business” section of the MCC-R-032 Part A, B, and C quarterly FFP Summary reports.

Reference Number:	2021-016
Assistance Listing Number:	97.050
State Administering Department	California Employment Development Department (EDD)
Audit Finding:	<u>Activities Allowed or Unallowed and Eligibility.</u> During the fiscal year ended June 30, 2021, EDD implemented the Lost Wages Assistance (LWA) program, which was funded through the disaster relief funds from the Federal Emergency Management Agency (FEMA) under the Presidential Memorandum on Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019 (COVID-19). Under the memorandum, the LWA program was to be administered in accordance with the Robert T. Stafford Disaster

Relief and Emergency Assistance Act section 408(e)(2) and (f), Title 42 U.S.C §5174(e)(2), (f).

In EDD's administration of the LWA program, \$1,013,541,600 in benefit payments were estimated by EDD to represent potentially fraudulent payments. The estimate was based on data parameters to identify claimants that received benefits which matched imposter fraud for identity or eligibility fraud for misrepresented information.

Out of 223 LWA benefit payments tested, 20 claimants were determined to be ineligible for LWA benefits.

EDD should continue to evaluate and enhance its fraud detection and prevention internal controls, increasing the use of automation features and other analytical tools in an effort to increase efficiency, continue to reduce workload, and enhance detection and timely identification of unemployment benefit fraud.

Status of Corrective Action:

Fully Corrected. The LWA program is no longer an active program in California. EDD completed the programming to end the LWA program on March 27, 2022. Since 2020-21, EDD has implemented dozens of strict anti-fraud measures to continue to evaluate and enhance its fraud detection. These measures, described in EDD's response to 2019-20 California State Auditor Finding Reference Number 2020-005, included but were not limited to, crossmatching claimant information against law enforcement and government databases and implementing rigorous new identity verification procedures. As a result, EDD caught and stopped multiple fraud attempts using the enhancements placed into effect in September 2020.

EDD implemented the following measures to address the nationwide fraud attempts perpetrated against the new emergency federal benefit programs in 2020-21:

- Implemented additional crossmatches in September 2020 to detect multiple claims per address.
- Ceased automatically backdating PUA claims under federal rules in September 2020.
- Strengthened identity verification procedures in October 2020 by implementing ID.me.
- Implemented additional crossmatches in November 2020 against state inmate information.
- Vetted applications against law enforcement databases and other tools provided by Thomson Reuters in December 2020 to further curb identity and non-identity fraud.
- Established a 1099-G call center to help victims of identity theft deal with any tax-related questions.
- Ceased printing of social security numbers on mailed documents to reduce identity theft risk.
- Enhanced benefit card security with Bank of America.

- Partnered with state, local, and federal law enforcement agencies to support thousands of criminal investigations, arrests, prosecutions, and convictions.
- Enhanced Thompson Reuters fraud detection logic and reviewed the address verification process.

Reference Number:

2020-001 – Partially Corrected – Refer to Finding 2022-001
2020-002 – Remains Uncorrected – Refer to Finding 2022-003
2020-004 – Remains Uncorrected – Refer to Finding 2022-006
2020-005 – Remains Uncorrected – Refer to Finding 2022-004
2020-006 – Remains Uncorrected – Refer to Finding 2022-005
2020-007 – Partially Corrected – Refer to Finding 2022-008
2020-008 – Partially Corrected – Due to the COVID-19 public health emergency CMS provided an exemption to redeterminations which expired March 2023.
2020-009 – Remains Uncorrected – Refer to finding 2022-010
2020-012 – Fully Corrected

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Department of Finance Response Letter

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Gavin Newsom ■ Governor

1021 O Street, Suite 3110 ■ Sacramento CA 95814 ■ www.dof.ca.gov

Transmitted via e-mail

June 21, 2024

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

Thank you for the opportunity to respond to the federal compliance audit report for the fiscal year ended June 30, 2022. This report was the result of your examination of the State of California's administration of federal programs and will be included in the Single Audit Report for this period. California is committed to ensuring all its state entities implement effective accounting, reporting, and operational practices. State entities with findings and recommendations provided responses directly to Macias Gini & O'Connell LLP (MGO). The attached responses and corrective action plans are compiled by MGO and provided to Finance. Finance will remind state entities of their responsibility for implementing corrective actions.

Finance appreciates MGO's efforts in completing California's Single Audit. If you have any questions concerning this letter, please contact Cheryl L. McCormick, Chief, Office of State Audits and Evaluations, at (916) 322-2985.

Sincerely,

JOE STEPHENSHAW
Director

Enclosure

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Management's Response and Corrective Action Plan

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**STATE OF CALIFORNIA
MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Reference No. 2022-003:

The California Department of Public Health (Public Health) Women, Infants, and Children (WIC) Division had agreed that the WIC Web Information System Exchange (WISE) system does not currently store eligibility history that should be included in the "Cert History Report," and the initial eligibility data is overwritten when subsequent eligibility information is keyed into WIC WISE. However, WIC WISE does include preventative internal stops or checkpoints that do not allow ineligible individuals to be certified and issued benefits (e.g., over income, not a California resident, no nutrition risk factor, etc.). User acceptance testing vetted these items prior to system implementation in 2019/20.

The certification history condition discussed was remediated via a system Defect Correction to WIC WISE that was in user acceptance testing for implementation in Fall 2023. Public Health/WIC has entered Defect Correction #6972 in TFS (Team Foundation Services), the tracking system previously used to capture system changes and defects. The defect correction supports a system change to ensure initial eligibility information is retained when subsequent eligibility information is entered into WIC WISE.

Estimated Implementation Date: August 2023

Contact: William Welch, Assistant Division Chief, Operations
Women, Infants, and Children Division
California Department of Public Health

Reference No. 2022-004:

As reported in the prior year's response, since fiscal year 2020-21, the Employment Development Department (EDD) has implemented dozens of strict anti-fraud measures and has continued to evaluate and enhance its fraud detection. EDD has also developed internal fraud working groups and a multiagency fraud task force that reviews fraud data and fraud reports on a continual basis and recommends adjustments to filters and tools as necessary. EDD has successfully halted two large fraud scheme attempts over the previous two years and continues to work towards immediate detection and prevention of fraud attempts. EDD will continue to analyze and assess our processes to stay ahead of the ever-evolving fraud landscape.

As previously described, EDD implemented the following measures to address the nationwide fraud attempts perpetrated against the new emergency federal benefit programs in 2020-21:

- Implemented additional cross-matches in September 2020 to detect multiple claims per address.
- Ceased automatically backdating PUA claims under federal rules in September 2020.
- Strengthened identity verification procedures in October 2020 by implementing ID.me.
- Implemented additional cross-matches in November 2020 against state inmate information.
- Vetted applications against law enforcement databases and other tools provided by Thomson Reuters in December 2020 to further curb identity and non-identity fraud.
- Established a 1099-G call center to help victims of identity theft deal with any tax-related questions.
- Ceased printing Social Security numbers on mailed documents to reduce identity theft risk.
- Enhanced benefit card security with Bank of America.
- Partnered with state, local and federal law enforcement agencies to support thousands of criminal investigations, arrests, prosecutions and convictions.

The EDD has and will continue to evaluate and enhance the fraud detection/prevention tools that have been put in place.

Estimated Implementation Date: Annual reassessment to be completed September 2024

Contact: Diane Underwood, Division Chief
Unemployment Insurance Branch
California Employment Development Department

Reference No. 2022-005:

Given the unprecedented volume of unemployment insurance claims during the federal disaster—approximately 20 million claims compared to 3.8 million during the Great Recession—EDD took action to speed payments to eligible claimants whenever possible. For example, EDD launched in July 2021 a Conditional Payment Program to speed payments to claimants who certified for benefits and already received at least one week of benefits in the past but whose payments were later pending for more than two weeks. EDD also boosted its capacity to process workloads, prioritized timely payments, and employed automation among other measures.

As reported in Reference Number 2020-006 in fiscal year 2019-2020, EDD began automatically cross-matching EDD wage records and Franchise Tax Board records in November 2020 to assist in verifying the income of PUA claimants who could not be automatically verified through these procedures. Such claimants were required to submit additional documentation to EDD for a manual review.

Regarding the manual processing of the income documents to substantiate the PUA weekly benefit amounts that have been increased above the minimum California WBA of \$167, and the verification of employment or self-employment substantiation (known in California as “Self-employment/Employment Substantiation” or “SEES”), on February 6, 2024, in accordance with the U.S. Department of Labor (DOL) Unemployment Insurance Program Letter 05-24, the California Employment Development Department (EDD) identified that the processing of PUA income documents and the SEES workloads must be considered resolved due to California’s finality laws. The EDD is prohibited by law from resolving these items by California Unemployment Insurance Code section 1376, which provides that EDD cannot establish overpayments more than one year after the close of the benefit year in which the overpayment was made unless the overpayment is found to be a result of fraud, misrepresentation, or willful nondisclosure. Given that there is no fraud or fault on the part of the individuals identified in these populations, EDD is unable to take the required actions to resolve the workload due to California’s finality law provisions. EDD is expecting a response from DOL agreeing with the application of California’s finality laws to the PUA income verification and the SEES workloads.

Estimated Implementation Date: Upon DOL response, to be determined

Contact: Diane Underwood, Division Chief
Unemployment Insurance Branch
California Employment Development Department

Reference No. 2022-006:

The EDD resumed adjudicating all potential eligibility issues as of January 2021 and completed the retroactive determination workload on April 30, 2023.

Estimated Implementation Date: April 2023

Contact: Diane Underwood, Division Chief
Unemployment Insurance Branch
California Employment Development Department

Reference No. 2022-007:

California received \$27 billion in State Fiscal Recovery Funds (SFRF) under the American Rescue Plan Act of 2021 to cover costs and mitigate the impacts of the COVID-19 pandemic. States that lost revenue due to the pandemic are permitted to use an amount of SFRF equivalent to their lost revenue, as calculated pursuant to the U.S. Treasury's Final Rule, to fund government services.

The Department of Finance (Finance) acknowledges that its established review processes did not detect the inclusion of state employee contributions to deferred compensation plans in its revenue loss calculation and that these contributions did not constitute eligible revenue codes as they were not reported as revenues in the state's basic financial statements. Due to unclear federal guidance, Finance's original analysis and screening questions accounted for revenue codes that constituted revenues to the state from a budgetary perspective. Finance agrees that this oversight is a material weakness and has since adjusted its approach to the revenue loss calculation by excluding revenue codes that do not constitute revenues from a financial statement accounting perspective.

However, Finance maintains that its overall controls and calculation process is sound and disagrees that this oversight was categorized as a material noncompliance finding. As stated in the finding, the overstated revenue loss amount did not impact expenditures reported for fiscal year 2022, and corrective action was taken before this finding and the state's annual comprehensive financial report were released. The overstated revenue loss amount of \$977,898,160 was not transferred from Fund 8506, which was established for the administration of the State Fiscal Recovery Funds received from the federal government, and was not used for the provision of government services.

Estimated Implementation Date: January 2024

Contact: Mary Halterman, Assistant Program Budget Manager
Federal Funds Cost Tracking & Accountability Unit
California Department of Finance

Reference No. 2022-008:

The Local Governmental Financing Division, in collaboration with the Audits and Investigations Division, agrees that policies and procedures will be developed to take additional action for significantly late-cost reports and non-compliant counties. As of July 1, 2023, the California Department of Health Care Services transitioned counties away from cost reconciliation financing, and for any state fiscal year after July 1, 2023, counties will no longer be required to submit cost reports.

Estimated Implementation Date: July 2023

Contact: Wendy Griffe, Chief
Internal Audits
California Department of Health Care Services

Reference No. 2022-009:

The Behavioral Health Administrative support team will endeavor to ensure that timesheets are collected and submitted appropriately.

As the payroll system (SCO) and leave accounting (HRIS) are two completely separate programs that do not interact, the Behavioral Health (BH) Administrative Support Team will maintain a master file detailing the funding information for each position. For example, if a position is funded by two different grants, the file would reflect the percentage of work associated with each.

It must be noted that as employee leave is tracked and maintained in a separate system, the Absence and Additional Time Worked Reports (STD 634) only reflect hours worked and leave used and does not reflect how a position is funded. Additionally, staff who are in Work Week Group E and are exempt from coverage under the Fair Labor Standards Act (FLSA) are not required to document hours worked for payroll purposes. Therefore, this form would only reflect leave credits used in whole-day increments. This means that on their timesheets, you will only find time used to cover full-day leave usage. These are generally our Supervisors and Managers.

Estimated Implementation Date: July 2024

Contact: Raberta Gannon, Chief
Behavioral Health Administrative Support Services Section
Deputy Director's Office, Behavioral Health
California Department of Health Care Services

Reference No. 2022-010:

Public Health's Office of Aids (OA) agrees with the finding and recommendation. OA developed and implemented additional internal quality assurance (QA) processes in April of 2022 to ensure that secondary reviews of AIDS Drug Assistance Program (ADAP) applications are consistently enforcing the existing guidelines, including acceptable supporting documentation and accurate eligibility requirements. Prior to this audit period, and through December 2021, ADAP had issued multiple policy memos to respond to the COVID-19 pandemic, which enabled staff and enrollment workers to defer documentation collection, when necessary, to remain flexible and ensure clients impacted by the pandemic, and associated site closures, did not lose eligibility and access to life-saving medications and comprehensive healthcare.

These flexibilities in our guidelines were implemented based on guidance received from our federal funder, the Health Resources and Services Administration, which encouraged ADAP to reassess its organization's eligibility and recertification policies and procedures, and remove any barriers that may impede social distancing, or other public health strategies, necessary to minimize COVID-19 transmission. This documentation deferral was terminated on December 31, 2021, and since January 1, 2022, full documentation and eligibility requirements have been enforced. This, combined with ongoing QA efforts, will help mitigate future findings in ADAP applications.

Estimated Implementation Date: Implemented as of April 2022

Contact: Joseph Lagrama, Branch Chief
AIDS Drug Assistance Program Branch
California Department of Public Health

Reference No. 2022-011:

Public Health's Center for Preparedness and Response (CPR) agrees that it did not establish a formal risk assessment process over its subrecipients of ELC COVID-19 awards. CPR will establish and document formal procedures for conducting risk assessments of ELC subrecipients. Public Health will also develop and implement specific subrecipient monitoring procedures.

CPR also agrees that it did not obtain single audit reports from ELC subrecipients. CPR will develop and implement procedures outlining the process for obtaining single audit reports from subrecipients, which will include a monitoring mechanism to track compliance with the single audit mandate.

Estimated Implementation Date: December 2024

Contact: Melissa Relles, Assistant Deputy Director
Division of Operations
Center for Preparedness and Response
California Department of Public Health

Reference No. 2022-012:

Public Health agrees that Form CMS-1539 should be signed. We are exploring reasons why so many forms were not signed, and we will work with our District office management to ensure that they are all signed going forward. Further, we will address this issue at our next meeting of District Managers, District Administrators, and Health Facilities Evaluator Supervisors, and will work to update our training materials as necessary. Finally, we will also explore periodically pulling a sample of completed CMS-1539 forms to verify that signatures are present.

Estimated Implementation Date: May 1, 2024

Contact: Elizabeth Moreno, Section Chief
Business Operation Section
Center for Health Care Quality, Office of Internal Operations
California Department of Public Health