



State of California

Federal Compliance Audit Report for the
Fiscal Year Ended June 30, 2023

April 2025

REPORT 2023-002





CALIFORNIA STATE AUDITOR

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April 3, 2025
2023-002

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, 2023. The State Auditor contracted with Macias Gini & O'Connell LLP (MGO) to perform this audit for fiscal year 2022–23.

This report concludes that the State did not materially comply with certain requirements for seven of the 22 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". The signature is written in a cursive, flowing style.

LINUS LI, CPA
Deputy State Auditor

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Auditor's Section

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

The Governor and the Legislature of the State of California:

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

Qualified Opinion

We have audited the Schedule of Expenditures of Federal Awards of the State of California (State) for the fiscal year ended June 30, 2023, and the related notes (the Schedule).

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying schedule of expenditures of federal awards presents fairly, in all material respects, the expenditures of federal awards of the State for the fiscal year ended June 30, 2023, in accordance with the cash basis of accounting as described in Note 2 to the Schedule.

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 Schedule 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 Schedule

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, 2023, due to the extent and pervasiveness of prior years' 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 Schedule, which describes the basis of accounting. The Schedule 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 Schedule

As described in Note 1 to the Schedule, the State of California's basic financial statements include the operations of the University of California system, a component unit of the State of California; the California State University system; the California State Water Resources Control Board Water Pollution Control Revolving Fund; the California State Water Resources Control Board Safe Drinking Water State Revolving Fund; and the California Housing Finance Fund of the California Housing Finance Agency, a component unit of the State of California, which reported \$7.0 billion, \$2.6 billion, \$225.7 million, \$113.9 million, and \$14.0 million, respectively, in federal awards, which are not included in the Schedule for the fiscal year ended June 30, 2023. 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 Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for presentation of the Schedule 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 Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule 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 Schedule.

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 Schedule, 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 Schedule.
- 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 Schedule.

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 March 19, 2025 on our consideration of the State's internal control over financial reporting of the Schedule 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 Schedule, 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 Schedule.

Macias Gini É O'Connell LAP

Sacramento, California
March 19, 2025

April 2025



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 of the State of California (State) for the fiscal year ended June 30, 2023, and the related notes to the Schedule (the Schedule), and have issued our report thereon dated March 19, 2025. 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 Schedule, we considered the State's internal control over financial reporting of the Schedule (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule, 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 Schedule will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's Schedule 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 Schedule. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2023-001.

State of California's Response to Finding

Government Auditing Standards requires auditors to perform limited procedures on the State's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The State's response was not subjected to the auditing procedures applied in the audit of the Schedule 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
March 19, 2025

April 2025



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, 2023. 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, 2023.

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, 2023.

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, 2023.

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 the 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, qualified, 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.

Matter 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(s)	Assistance Listing Number(s)	Federal Program Name or Cluster	Compliance Requirement(s)	State Administering Department
2023-004	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 Opinions 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(s)	Assistance Listing Number(s)	Federal Program Name or Cluster	Compliance Requirement(s)	State Administering Department
2023-006	20.205	Highway Planning and Construction	Subrecipient Monitoring	Department of Transportation
2023-007	21.027	Coronavirus State and Local Fiscal Recovery Funds	Subrecipient Monitoring	Community Colleges Chancellor’s Office

Finding Number(s)	Assistance Listing Number(s)	Federal Program Name or Cluster	Compliance Requirement(s)	State Administering Department
2023-008 2023-009	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Procurement and Suspension and Debarment, Subrecipient Monitoring	Department of Public Health
2023-010 2023-011 2023-012 2023-013 2023-014	93.489 93.575 93.596	CCDF Cluster	Reporting, Subrecipient Monitoring, Special Tests and Provisions	Department of Social Services
2023-015	93.767 93.778	Children’s Health Insurance Program; Medical Assistance Program (Medicaid Cluster)	Activities Allowed or Unallowed	Department of Health Care Services

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to those 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 \$7.0 billion, \$2.6 billion, \$225.7 million, \$113.9 million, and \$14.0 million, respectively, in federal awards, which are not included in the State’s Schedule during the fiscal year ended June 30, 2023. Our compliance audit, described above, 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 Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-002, 2023-003, 2023-005, 2023-017, and 2023-019. Our opinion on each major federal program is not modified with respect to these matters.

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

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 and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-004, 2023-006, 2023-007, 2023-008, 2023-009, 2023-010, 2023-011, 2023-012, 2023-013, 2023-014, 2023-015, and 2023-016 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-002, 2023-003, 2023-005, 2023-017, 2023-018, and 2023-019 to be significant deficiencies.

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 responses 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 responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Macias Gini & O'Connell LLP

Sacramento, California
March 19, 2025

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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, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Issued under a separate cover. Refer to California State Auditor’s 2023-001.1 report titled *State of California: Internal Control and Compliance Audit Report for the Fiscal Year Ended June 30, 2023*.

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? Yes
 - Significant deficiency(ies) identified? No

Noncompliance material to the Schedule noted? Yes

Federal Awards

- Internal control over major federal programs:
- Material weakness(es) identified? Yes
 - Significant deficiency(ies) identified? Yes

Type of auditor’s report issued on compliance for the major federal programs: Refer to the tables that follow.

Adverse Opinion

Assistance Listing Number	Federal Program Name or Cluster
17.225	Unemployment Insurance

Qualified Opinion

Assistance Listing Number	Federal Program Name or Cluster
20.205	Highway Planning and Construction
21.027	Coronavirus State and Local Fiscal Recovery Funds
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)

Assistance Listing Number	Federal Program Name or Cluster
93.489 93.575 93.596	CCDF Cluster: Child Care Disaster Relief Child Care and Development Block Grant Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.767	Children’s Health Insurance Program
93.775 93.777 93.778	Medicaid Cluster: State Medicaid Fraud Control Units State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare Medical Assistance Program

Unmodified Opinion

Assistance Listing Number	Federal Program Name or Cluster
10.551 10.561	SNAP Cluster: Supplemental Nutrition Assistance Program State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
10.565 10.568 10.569	Food Distribution Cluster: Commodity Supplemental Food Program Emergency Food Assistance Program (Administrative Costs) Emergency Food Assistance Program (Food Commodities)
14.228	Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii
17.258 17.259 17.278	WIOA Cluster: WIOA Adult Program WIOA Youth Activities WIOA Dislocated Worker Formula Grants
21.023	Emergency Rental Assistance Program
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States
84.424	Student Support and Academic Enrichment Program
84.425	Education Stabilization Fund
93.268	Immunization Cooperative Agreements
93.558	Temporary Assistance for Needy Families
93.568	Low-Income Home Energy Assistance
93.917	HIV Care Formula Grants
93.959	Block Grants for Prevention and Treatment of Substance Abuse
96.001	Disability Insurance/SSI Cluster: Social Security Disability Insurance

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

Yes

Identification of major federal programs:

Assistance Listing Number	Federal Program Name or Cluster
10.551 10.561	SNAP Cluster: Supplemental Nutrition Assistance Program State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
10.565 10.568 10.569	Food Distribution Cluster: Commodity Supplemental Food Program Emergency Food Assistance Program (Administrative Costs) Emergency Food Assistance Program (Food Commodities)
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
17.225	Unemployment Insurance
17.258 17.259 17.278	WIOA Cluster: WIOA Adult Program WIOA Youth Activities WIOA Dislocated Worker Formula Grants
20.205	Highway Planning and Construction
21.023	Emergency Rental Assistance Program
21.027	Coronavirus State and Local Fiscal Recovery Funds
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States
84.424	Student Support and Academic Enrichment Program
84.425	Education Stabilization Fund
93.268	Immunization Cooperative Agreements
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
93.489 93.575 93.596	CCDF Cluster: Child Care Disaster Relief Child Care and Development Block Grant Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.558	Temporary Assistance for Needy Families
93.568	Low-Income Home Energy Assistance
93.767	Children's Health Insurance Program
93.775 93.777 93.778	Medicaid Cluster: State Medicaid Fraud Control Units State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare Medical Assistance Program
93.917	HIV Care Formula Grants
93.959	Block Grants for Prevention and Treatment of Substance Abuse
96.001	Disability Insurance/ SSI Cluster: Social Security Disability Insurance

Dollar threshold used to distinguish between type A and type B programs: \$239,598,103

Auditee qualified as low-risk auditee? No

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Schedule of Expenditures of Federal Awards Finding

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Reference Number: 2023-001

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 to provide specific guidance to users for accessing and navigating through the database.

Employment Development Department

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 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 May 2024. Although an initial estimated expenditure amount was reported by EDD of \$5.7 billion, the final amount reported in the Schedule was \$5.4 billion. In addition, EDD initially did not report \$250.0 million in federal expenditures for the COVID-19 – Coronavirus State and Local Fiscal Recovery Funds (ALN 21.027) program.

Department of Social Services

The Department of Social Services (CDSS) understated the amount passed through to subrecipients for the Temporary Assistance for Needy Families (TANF) (ALN 93.558) program by \$429,623,012 for the fiscal year ended June 30, 2023. This amount represents pass-through amounts to nine counties.

Department of Social Services and Department of Education

CDSS and the Department of Education (CDE) overstated the amount passed through to subrecipients for the Child Care and Development Block Grant (ALN 93.575), a component of the Childcare and Development Fund (CCDF) Cluster, by \$665,470,225 and \$191,925,159, respectively, for the fiscal year ended June 30, 2023. The amount represents the American Rescue Plan (ARP) Act Stabilization funds for which awards and payments made to qualified child care providers are considered beneficiary payments and not subrecipient pass-throughs.

Cause

Employment Development Department

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. Inadequate controls over its financial reporting for federally funded unemployment insurance (UI) benefits, including improperly estimating the total population of ineligible payments, resulted in

EDD's challenges in providing complete and accurate information for certain federally funded accounts within the UI program. In addition, due to the aforementioned decentralization, EDD was unaware of its responsibility to report the expenditures under ALN 21.027 into the database.

Department of Social Services

CDSS erroneously assigned an incorrect code for nine counties in the general ledger system.

Department of Social Services and Department of Education

CDSS misclassified ARP Act Stabilization amounts paid to qualified child care providers as amounts paid to subrecipients due to insufficient communication regarding grant requirements between the CDSS Fiscal and Program Operation Divisions.

CDE also misclassified ARP Act Stabilization amounts paid to qualified child care providers as subrecipient expenditures due to the fluidity of guidance provided by the grantor. Initially CDE's understanding was that these funds were considered subrecipient expenditures. However, subsequent to the award to CDE the guidance was revised classifying the nature of the funding to beneficiary payments and this change was not timely identified by CDE. In addition, the CCDF Cluster program administration was transferred to CDSS on July 1, 2021, and CDE expected communication of funding changes from CDSS.

Effect

Employment Development Department

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.

Department of Social Services

The originally reported subrecipient expenditures of \$2,345,367,800 for the TANF program (ALN 93.558) were understated by \$429,623,012, or 15.5% of the corrected amount of \$2,774,990,812.

Department of Social Services and Department of Education

The originally reported subrecipient expenditures of \$2,093,528,417 for the CCDF Cluster were overstated by \$857,395,384 or 69.4% of the corrected amount of \$1,236,133,033.

Recommendation

Employment Development Department

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.

Department of Social Services

CDSS should evaluate existing processes to ensure a correct code is assigned to the subaward entities in the general ledger system.

Department of Social Services and Department of Education

CDSS should review the criteria of new grant funding to ensure grant requirements are properly identified and communicated to stakeholders so expenditures are appropriately classified on the Schedule.

Views of Responsible Officials and Corrective Action Plan

Employment Development Department

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.

EDD took lessons learned from the financial audits from prior 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 2022-23 financials in January 2024 and the last of its fiscal year 2023-24 financials in November 2024. The Department is now working on identifying the ineligible payment data needed to accurately reflect the cash basis expenditures to enter into the Database. The EDD's goal is to submit fiscal year 2024-25 financials in October 2025. Similar to the 2022-23 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.

For the \$250.0 million for ALN 21.027, this transaction was originally processed through the state General Fund and then changed through subsequent legislation to be Coronavirus State and Local Fiscal Recovery Funds. The modification to the original General Fund transaction was processed later in the fiscal year and not by EDD staff. Due to this, EDD staff responsible for financial reporting were not aware to report these as federal funds in the Single Audit Expenditures Reporting Database.

Though this was a unique occurrence, we have added an additional step to the year-end reporting process to ensure all federally funded expenditures are reported through SEFA.

Department of Social Services

The CDSS agrees with the finding. On January 14, the Department of Finance (DOF) reached out to CDSS to inform us that the external auditors had communicated adjustments for Assistance Listing Number (ALN) 93.558. The subrecipients total was understated by \$429,623,012, with the COVID portion being understated by \$3,311,481. Upon review of the data in which created the SEFA, it was agreed upon, those nine counties had accidentally been missed when labelling out subrecipients. The CDSS worked with DOF to reopen the portal and make the necessary adjustments to reflect the correct information on the same day.

At the time the SFY 22/23 SEFA was being generated, the Federal Reporting Section (FRS) was new to implementing different Excel formulas to capture all subrecipients expenditures. Due to human oversight/error, nine counties were missed and were ultimately reported incorrectly. To prevent the recurrence of this error, the FRS has implemented additional measures in developing and optimizing the SEFA report template within Excel. We have formulated the template and added an extra layer to the VLOOKUP function to extract expenditures paid for all county claims, with the objective of minimizing human error.

The CDSS also agrees with the finding related to reporting of the Child Care and Development (CCDF) cluster grant. On February 19, the auditor informed CDSS that 45 CFR 75.2 states that the ARPA Stabilization grant payments cannot be classified as subrecipients but rather as beneficiaries. By February 24, the SEFA portal had been reopened and the expenditures for the CCDF grant were corrected to fix the error.

Moving forward, CDSS will review all terms and conditions for federal grants in detail to ensure how to appropriately classify the grant payments.

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Schedule of Federal Award Findings and Questioned Costs

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U.S. DEPARTMENT OF AGRICULTURE

Reference Number: 2023-002
Category of Finding: Procurement and Suspension and Debarment
Type of Finding: Significant Deficiency and 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 (WIC)
Federal Award Numbers and Years: 202222W100347, 2022
202221W100347, 2022
202222W100647, 2022
202221W100647, 2022
202222W100247, 2022
202323W100247, 2023
202322W100347, 2023
202323W100347, 2023
202322W100647, 2023
202323W100647, 2023

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 I – Office of Management and Budget Government-Wide Guidance for Grants and Agreements. Part 180 – OMB Guidelines to Agencies on Government-Wide Debarment and Suspension (Non-procurement).

Subpart C – Responsibilities of Participants Regarding Transactions Doing Business With Other Persons §180.300 (2 CFR 180.300):

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You may do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or a condition to the covered transactions with that person.

Condition

We noted that three out of the twelve vendor contract agreements reviewed did not include a suspension and debarment certification clause indicating the contractor was not suspended or debarred from participation in federally funded contracts. There was no other documentation available to demonstrate that the verification of suspension and debarment was performed prior to entering into the covered transactions. Based on the subsequent review of the System for Award Management (SAM) exclusions, these contractors were not suspended or debarred.

Identification as a Repeat Finding

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

Cause

The WIC program personnel responsible for administering these federal funds were not fully aware of the suspension and debarment requirements. Additionally, there were no formal procedures in place to consistently document and retain evidence of suspension and debarment status checks for vendors.

Effect

Failure to verify suspension and debarment results in noncompliance with 2 CFR §180.300, as well as a risk that federal funds could be used to pay vendors that are suspended or debarred.

Questioned Costs

No questioned costs were identified.

Context

The federal funds disbursed to vendors for the fiscal year ended June 30, 2023 totaled \$752,214,598. Three of the twelve samples for the Special Supplemental Nutrition Program for Women, Infants, and Children program did not have evidence that verification of suspension and debarment was performed prior to entering into the covered transaction or include a clause or condition to the covered transaction in the agreement. Total disbursements made associated with these vendors totaled \$2,185,950 for the fiscal year ended June 30, 2023.

Recommendation

Public Health should review and strengthen its procedures for verifying the suspension and debarment status of vendors before entering into any agreement involving federal funds and ensure that the verification documentation is maintained. Alternatively, incorporate a clause in vendor contracts requiring vendors to certify their suspension or debarment status.

Views of Responsible Officials and Corrective Action Plan

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

U.S. DEPARTMENT OF LABOR

Reference Number: 2023-003
Category of Finding: Activities Allowed or Unallowed Eligibility
Type of Finding: Significant Deficiency and 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-34702-20-55-A-6; 2023

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, \$198,804,488 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 who 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 138 unemployment insurance benefit payments tested, there was 1 claimant receiving benefits, whose reasons for involuntary separation indicated separation was due to misconduct, which was incorrectly categorized as eligible by EDD.

Identification as a Repeat Finding

Finding 2022-006 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 one claimant identified was paid unemployment compensation of \$6,975 under Unemployment Insurance Program.

Context

Benefits paid to claimants under the Unemployment Insurance program for the fiscal year ended June 30, 2023, totaled \$5,383,169,224.

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.

Reference Number: 2023-004
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-34702-20-55-A-6; 2023

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 91 claimants with verification issues (either wages, self-employment, or both).

Identification as a Repeat Finding

Finding 2022-005 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. Despite ongoing efforts to address the backlog of claims, EDD was approved by the Department of Labor (DOL) on May 21, 2024 under Unemployment Insurance Program Letter No. 05-24, to discontinue pursuing claims older than one year that were not a result of fraud, misrepresentation or willful nondisclosure.

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 91 claimants were \$1,708,094.

Context

Benefits paid to claimants under the COVID-19 Unemployment Insurance program for the fiscal year ended June 30, 2023, totaled \$306,150,759, which was offset by prior years' ineligible benefit payments of \$90,034,050 and return of funds from EDD debit cards that were not activated within 12 months of card issuance of \$620,694,399.

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: 2023-005
Category of Finding: Activities Allowed or Unallowed Eligibility
Type of Finding: Significant Deficiency and 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-34702-20-55-A-6; 2023

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, 2023, 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, \$90,034,050 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 was 1 benefit payment to a claimant determined to be ineligible whose identity was not sufficiently verified.

Identification as a Repeat Finding

Finding 2022-004 was reported in the immediate prior year.

Cause

EDD has acknowledged that there was inadequate or untimely review of claimant due to the significant increase in claims resulting from the COVID-19 pandemic.

Effect

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

Questioned Costs

Known questioned costs were \$8,502 for PUA and \$7,200 for FPUC.

Context

Benefits paid to claimants under the COVID-19 Unemployment Insurance program for the fiscal year ended June 30, 2023, totaled \$306,150,759 which was offset by prior years' ineligible benefit payments of \$90,034,050 and return of funds from EDD debit cards that were not activated within 12 months of card issuance of \$620,694,399.

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.

U.S. DEPARTMENT OF TRANSPORTATION

Reference Number: 2023-006
Category of Finding: Subrecipient Monitoring
Type of Finding: Material Weakness and Material Instance of Noncompliance
State Administering Department: California Department of Transportation
Assistance Listing Number: 20.205
Federal Program Title: Highway Planning and Construction
Federal Award Numbers and Years: Q101310; 2023
Q101403; 2023
7500257; 2023
P020177; 2023
8801073; 2023

Criteria

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

The non-Federal entity must:

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

Title 2 – Grants and Agreements. Subtitle A – Office of Management and Budget Guidance for Grants and Agreements. Chapter II – Office of Management and Budget Guidance. Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D – Post Federal Award Requirements. Subrecipient Monitoring and Management §200.322 Requirements for pass-through entities (2 CFR 200.332):

- (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through

entity must provide the best information available to describe the Federal award and subaward. Required information includes:

1. Federal award identification.
 - i. Subrecipient name (which must match the name associated with its unique entity identifier);
 - ii. Subrecipient's unique entity identifier; Federal Award Identification Number (FAIN);
 - iii. Federal Award Date (see the definition of Federal award date in § 200.1 of this part) of award to the recipient by the Federal agency;
 - iv. Subaward Period of Performance Start and End Date;
 - v. Subaward Budget Period Start and End Date;
 - vi. Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
 - vii. Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current financial obligation;
 - viii. Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
 - ix. Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
 - x. Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
 - xi. Assistance Listings number and Title; the pass-through entity must identify the dollar amount made available under each Federal award and the Assistance Listings Number at time of disbursement;
 - xii. Identification of whether the award is R&D; and
 - xiii. Indirect cost rate for the Federal award (including if the de minimis rate is charged) per § 200.414.
2. All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;
3. Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
4.
 - i. An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government. If no approved rate exists, the pass-through entity must determine the appropriate rate in collaboration with the subrecipient, which is either:
 1. The negotiated indirect cost rate between the pass-through entity and the subrecipient; which can be based on a prior negotiated rate between a different PTE and the same subrecipient. If basing the rate on a previously negotiated rate, the pass-through entity is not required to collect information justifying this rate, but may elect to do so;
 2. The de minimis indirect cost rate.

- ii. The pass-through entity must not require use of a de minimis indirect cost rate if the subrecipient has a Federally approved rate. Subrecipients can elect to use the cost allocation method to account for indirect costs in accordance with § 200.405(d).
 - 5. A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and
 - 6. Appropriate terms and conditions concerning closeout of the subaward.
- (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.

Condition

The California Department of Transportation (Caltrans) did not clearly identify subaward agreements made to subrecipients as subawards and did not include all required elements for 5 of 40 subrecipients sampled. Additionally, the monitoring of the 5 of 40 sampled subrecipients was not sufficient to detect whether the subrecipients' expenditures were properly reported on the respective subrecipients' schedules of expenditures of federal awards.

Identification as a Repeat Finding

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

Cause

Due to the decentralized administration of federal-aid highway projects, not all subaward agreements are administered in a consistent manner throughout various divisions and district offices.

Effect

Inadequate subaward communication may result in subrecipients being unaware of all federal laws, statutes and regulations that apply to the funding received and potentially expending the funds in an unallowable manner. Additionally, subrecipients may fail to report the expenditures made pursuant to the subawards of their schedule of expenditures of federal awards.

Questioned Costs

No questioned costs were identified.

Context

Expenditures passed to subrecipients totaled \$1,222,104,172. Sampled expenditures totaled \$14,694,125 and \$670,937 of the total sampled expenditures related to the exceptions identified.

Recommendation

Caltrans should develop and implement a consistent policy and process for all divisions and district offices to use in making and monitoring subawards under the highway planning and construction program to ensure that all required subaward information is communicated to subrecipients at the time of the award and the federal funds disbursed to subrecipients are adequately monitored.

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: 2023-007
Category of Finding: Subrecipient Monitoring
Type of Finding: Material Weakness and Material Instance of Noncompliance
State Administering Department: California Community Colleges Chancellor's Office
Assistance Listing Number: 21.027
Federal Program Title: Coronavirus State and Local Fiscal Recovery Funds
Federal Award Numbers and Years: N/A; 2023

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:

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

Title 2 – Grants and Agreements. Subtitle A – Office of Management and Budget Guidance for Grants and Agreements. Chapter II – Office of Management and Budget Guidance. Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D – Post Federal Award Requirements. Subrecipient Monitoring and Management §200.322 Requirements for pass-through entities (2 CFR 200.332):

- (d) 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).
- (e) 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.

Condition

The California Community Colleges Chancellor's Office (Chancellor's Office) did not assess each subrecipients' risk of potential noncompliance with the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) subaward federal statutes, regulations and terms and conditions and did not adequately monitor its subrecipients (community colleges) to ensure that the community colleges complied with federal statutes, regulations, and terms and conditions of the SLFRF subaward. The SLFRF subawards included specific requirements for eligibility of students receiving SLFRF-funded emergency financial aid, which included a requirement to request eligibility certifications from students, determine if any students that received emergency financial aid were ineligible and instructions to make necessary general ledger entries to ensure any ineligible students' financial aid was removed from the SLFRF specific funding and assigned to a nonfederal source. The Chancellor's Office did not request or inspect any documentation from the community colleges to verify that required eligibility certifications and/or necessary general ledger entries were made by the community colleges.

Identification as a Repeat Finding

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

Cause

The Chancellor's Office did not establish sufficient procedures to assess each community college's risk, conduct reviews of those community colleges that would be higher risk and validate that the community college expended the SLFRF subaward in accordance with federal statutes, regulations and terms and conditions.

Effect

Inadequate monitoring of subrecipients may result in funds being expended for ineligible purposes, which may not be detected and corrected in a timely manner.

Questioned Costs

No questioned costs were identified.

Context

Expenditures passed to subrecipients totaled \$1,218,447,467, of which \$150,000,000 was passed through by the Chancellor's Office.

Recommendation

The Chancellor's Office should develop and implement detailed subrecipient monitoring procedures, to include assessing each community college's risk of noncompliance; conducting a review of supporting documents for those community colleges identified by the risk assessment to be at risk of noncompliance as defined by the Chancellor's Office's monitoring procedures; and ensuring corrective action is taken for any deficiencies identified. Regular follow-ups and documented communication efforts should be part of this process to ensure effective oversight of the SLFRF subawards.

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: 2023-008
Category of Finding: Procurement and Suspension and Debarment
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 Program Infectious Diseases (ELC)
Federal Award Numbers and Years: 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. 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 I – Office of Management and Budget Government-Wide Guidance for Grants and Agreements. Part 180 – OMB Guidelines to Agencies on Government-Wide Debarment and Suspension (Non-procurement). Subpart C – Responsibilities of Participants Regarding Transactions Doing Business With Other Persons §180.300 (2 CFR 180.300):

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You may do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or

(c) Adding a clause or a condition to the covered transactions with that person.

Condition

We noted that ten out of the ten vendor contract agreements reviewed did not include a suspension and debarment certification clause indicating the contractor was not suspended or debarred from participation in federally funded contracts. There was no other documentation available to demonstrate that the verification of suspension and debarment was performed prior to entering into the covered transactions. Based on the subsequent review of the System for Award Management (SAM) exclusions, these contractors were not suspended or debarred.

Identification as a Repeat Finding

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

Cause

The ELC program personnel responsible for administering these federal funds were unaware of the suspension and debarment requirements.

Effect

Failure to verify suspension and debarment results in noncompliance with 2 CFR §180.300, as well as a risk that federal funds could be used to pay vendors that are suspended or debarred.

Questioned Costs

No questioned costs were identified.

Context

The federal funds disbursed to vendors for the fiscal year ended June 30, 2023 totaled \$11,816,380. Ten of ten samples for the Epidemiology and Laboratory Capacity for Program Infectious Diseases program did not have evidence that verification of suspension and debarment was performed prior to entering into the covered transaction or include a clause or condition to the covered transaction in the agreement. Total disbursements made associated with these vendors totaled \$7,567,331 for the fiscal year ended June 30, 2023.

Recommendation

Public Health should review and strengthen its procedures for verifying the suspension and debarment status of vendors before entering into any agreement involving federal funds and ensure that the verification documentation is maintained. Alternatively, incorporate a clause in vendor contracts requiring vendors to certify their suspension or debarment status.

Views of Responsible Officials and Corrective Action Plan

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

Reference Number: 2023-009
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:

- (e) 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:

- (a) Verify that the subrecipient is not excluded or disqualified in accordance with §180.300. Verification methods are provided in §180.300, which include confirming in *SAM.gov* that a potential subrecipient is not suspended, debarred, or otherwise excluded from receiving Federal funds.
- (b) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of

these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward.

(1) Federal award identification.

- (i) Subrecipient name (which must match the name associated with its unique entity identifier);
- (ii) Subrecipient's unique entity identifier;
- (iii) Federal Award Identification Number (FAIN);
- (iv) Federal Award Date (see the definition of Federal award date in § 200.1 of this part) of award to the recipient by the Federal agency;
- (v) Subaward Period of Performance Start and End Date;
- (vi) Subaward Budget Period Start and End Date;
- (vii) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
- (viii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current financial obligation;
- (ix) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
- (x) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- (xi) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
- (xii) Assistance Listings number and Title; the pass-through entity must identify the dollar amount made available under each Federal award and the Assistance Listings Number at time of disbursement;
- (xiii) Identification of whether the award is R&D; and
- (xiv) Indirect cost rate for the Federal award (including if the de minimis rate is charged) per §200.414.

(c) Evaluate each subrecipient's fraud risk and risk of noncompliance with a subaward to determine the appropriate subrecipient monitoring described in paragraphs (f) of this section. When evaluating a subrecipient's risk, a pass-through entity should consider the following:

- (1) The subrecipient's prior experience with the same or similar subawards;
- (2) The results of previous audits. This includes considering whether or not the subrecipient receives a Single Audit in accordance with Subpart F and the extent to which the same or similar subawards have 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 agency monitoring (for example, if the subrecipient also receives Federal awards directly from the Federal agency).

(e) 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 passthrough 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 by which 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 complied with applicable requirements. In addition, Public Health did not obtain supporting documentation for any expenditures invoiced by the subrecipients. Follow-up monitoring for subrecipients with no single audit reports did not appear to be performed. On-site monitoring visits were not completed. Public Health was unable to provide evidence that suspension and debarment status of subrecipients was checked prior to entering into subaward.

Public Health used a Department Allocation Letter (DAL) for the COVID-19 program instead of an agreement or contract for the subaward to subrecipients. Certain required information for the subaward federal award information such as Assistance Listings number and Title and Federal Award Identification Number (FAIN) were not clearly identified in the DAL.

Identification as a Repeat Finding

Finding 2022-011 was reported in the immediate prior year.

Cause

Procedures to perform the required subrecipient monitoring were not established nor did Public Health perform an appropriate level of monitoring.

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 comply with federal statutes. This increases the likelihood of noncompliance arising during the performance of the grant-funded activities. Furthermore, failure to obtain and review single audit reports increases the risk of 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 totaled \$282,954,398, or 49% of total reported program expenditures.

Recommendation

Public Health should establish and document formal procedures for conducting risk assessments of subrecipient funding, including criteria for evaluating organizational capacity, financial stability, compliance history, and programmatic capabilities. Public Health should also develop and implement procedures outlining the process for obtaining single audit reports from 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.

Public Health should ensure every subaward includes all requirements imposed on the subrecipient so that the federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the federal award.

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: 2023-010
Category of Finding: Reporting
Type of Finding: Material Weakness and Material Instance of Noncompliance
State Administering Department: California Department of Social Services
Assistance Listing Number: 93.575
Federal Program Title: Child Care and Development Block Grant (part of the Child Care and Development Fund Cluster)
Federal Award Numbers and Years: 2234CACCCDD; 2022
2334CACCCDD; 2023

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 I – Office of Management and Budget Government-Wide Guidance for Federal Financial Assistance. Part 170 – Reporting Subaward and Executive Compensation Information. Subpart A – General.

§ 170.100 Purpose of this part

This part provides guidance to Federal agencies on establishing requirements for recipients of Federal awards to report information on subawards and executive total compensation, as required by the Federal Funding Accountability and Transparency Act of 2006 (Pub. L. 109-282), as amended by the Digital Accountability and Transparency Act of 2014 (Pub. L. 113-101) and other Public Laws, hereafter referred to as the “Transparency Act.”

§ 170.105 Applicability.

- (a) Applicability in general. This part applies to a Federal agency's Federal financial assistance as defined in § 170.300. This part applies to all recipients and subrecipients of Federal awards who meet the reporting requirements of paragraph (c) of this section, unless exempt under Federal statute or by paragraph (d) of this section.
- (b) Non-applicability to individuals. This part does not apply to an individual who applies for or receives Federal financial assistance as a natural person (that is, unrelated to any business or nonprofit organization an individual owns or operates).
- (c) Reporting Requirements.
 - (1) The names and total compensation of an entity's five most highly compensated executives must be reported if:
 - (i) In the entity's preceding fiscal year, it received:
 - (A) 80 percent or more of its annual gross revenue in Federal procurement contracts (and subcontracts) and Federal awards (and subawards) subject to the Transparency Act, as defined at §170.300; and
 - (B) \$25,000,000 or more in annual gross revenue from Federal procurement contracts (and subcontracts) and Federal awards (and subawards) subject to the Transparency Act, as defined at §170.300; and
 - (ii) The public does not have access to information about the compensation of senior executives of the entity through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986.

Appendix A to Part 170 — Award Term. I. Reporting Subawards and Executive Compensation (2 CFR 170):

(a)(2) Reporting Requirements.

- (i) The recipient must report each subaward described in paragraph (a)(1) of this award term to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) at <http://www.fsr.gov>.
- (ii) For subaward information, report no later than the end of the month following the month in which the subaward was issued.

(b)(2) Reporting Requirements.

- (i) As part of the recipient's registration profile at <https://www.sam.gov>.
- (ii) No later than the month following the month in which this Federal award is made, and annually after that.

Condition

CDSS did not submit its Federal Funding Accountability and Transparency Act (FFATA) reports timely for the fiscal years ended June 30, 2023 and 2022.

Grant Award Year	FAIN	Obligation Date	FAIN	Submission Due Date	Submitted
2022	2234CACCCDD	11/2/2021	Not Available	12/30/2021	11/15/2022
2023	2334CACCCDF	10/28/2022	2334CACCCDF	11/30/2022	12/8/2023

Identification as a Repeat Finding

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

Cause

CDSS has had turnover in positions responsible for filing the required FFATA reports. In addition, when CDSS assumed responsibilities over the CCDF Cluster, this function and responsibility was not clearly identified.

Effect

CDSS is not in compliance with 2 CFR Part 170.

Questioned Costs

Not applicable.

Context

CDSS is responsible for filing an annual FFATA report for pass-throughs to subrecipients greater than \$30,000. We selected both FFATA reports that were submitted during and for the audit period.

The sample was not a statistically valid sample.

Recommendation

We recommend that CDSS compile a report tracking process and identify all fiscal and compliance reports to be submitted with clear position responsibilities and workflow to ensure reports include accurate information and are timely prepared. CDSS should have a centralized tracking mechanism and assign and document a responsible position instead of a responsible individual person, which will reduce the risk of reports not being filed if turnover occurs.

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: 2023-011
Category of Finding: Reporting
Type of Finding: Material Weakness and Material Instance of Noncompliance
State Administering Department: California Department of Social Services
Assistance Listing Number: 93.575, 93.596
Federal Program Title: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund (part of the Child Care and Development Fund Cluster)
Federal Award Numbers and Years: 2001CACCCDF; 2020
2101CACCCDF; 2021
2234CACCCDF; 2022
2334CACCCDF; 2023

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:

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

Title 45 – Public Welfare. Subtitle A – Department of Health and Human Services. Subchapter A – General Administration. Part 98 – Child Care and Development Fund. Subpart G – Financial Management. § 98.65 Audits and financial reporting. (45 CFR 98.65)

- (d) Lead Agencies shall submit financial reports, in a manner specified by ACF, quarterly for each fiscal year until funds are expended.

OMB #0970-0510 – Instructions for Completion of Form ACF-696 Financial Reporting Form for the Child Care and Development Fund (CCDF) State & Territory Lead Agencies

Pursuant to CCDF regulations at 45 CFR 98.65(g), and as part of the terms and conditions of the grant award, States and Territories are required to complete and submit a quarterly financial status report (ACF-696) in accordance with these instructions on behalf of the CCDF Lead Agency.

Condition

For the fiscal year ended June 30, 2023, \$2,183,002,451 was reported on the schedule of expenditures of federal awards (Schedule) for the CCDF Cluster; however, CDSS is unable to reconcile the ACF-696 reports submitted to the amount reported on the Schedule. The Schedule is \$53,163,387 greater than the cumulative quarterly reports which totaled \$2,129,839,064 for the fiscal year ended June 30, 2023.

Identification as a Repeat Finding

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

Cause

The expenditures tracked and recorded by CDSS and CDE are reported together on the ACF-696 quarterly reports. CDSS, the department responsible for filing the reports for the fiscal year ended June 30, 2023, cannot identify the expenditures at the department level and therefore is unable to reconcile the discrepancy.

Effect

CCDF Cluster expenditures were not accurately reported in the quarterly ACF-696 reports submitted.

Questioned Costs

Not applicable.

Context

CDSS does not have an adequate data capture and reconciliation process to support the preparation of the ACF-696 reports, which should include a year-end reconciliation to the amount reported in the Schedule.

We did not sample the ACF-696 reports. We reviewed the 1st and 4th quarter reports for each open grant year and recalculated the cumulative total for the fiscal year ended June 30, 2023, and compared the result to the Schedule.

Recommendation

We recommend that CDSS review its procedures for capturing and reporting quarterly information in the AC-696 reports to ensure information is complete and accurate and maintain documentation supporting the amounts reported. Furthermore, we recommend that CDSS perform a year-end reconciliation of the ACF-696 reports to the amount reported in the Schedule.

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: 2023-012
Category of Finding: Subrecipient Monitoring
Type of Finding: Material Weakness and Material Instance of Noncompliance
State Administering Department: California Department of Social Services
Assistance Listing Number: 93.575, 93.596
Federal Program Title: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund (part of the Child Care and Development Fund Cluster)
Federal Award Numbers and Years: 2101CACCCDF; 2021
2101CACCC5; 2021
2234CACCCDF; 2022
2234CACCCDD; 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:

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

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

A pass-through entity must:

- (c) Evaluate each subrecipient's fraud risk and risk of noncompliance with a subaward to determine the appropriate subrecipient monitoring described in paragraph (f) of this section. When evaluating a subrecipient's risk, a pass-through entity should consider the following:
- (1) The subrecipient's prior experience with the same or similar subawards;
 - (2) The results of previous audits. This includes considering whether or not the subrecipient receives a Single Audit in accordance with subpart F and the extent to which the same or similar subawards have 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 any Federal agency monitoring (for example, if the subrecipient also receives Federal awards directly from the Federal agency).
- (e) Monitor the activities of a subrecipient as necessary to ensure that the subrecipient complies with Federal statutes, regulations, and the terms and conditions of the subaward. The pass-through entity is responsible for monitoring the overall performance of a subrecipient to ensure that the goals and objectives of the subaward are achieved. In monitoring a subrecipient, a pass-through entity must:
- (1) Review financial and performance reports.
 - (2) Ensure that the subrecipient takes corrective action on all significant developments that negatively affect the subaward. Significant developments include Single Audit findings related to the subaward, other audit findings, site visits, and written notifications from a subrecipient of adverse conditions which will impact their ability to meet the milestones or the objectives of a subaward. When significant developments negatively impact the subaward, a subrecipient must provide the pass-through entity with information on their plan for corrective action and any assistance needed to resolve the situation.
 - (3) Issue a management decision for audit findings pertaining only to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521.
 - (4) Resolve audit findings specifically related to the subaward. However, the pass-through entity is not responsible for resolving cross-cutting audit findings that apply to the subaward and other Federal awards or subawards. If a subrecipient has a current Single Audit report and has not been excluded from receiving Federal funding (meaning, has not been debarred or suspended), the pass-through entity may rely on the subrecipient's cognizant agency for audit or oversight agency for audit to

perform audit follow-up and make management decisions related to cross-cutting audit findings in accordance with section §200.513(a)(4)(viii). 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.

California Code of Regulations. Title 5 Education. § 18023. Compliance Reviews of Contractors.

- (b) At least once every three (3) years and as resources permit, the California Department of Education shall conduct reviews at the contractor's office(s) and operating facility(ies) to determine the contractor's compliance with applicable laws, regulations or contractual provisions.

Child Care and Development Fund (CCDF) Plan for State/Territory California FFY 2022-24, Amendment 4. Chapter 8 Ensure Grantee Program Integrity and Accountability. 8.1 Internal Controls and Accountability Measures to Help Ensure Program Integrity. 8.1.1 Process to train about CCDF requirements and program integrity.

States and territories are required to describe effective internal controls that are in place to ensure program integrity and accountability (98.68(a)), including processes to train child care providers and staff of the Lead Agency and other agencies engaged in the administration of CCDF about program requirements and integrity.

- v. Monitor and assess policy implementation on an ongoing basis.

The Lead Agency conducts announced Categorical Program Monitoring (CPM)/Contract Monitoring Reviews (CMRs) for each contractor on a three- or four-year cycle for non-LEAs and LEAs respectively. The Lead Agency's Governance and Administration Unit (GAU) conducts ongoing review of individual contractors by sampling the eligibility and need documentation in family files to estimate and reduce error rates. Additionally, the Lead Agency provides ongoing training and technical assistance to contractors in regional sessions, in one-on-one sessions, and/or in cluster with webinars or during face to-face presentations. These sessions address CCDF program administration, requirements, and integrity.

Condition

We selected 60 subrecipient contracts (14 local educational agency (LEA) contracts and 46 non-LEA contracts) from 50 subrecipient entities and tested compliance with subrecipient monitoring requirements. We noted the following:

LEAs

- 3 LEA contracts/contractors had no records for the receipt of a corrective action plan or notification of resolution for findings identified in monitoring reports.
- 1 LEA contract/contractor did not have the quarterly fiscal reports available for review for the quarter selected for testing.

Non-LEAs

- 5 non-LEA contracts/contractors had no records available to demonstrate risk assessment of the contractor.
- 4 non-LEA contracts/contractors had no record of on-site monitoring in over 5 years.
- 7 non-LEA contracts/contractors had no records for the receipt of the corrective action plan or notification of resolution for findings identified in monitoring reports.
- 5 non-LEA contracts/contractors did not have the quarterly fiscal reports available for review for the quarters selected for testing.

The monitoring of the contractors' single audit reports and follow-up on noted findings continued to be a shared responsibility between CDSS and the Department of Education (CDE) during fiscal year 2022-23. The transition of audit report monitoring responsibilities over LEAs receiving CCDF Cluster program funds is still in process and not yet centralized with CDSS. Furthermore, subrecipients continue to report the pass-through entity as CDE and not CDSS.

Identification as a Repeat Finding

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

Cause

In fiscal year 2021, the administration of the CCDF Cluster program was transitioned from the California Department of Education (CDE) to CDSS. CDSS has been in the process of revising certain policies and procedures, including contractor monitoring. In addition, certain records related to CDE monitoring activities for the contracts selected were unavailable for review.

Effect

CDSS is at risk for contractor noncompliance if monitoring procedures are not properly designed or executed, and/or documents demonstrating monitoring are not maintained.

Questioned Costs

\$175,631,433 of \$332,931,906 sampled contract expenditures for fiscal year ended June 30, 2023.

Context

CDSS contractors may have multiple contracts with varying contract requirements. We selected one or more contracts from 50 different contractors for a total of 60 unique contracts representing \$332,931,906 of expenditures incurred during the fiscal year ended June 30, 2023. The exceptions noted above represented 32 different contracts administered by 28 contractors and represented \$175,613,433 or 52.7% of the total sampled contract expenditures.

The sample was not a statistically valid sample.

Recommendation

To enhance the effectiveness of the annual risk assessment process, we recommend a thorough evaluation that focuses on the identification and inclusion of all subrecipients and defined risk criteria as mandated in 2 CFR 200.332. Furthermore, it is crucial to establish and document a transparent basis for risk profiling that directly correlates such profiles with compliance monitoring activities across fiscal, program, and single audit requirements.

Furthermore, we recommend CDSS perform a comprehensive post-transition review to ensure all monitoring responsibilities transferred from CDE have been fully identified and assigned. This review should validate robust mechanisms are in place for the accurate documentation and proper retention of records.

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: 2023-013
Category of Finding: Special Tests and Provisions – Child Care Provider Eligibility for ARP Act Stabilization Funds
Type of Finding: Material Weakness and Material Instance of Noncompliance
State Administering Department: California Department of Social Services
Assistance Listing Number: 93.575
Federal Program Title: Child Care and Development Block Grant (part of the Child Care and Development Fund Cluster)
Federal Award Numbers and Years: 2101CACSC6; 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:

- (d) 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 Assembly Bill (AB) 179 and AB 110 provided designated American Rescue Plan Act (ARPA) funding to provide supplemental rate payments and stipends to eligible child care providers. As prescribed by ARPA, to qualify for this funding a child care provider must apply and meet the following criteria:

On the date of application for the award must either be:

- (1) open and available to provide child care services, or
- (2) closed due to public health, financial hardship, or other reasons relating to the COVID-19 public health emergency.

In addition, the child care provider must either:

- (1) be eligible to serve children who receive CCDF subsidies at the time of application for stabilization funds, or
- (2) be licensed, regulated, or registered in the state, territory, or tribe as of March 11, 2021, and meet applicable state and local health and safety requirements at the time of application for stabilization funds.

In their application for stabilization funds, a child care provider must certify:

- a. That the provider will, when open and providing services, implement policies in line with guidance and orders from corresponding state, territorial, tribal, and local authorities and, to the greatest extent possible, implement policies in line with guidance from the CDC.
- b. For each employee, the provider must pay at least the same amount in weekly wages and maintain the same benefits for the duration of the stabilization funding.
- c. The provider will provide relief from copayments and tuition payments for the families enrolled in the provider's program, to the extent possible, and prioritize such relief for families struggling to make either type of payment.

Condition

CDSS uses a third-party service provider to administer payments to child care contractors and assist with the coordination and collection of certain information required to be eligible to receive state and federal child care funding. The third-party service provider is considered a fiduciary and not a subrecipient, thus CDSS is responsible for monitoring eligibility compliance related to the ARPA Stabilization funding.

Of the 25 samples we selected for testing eligibility criteria related to the ARPA Stabilization funding, 22 contractors were determined eligible by the third-party service provider; however, the CDSS did not monitor that the third-party service provider appropriately discharged its duties and correctly determined that recipients were eligible.

Identification as a Repeat Finding

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

Cause

CDSS did not appropriately determine its responsibility for eligibility of ARPA Stabilization recipients and relied on the determinations of the third-party service provider without oversight.

Effect

CDSS did not fulfill its responsibilities for determining eligibility of ARPA Stabilization recipients.

Questioned Costs

\$232,082,456

Context

The third-party service provider used CDSS' survey portal to capture and review information of the recipients it determined eligible. During the fiscal year ended June 30, 2023, CDSS paid the third-party service provider \$232,082,456 to disburse to eligible contractors. The third-party service provider does not qualify as a subrecipient and thus is not subject to the Uniform Guidance requiring a single audit.

Recommendation

We recommend that CDSS review its contract with the third-party service provider and identify compliance requirements delegated to the provider and develop a monitoring program to ensure the third-party service provider is accurately fulfilling its responsibilities in determining compliance of contractors.

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: 2023-014
Category of Finding: Special Tests and Provisions – Health and Safety Requirements
Type of Finding: Material Weakness and Material Instance of Noncompliance
State Administering Department: California Department of Social Services (CDSS)
Assistance Listing Number: 93.575
Federal Program Title: Child Care and Development Block Grant (part of the Child Care and Development Fund Cluster)
Federal Award Numbers and Years: 2101CACCCDF; 2021
2101CACCC5; 2021
2101CACDC6; 2021
2234CACCCDD; 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:

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

Title 42 – Public Welfare. Subtitle A – Department of Health and Human Services. Subchapter A – General Administration. Part 98 – Child Care and Development Fund. Subpart E – Program Operations (Child Care Services)—Lead Agency and Provider Requirements. §98.41 Health and safety requirements:

- (a) Each Lead Agency shall certify that there are in effect, within the State (or other area served by the Lead Agency), under State, local or tribal law, requirements (appropriate to provider setting and age of children served) that

are designed, implemented, and enforced to protect the health and safety of children. Such requirements must be applicable to child care providers of services for which assistance is provided under this part. Such requirements, which are subject to monitoring pursuant to §98.42, shall:

- (1) Include health and safety topics consisting of, at a minimum:
 - (i) The prevention and control of infectious diseases (including immunizations); with respect to immunizations, [et. al.]
 - (ii) Prevention of sudden infant death syndrome and use of safe sleeping practices;
 - (iii) Administration of medication, consistent with standards for parental consent;
 - (iv) Prevention and response to emergencies due to food and allergic reactions;
 - (v) Building and physical premises safety, including identification of and protection from hazards, bodies of water, and vehicular traffic;
 - (vi) Prevention of shaken baby syndrome, abusive head trauma, and child maltreatment;
 - (vii) Emergency preparedness and response planning for emergencies resulting from a natural disaster, or a man-caused event (such as violence at a child care facility), within the meaning of those terms under section 602(a)(1) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5195a(a)(1)) that shall include procedures for evacuation, relocation, shelter-in-place and lock down, staff and volunteer emergency preparedness training and practice drills, communication and reunification with families, continuity of operations, and accommodation of infants and toddlers, children with disabilities, and children with chronic medical conditions;
 - (viii) Handling and storage of hazardous materials and the appropriate disposal of biocontaminants;
 - (ix) Appropriate precautions in transporting children, if applicable;
 - (x) Pediatric first aid and cardiopulmonary resuscitation;
 - (xi) Recognition and reporting of child abuse and neglect, in accordance with the requirement in paragraph (e) of this section; and
 - (xii) May include requirements relating to:
 - (A) Nutrition (including age-appropriate feeding);
 - (B) Access to physical activity;
 - (C) Caring for children with special needs; or
 - (D) Any other subject area determined by the Lead Agency to be necessary to promote child development or to protect children's health and safety.
- (2) Include minimum health and safety training on the topics above, as described in §98.44.

Condition

The CDSS has not established health and safety monitoring procedures to ensure licensed-exempt providers serving children who receive subsidies comply with all applicable health and safety requirements. Accordingly, no monitoring procedures were performed on licensed-exempt providers during the fiscal year ended June 30, 2023.

Identification as a Repeat Finding

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

Cause

Although CDSS is in process of developing a health and safety monitoring process for licensed-exempt contractors, finalization and implementation is subject to statutory and budget actions which delay the process.

Effect

The CDSS is not in compliance with 45 CFR §98.41.

Questioned Costs

No questioned costs were identified.

Context

CDSS was not able to isolate a complete list of subrecipient expenditures related to contractors receiving CCDF Cluster program funding that were subject to health and safety compliance for the fiscal year ended June 30, 2023; therefore, the magnitude of impact to the program cannot be determined. CDSS is in process of developing its health and safety monitoring program in collaboration with the Federal Administration of Children and Families and the State legislature.

Recommendation

We recommend CDSS complete its development and implementation of a monitoring process over the health and safety standards and develop a mechanism to identify and track all contracts requiring health and safety compliance monitoring.

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: 2023-015
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: 2305CA5021; 2023
2305CA3002; 2023
2205CA5022; 2022
Assistance Listing Number: 93.778
Federal Program Title: Medical Assistance Program
Federal Award Numbers and Years: 2305CA5ADM; 2023
2305CA5MAP; 2023
2205CA5ADM; 2022
2205CA5MAP; 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).

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

Eighteen of 56 contractor counties of Short-Doyle funding were tested and seventeen had not submitted their cost reports by the December 31 due date.

Five of the seventeen contractor counties have not submitted their cost reports for fiscal year 2021-22 (more than 12 months late) and thirteen of the seventeen contractor counties have subsequently submitted their cost reports for fiscal year 2021-22.

Although the Mental Health Division of Health Care Services did take the required action of notifying the eighteen 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 2022-008 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, 2023, disbursements of Short-Doyle funding from the Medical Assistance Program to the eighteen contractor counties totaled \$1,943,410,893, the seventeen noncompliant contractor counties totaled \$1,871,058,835, and all 58 contractor counties totaled \$2,338,031,915.

For the fiscal year ended June 30, 2023, disbursements of Short-Doyle funding from the Children's Health Insurance Program to the seven contractor counties totaled \$94,521,685, the six noncompliant contractor counties totaled \$88,716,942, and all 58 contractor counties totaled \$191,348,628.

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: 2023-016
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: 2305CA5ADM; 2023
2305CA5MAP; 2023
2205CA5ADM; 2022
2205CA5MAP; 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).

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

Finding 2022-012 was reported in the immediate prior year.

Cause

California Department of Public Health (Public Health) did not adhere to their documented controls due to continued turnover of staff members within Public Health.

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 as they are being conducted with no documented oversight.

Questioned Costs

No questioned costs were identified.

Context

A total of 461 surveys were included in the population, which consisted of all surveys completed by Public Health for Hospitals, Intermediate Care Facilities and Individuals with Intellectual Disabilities and Nursing Facilities during the fiscal year ended June 30, 2023.

The sample was not a statistically valid sample.

Recommendation

Public Health should update its processes and controls in place to ensure timely review and approval of the Form CMS-1539, including for situations when staff are on leave and/or have 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.

Reference Number: 2023-017
Category of Finding: Eligibility
Type of Finding: Significant Deficiency and 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: 2 X07HA12778-14-00; 2022
6 X07HA12778-14-01; 2022
6 X07HA12778-14-02; 2023
6 X07HA12778-14-03; 2023
6 X07HA12778-14-04; 2023
6 X07HA12778-14-05; 2023
5 X07HA12778-15-00; 2023
6 X07HA12778-15-01; 2023
6 X07HA12778-15-02; 2023

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.).

Health Resources and Services Administration, Policy Clarification Notice 15-04 (Revised 1/11/2019):

The Ryan White HIV/AIDS Program (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

All applications must be reviewed internally by ADAP staff via an electronic secondary review process to confirm eligibility; however, one of sixty applications was not reviewed by ADAP staff.

Identification as a Repeat Finding

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

Cause

There was a backlog in the secondary review of applications due to staffing issues in the ADAP Branch.

Effect

Public Health did not have appropriate 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 \$106,505,302 for approximately 24,000 program participants for the fiscal year ended June 30, 2023.

The sample was not a statistically valid sample.

Recommendation

The ADAP Branch should continue to monitor compliance with its policies to ensure secondary reviews of ADAP applications follow the established guidelines.

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: 2023-018
Category of Finding: Activities Allowed or Unallowed
Type of Finding: Significant Deficiency
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
Federal Award Numbers and Years: 1B08TI084632-01; 2022
6B08TI084632-01M001; 2022
6B08TI084632-01M002; 2022
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 60 employee timesheets, the Department of Health Care Services (DHCS) did not have documentation of the approval for time charged to the Prevention and Treatment of Substance Abuse (SAPT) program for 1 of the samples tested.

Identification as a Repeat Finding

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

Cause

Due to staffing and organizational changes, DHCS has been unable to locate the requested documentation of timesheet approval.

Effect

Nonadherence to the internal controls over the documentation of employee timesheets can result in the risk of noncompliance with established policies and procedures. Furthermore, the integrity of the time charged to the program can be compromised when proper documentation of approval is not readily available.

Questioned Costs

No questioned costs were identified.

Context

Expenditures related to payroll costs charged to the SAPT program for the fiscal year ended June 30, 2023 totaled \$12,743,522.

The sample was not a statistically valid sample.

Recommendation

DHCS should adhere to its processes and controls in place to ensure all timesheets are reviewed and approved by a manager or supervisor.

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.

SOCIAL SECURITY ADMINISTRATION

Reference Number: 2023-019
Category of Finding: Allowable Costs/Cost Principles
Type of Finding: Significant Deficiency and Instance of Noncompliance
State Administering Department: California Department of Social Services (CDSS)
Assistance Listing Numbers: 96.001
Federal Program Title: Disability Insurance/SSI Cluster:
Social Security Disability Insurance
Federal Award Number and Year: 04-2204CADI00; 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 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 E – Cost Principles. §200.403 Factors affecting allowability of costs.

Except where otherwise authorized by statute, costs must meet the following criteria to be allowable under Federal awards:

- (g) Be adequately documented. See §200.300 through §200.309.

Condition

The documentation for one of forty samples selected for testing did not agree to the payment disbursed to a provider for medical evidence of record (MER) services. The provider was overpaid by \$5.

Identification as a Repeat Finding

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

Cause

CDSS has represented that the cause was an input error in the Midas subledger when processing the vendor payment.

Effect

CDSS did not have appropriate oversight controls to ensure that the data entry was accurate. Accordingly, there is an increased risk for data entry directly affecting the amount reported on the schedule of expenditures of federal awards to be inaccurate.

Questioned Costs

Questioned costs are projected to be \$54,398.

Context

The total MER expenditures for the fiscal year ended June 30, 2023, were \$4,432,781, which represents 1.8% of the total program expenditures of the Disability Insurance/SSI Cluster of \$242,946,482.

The sample was not a statistically valid sample.

Recommendation

CDSS should strengthen its controls over the review for accuracy of the provider invoice amounts input into Midas.

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, 2023**

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STATE OF CALIFORNIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Agency/ Federal Program or Cluster Title/ Pass-Through Entity	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		\$ 61,815	\$ -
Plant and Animal Disease, Pest Control, and Animal Care	10.025		48,134,066	25,401,255
Inspection Grading and Standardization	10.162		49,148	-
Market Protection and Promotion	10.163		3,021,818	-
Specialty Crop Block Grant Program - Farm Bill	10.170		11,174,576	8,649,791
COVID-19 - Specialty Crop Block Grant Program - Farm Bill	10.170		6,534,694	5,611,481
Total Specialty Crop Block Grant Program - Farm Bill			<u>17,709,270</u>	<u>14,261,272</u>
Organic Certification Cost Share Programs	10.171		1,366,448	-
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178		(3)	-
Food Insecurity Nutrition Incentive Grants Program	10.331		4,297,260	3,373,288
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475		238,373	-
Meat, Poultry, and Egg Products Inspection	10.477		25,226	-
Food Safety Cooperative Agreements	10.479		296,155	-
COVID-19 - Farm and Ranch Stress Assistance Network Competitive Grants Program	10.525		410,467	410,467
Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) Data and Technical Assistance Grants	10.537		(6,922)	-
Child Nutrition - Technology Innovation Grant	10.541		119,251	-
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		1,067,105,001	271,697,031
Child and Adult Care Food Program	10.558		545,592,517	542,579,125
COVID-19 - Child and Adult Care Food Program	10.558		(32,554)	(32,554)
Total Child and Adult Care Food Program			<u>545,559,963</u>	<u>542,546,571</u>
State Administrative Expenses for Child Nutrition	10.560		32,926,672	-
WIC Farmers' Market Nutrition Program (FMNP)	10.572		2,450,893	150,582
Team Nutrition Grants	10.574		(22,051)	(22,051)
Senior Farmers Market Nutrition Program	10.576		91,515	-
COVID-19 - Senior Farmers Market Nutrition Program	10.576		2,747	-
Total Senior Farmers Market Nutrition Program			<u>94,262</u>	<u>-</u>
Child Nutrition Discretionary Grants Limited Availability	10.579		10,267,964	10,267,945
Technical Assistance for Specialty Crops Program	10.604		14,200	-
Pandemic EBT Administrative Costs	10.649		(30,912)	(30,912)
COVID-19 - Pandemic EBT Administrative Costs	10.649		97,906,463	49,268,158
Total Pandemic EBT Administrative Costs			<u>97,875,551</u>	<u>49,237,246</u>
Cooperative Forestry Assistance	10.664		6,194,250	1,495,080
Wood Utilization Assistance	10.674		170,524	160,750
Urban and Community Forestry Program	10.675		707,430	389,411
Forest Legacy Program	10.676		1,561,275	1,560,000
Forest Stewardship Program	10.678		70,978	63,647
Forest Health Protection	10.680		308,643	212,176
Good Neighbor Authority	10.691		869,991	443,626
Watershed Restoration and Enhancement Agreement Authority	10.693		87,553	-
State & Private Forestry Cooperative Fire Assistance	10.698		160,589	131,901
Partnership Agreements	10.699		(105,019)	-
Environmental Quality Incentives Program	10.912		71,948	71,948
Total Excluding Clusters			<u>1,842,092,989</u>	<u>921,852,145</u>

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

STATE OF CALIFORNIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Agency/ Federal Program or Cluster Title/ Pass-Through Entity	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through To Subrecipients
Child Nutrition Cluster				
School Breakfast Program	10.553		615,134,551	615,134,551
National School Lunch Program	10.555		1,913,847,506	1,913,847,506
COVID-19 - National School Lunch Program	10.555		115,269,924	115,269,924
National School Lunch Program (Noncash)	10.555		223,600,745	-
Total National School Lunch Program			<u>2,252,718,175</u>	<u>2,029,117,430</u>
Special Milk Program for Children	10.556		115,442	115,442
Summer Food Service Program for Children	10.559		25,949,380	24,673,957
Fresh Fruit and Vegetable Program	10.582		12,888,723	12,888,723
Total Child Nutrition Cluster			<u>2,906,806,271</u>	<u>2,681,930,103</u>
Food Distribution Cluster				
Commodity Supplemental Food Program	10.565		9,318,020	9,270,772
Commodity Supplemental Food Program (Noncash)	10.565		39,505,707	-
Total Commodity Supplemental Food Program			<u>48,823,727</u>	<u>9,270,772</u>
Emergency Food Assistance Program (Administrative Costs)	10.568		38,898,595	38,178,583
Emergency Food Assistance Program (Food Commodities) (Noncash)	10.569		155,451,552	-
COVID-19 - Emergency Food Assistance Program (Food Commodities) (Noncash)	10.569		19,015,398	-
Total Emergency Food Assistance Program (Food Commodities)			<u>174,466,950</u>	<u>-</u>
Total Food Distribution Cluster			<u>262,189,272</u>	<u>47,449,355</u>
Forest Service Schools and Roads Cluster				
Schools and Roads - Grants to States	10.665		32,535,506	32,535,506
Total Forest Service Schools and Roads Cluster			<u>32,535,506</u>	<u>32,535,506</u>
Research and Development Cluster				
Plant and Animal Disease, Pest Control, and Animal Care	10.025		970,041	970,041
Wildlife Services	10.028		3,282	-
Market Protection and Promotion	10.163		2,054,233	-
Specialty Crop Block Grant Program - Farm Bill	10.170		12,087,670	11,900,818
COVID-19 - Specialty Crop Block Grant Program - Farm Bill	10.170		1,409,972	1,301,766
Total Specialty Crop Block Grant Program - Farm Bill			<u>13,497,642</u>	<u>13,202,584</u>
Total Research and Development Cluster			<u>16,525,198</u>	<u>14,172,625</u>
SNAP Cluster				
Supplemental Nutrition Assistance Program (Noncash)	10.551		12,306,192,569	-
COVID-19 - Supplemental Nutrition Assistance Program (Noncash)	10.551		4,736,963,475	-
Total Supplemental Nutrition Assistance Program			<u>17,043,156,044</u>	<u>-</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		1,285,984,615	1,166,399,964
COVID-19 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		48,526,369	30,657,859
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			<u>1,334,510,984</u>	<u>1,197,057,823</u>
Total SNAP Cluster			<u>18,377,667,028</u>	<u>1,197,057,823</u>
Total U.S. Department of Agriculture			<u>23,437,816,264</u>	<u>4,894,997,557</u>

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

STATE OF CALIFORNIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Agency/ Federal Program or Cluster Title/ Pass-Through Entity	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through To Subrecipients
U.S. Department of Commerce				
State Digital Equity Planning and Capacity Grant	11.032		196,406	-
Coastal Zone Management Administration Awards	11.419		2,767,753	-
Coastal Zone Management Estuarine Research Reserves	11.420		1,068,387	675,307
Regional Fishery Management Councils	11.441		379,388	-
Unallied Management Projects	11.454		1,094,543	-
Meteorologic and Hydrologic Modernization Development	11.467		736,144	-
Office for Coastal Management	11.473		2,561	-
Total Excluding Clusters			6,245,182	675,307
Economic Development Cluster				
Economic Adjustment Assistance	11.307		890,555	-
Total Economic Development Cluster			890,555	-
Research and Development Cluster				
Interjurisdictional Fisheries Act of 1986	11.407		216,190	-
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438		12,687,282	9,548,423
Unallied Management Projects	11.454		231,704	-
Unallied Science Program	11.472		1,172,110	-
Total Research and Development Cluster			14,307,286	9,548,423
Total U.S. Department of Commerce			21,443,023	10,223,730
U.S. Department of Defense				
Community Economic Adjustment Assistance for Responding to Threats to the Resilience of a Military Installation	12.003		352,575	-
Payments to States in Lieu of Real Estate Taxes	12.112		179,335	179,335
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		17,137,009	-
Basic and Applied Scientific Research	12.300		18,419	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401		94,822,220	-
COVID-19 - National Guard Military Operations and Maintenance (O&M) Projects	12.401		55,770	-
Total National Guard Military Operations and Maintenance (O&M) Projects			94,877,990	-
National Guard Challenge Program	12.404		26,449,965	-
Community Investment	12.600		1,699,920	1,362,708
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610		343,722	89,984
Economic Adjustment Assistance for State Governments	12.617		96,988	54,884
Air Force Defense Research Sciences Program	12.800		30,495	-
Other - U.S. Department of Defense	12.U01		1,281,209	-
Total Excluding Clusters			142,467,627	1,686,911
Total U.S. Department of Defense			142,467,627	1,686,911
U.S. Department of Housing and Urban Development				
Manufactured Home Dispute Resolution	14.171		218,162	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		119,444,349	102,641,400
COVID-19 - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		37,893,250	33,691,497
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			157,337,599	136,332,897
Emergency Solutions Grant Program	14.231		12,469,696	11,646,918
COVID-19 - Emergency Solutions Grant Program	14.231		101,458,040	96,730,185
Total Emergency Solutions Grant Program			113,927,736	108,377,103
Home Investment Partnerships Program	14.239		25,700,750	18,412,311

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

STATE OF CALIFORNIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Agency/ Federal Program or Cluster Title/ Pass-Through Entity	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through To Subrecipients
Housing Opportunities for Persons with AIDS	14.241		3,995,973	3,870,476
COVID-19 - Housing Opportunities for Persons with AIDS	14.241		19,302	19,302
Total Housing Opportunities for Persons with AIDS			<u>4,015,275</u>	<u>3,889,778</u>
Housing Trust Fund	14.275		29,851,610	26,342,937
Equal Opportunity in Housing	14.400		3,033,218	-
Lead Hazard Reduction Demonstration Grant Program	14.905		266,250	-
Total Excluding Clusters			<u>334,350,600</u>	<u>293,355,026</u>
CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster				
National Disaster Resilience Competition	14.272		7,195,283	7,154,623
Total CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster			<u>7,195,283</u>	<u>7,154,623</u>
Total U.S. Department of Housing and Urban Development			<u>341,545,883</u>	<u>300,509,649</u>
U.S. Department of the Interior				
Energy Community Revitalization Program (ECRP)	15.018		3,381,446	-
Southern Nevada Public Land Management	15.235		255,391	-
Environmental Quality and Protection	15.236		143,306	-
Federal Oil and Gas Royalty Management State and Tribal Coordination	15.427		1,432,858	-
Geothermal Resources	15.434		4,857,569	4,857,569
Minerals Leasing Act	15.437		47,159,855	47,159,855
National Forest Acquired Lands	15.438		30	30
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508		34	-
Central Valley Improvement Act, Title XXXIV	15.512		8,822,798	-
Fish and Wildlife Coordination Act	15.517		2,631,641	16,427
Recreation Resources Management	15.524		1,969,740	-
San Joaquin River Restoration	15.555		466,493	-
SECURE Water Act - Research Agreements	15.560		1,000,000	-
Coastal Wetlands Planning, Protection and Restoration	15.614		5,346,423	5,346,423
Cooperative Endangered Species Conservation Fund	15.615		26,529,101	-
Clean Vessel Act	15.616		2,118,562	656,800
Sportfishing and Boating Safety Act	15.622		372,726	372,726
Coastal	15.630		13,391	-
State Wildlife Grants	15.634		59,318	-
Central Valley Project Improvement Act (CVPIA)	15.648		1,653,298	-
Endangered Species Recovery Implementation	15.657		33,683	-
U.S. Geological Survey Research and Data Collection	15.808		(15,627)	-
National Cooperative Geologic Mapping	15.810		425,781	-
National Geological and Geophysical Data Preservation	15.814		4,157	-
Historic Preservation Fund Grants-In-Aid	15.904		2,306,477	300,717
Outdoor Recreation Acquisition, Development and Planning	15.916		9,189,942	9,074,141
National Maritime Heritage Grants	15.925		8,624	8,624
Redwood National Park Cooperative Management with the State of California	15.937		210,663	-
Heritage Partnership	15.939		87,137	-
Natural Resource Stewardship	15.944		221,380	-
Other - U.S. Department of the Interior	15.U02		4,048,792	-
Total Excluding Clusters			<u>124,734,989</u>	<u>67,793,312</u>
Fish and Wildlife Cluster				
Sport Fish Restoration	15.605		237,120	-
Wildlife Restoration and Basic Hunter Education	15.611		2,034,268	-
Enhanced Hunter Education and Safety	15.626		209,383	-
Total Fish and Wildlife Cluster			<u>2,480,771</u>	<u>-</u>

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

STATE OF CALIFORNIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Agency/ Federal Program or Cluster Title/ Pass-Through Entity	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through To Subrecipients
Research and Development Cluster				
Wildlife Resource Management	15.247		2,531	737
Central Valley Improvement Act, Title XXXIV	15.512		4,591,779	-
Fish and Wildlife Coordination Act	15.517		122,686	-
Central Valley, Trinity River Division, Trinity River Fish and Wildlife Management	15.532		859,005	-
Sport Fish Restoration	15.605		15,847,937	328,461
Fish and Wildlife Management Assistance	15.608		72,091	-
Wildlife Restoration and Basic Hunter Education	15.611		18,560,779	359,352
Cooperative Endangered Species Conservation Fund	15.615		3,212,836	2,608,395
State Wildlife Grants	15.634		2,880,655	749,088
Endangered Species Recovery Implementation	15.657		108,708	-
Endangered Species Conservation - Wolf Livestock Loss Compensation and Prevention	15.666		19,552	-
Adaptive Science	15.670		66,530	66,530
Prescott Marine Mammal Rescue Assistance	15.683		64,386	-
White-nose Syndrome National Response Implementation	15.684		2,122	-
Other - U.S. Department of the Interior	15.U03		1,176	-
Total Research and Development Cluster			46,412,773	4,112,563
Total U.S. Department of the Interior			173,628,533	71,905,875
U.S. Department of Justice				
Law Enforcement Assistance Narcotics and Dangerous Drugs Laboratory Analysis	16.001		478,315	-
Sexual Assault Services Formula Program	16.017		1,057,513	1,057,513
Justice Systems Response to Families	16.021		163,224	163,224
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034		(3,052,498)	-
Veterans Treatment Court Discretionary Grant Program	16.043		47,251	-
Services for Trafficking Victims	16.320		292,293	-
Antiterrorism Emergency Reserve	16.321		2,203,968	1,844,045
Juvenile Justice and Delinquency Prevention	16.540		4,094,443	3,558,559
National Criminal History Improvement Program (NCHIP)	16.554		379,903	-
Crime Victim Assistance	16.575		208,951,682	199,225,663
Crime Victim Compensation	16.576		19,080,525	-
Drug Court Discretionary Grant Program	16.585		2,249,152	469,868
Violence Against Women Formula Grants	16.588		13,440,825	12,453,956
Residential Substance Abuse Treatment for State Prisoners	16.593		1,735,690	1,596,667
State Criminal Alien Assistance Program	16.606		131,642,586	-
Bulletproof Vest Partnership Program	16.607		27,612	27,612
Regional Information Sharing Systems	16.610			
<i>Pass-Through from The Western States Information Network (BI)</i>		15PBJA-21-GG00349-RI	1,326,457	-
Special Data Collections and Statistical Studies	16.734		4,727,406	-
PREA Program: Strategic Support for PREA Implementation	16.735		15,716	15,716
Edward Byrne Memorial Justice Assistance Grant Program	16.738		10,744,237	10,184,153
DNA Backlog Reduction Program	16.741		2,164,781	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		1,149,109	1,137,458
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745		162,013	-
Support for Adam Walsh Act Implementation Grant Program	16.750		447,262	-
Edward Byrne Memorial Competitive Grant Program	16.751		(100,438)	-
Harold Rogers Prescription Drug Monitoring Program	16.754		672,036	-
John R. Justice Prosecutors and Defenders Incentive Act	16.816		220,703	-
Postconviction Testing of DNA Evidence	16.820		701,747	674,843
STOP School Violence	16.839		660,637	274,847
Equitable Sharing Program	16.922		16,150	-
Other - Department of Justice	16.U04		408,679	-
Total Excluding Clusters			406,108,979	232,684,124
Total U.S. Department of Justice			406,108,979	232,684,124

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

STATE OF CALIFORNIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Agency/ Federal Program or Cluster Title/ Pass-Through Entity	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through To Subrecipients
U.S. Department of Labor				
Labor Force Statistics	17.002		7,312,272	-
Compensation and Working Conditions	17.005		697,267	-
Unemployment Insurance	17.225		5,672,183,257	-
COVID-19 - Unemployment Insurance	17.225		(274,865,411)	-
Total Unemployment Insurance			5,397,317,846	-
Senior Community Service Employment Program	17.235		4,801,962	4,460,717
Trade Adjustment Assistance	17.245		3,155,950	-
WIOA Pilots, Demonstrations, and Research Projects	17.261		177,500	-
Reentry Employment Opportunities	17.270		67,047	-
Work Opportunity Tax Credit Program (WOTC)	17.271		4,263,329	-
Temporary Labor Certification for Foreign Workers	17.273		1,918,772	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277		15,019,475	14,402,270
WIOA Dislocated Worker National Reserve Demonstration Grants	17.280		(220,367)	-
Apprenticeship USA Grants	17.285		730,702	-
Hurricanes and Wildfires of 2017 Supplemental – National Dislocated Worker Grants	17.286		1,332,551	1,222,321
Occupational Safety and Health State Program	17.503		29,320,936	-
COVID-19 - Occupational Safety and Health State Program	17.503		2,994,318	-
Total Occupational Safety and Health State Program			32,315,254	-
Consultation Agreements	17.504		6,060,981	-
Mine Health and Safety Grants	17.600		182,233	-
Disability Employment Policy Development	17.720		46	-
Total Excluding Clusters			5,475,132,820	20,085,308
Employment Service Cluster				
Employment Service/Wagner-Peyser Funded Activities	17.207		66,588,561	2,359,691
Jobs for Veterans State Grants	17.801		15,770,889	-
Total Employment Service Cluster			82,359,450	2,359,691
WIOA Cluster				
WIOA Adult Program	17.258		120,837,199	118,671,861
WIOA Youth Activities	17.259		129,264,851	115,199,098
WIOA Dislocated Worker Formula Grants	17.278		124,002,271	105,646,895
Total WIOA Cluster			374,104,321	339,517,854
Total U.S. Department of Labor			5,931,596,591	361,962,853
U.S. Department of Transportation				
Highway Planning and Construction	20.205		3,578,613,205	1,214,877,587
COVID-19 - Highway Planning and Construction	20.205		376,304,106	7,226,585
Total Highway Planning and Construction			3,954,917,311	1,222,104,172
Highway Training and Education	20.215		135,300	-
Recreational Trails Program	20.219		197,732	103,090
Commercial Driver's License Program Implementation Grant	20.232		56,000	-
Fuel Tax Evasion - Intergovernmental Enforcement Effort	20.240		144,338	-
Capital Assistance to States - Intercity Passenger Rail Service	20.317		2,396,326	2,396,326
ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	20.319		(355,726)	-
High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	20.319		2,896,357	-
Total High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants			2,540,631	-
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		64,284,952	49,393,349

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

STATE OF CALIFORNIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Agency/ Federal Program or Cluster Title/ Pass-Through Entity	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through To Subrecipients
Formula Grants for Rural Areas and Tribal Transit Program	20.509		29,665,789	27,567,806
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program	20.509		36,832,605	35,068,975
Total Formula Grants for Rural Areas and Tribal Transit Program			66,498,394	62,636,781
Paul S. Sarbanes Transit in the Parks	20.520		87,209	-
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528		7,335,315	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		40,857,556	25,091,269
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614		776,685	-
Pipeline Safety Program State Base Grant	20.700		11,880,130	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		817,928	7,650
PHMSA Pipeline Safety Underground Natural Gas Storage Grant	20.725		551,763	-
Total Excluding Clusters			4,153,477,570	1,361,732,637
Federal Motor Carrier Safety Assistance (FMCSA) Cluster				
Motor Carrier Safety Assistance	20.218		26,138,509	-
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237		1,782,059	-
Total Federal Motor Carrier Safety Assistance Cluster			27,920,568	-
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		10,957,164	10,187,263
COVID-19 - Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		991,318	991,318
Total Enhanced Mobility of Seniors and Individuals with Disabilities			11,948,482	11,178,581
Total Transit Services Programs Cluster			11,948,482	11,178,581
Federal Transit Cluster				
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526		502,599	502,599
Total Federal Transit Cluster			502,599	502,599
Highway Safety Cluster				
State and Community Highway Safety	20.600		30,237,599	15,746,382
Incentive Grant Program to Prohibit Racial Profiling	20.611		39,766	-
National Priority Safety Programs	20.616		21,030,438	13,283,620
Total Highway Safety Cluster			51,307,803	29,030,002
Research and Development Cluster				
Highway Research and Development Program	20.200		910,627	-
Highway Planning and Construction	20.205		5,975,244	-
State and Community Highway Safety	20.600		55,240	-
National Priority Safety Programs	20.616		2,260	-
Total Research and Development Cluster			6,943,371	-
Total U.S. Department of Transportation			4,252,100,393	1,402,443,819
U.S. Department of the Treasury				
Equitable Sharing	21.016		508,239	-
COVID-19 - Emergency Rental Assistance Program	21.023		500,349,371	97,121,072
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		7,310,014,099	1,218,447,487
Total Excluding Clusters			7,810,871,709	1,315,568,559
Total U.S. Department of the Treasury			7,810,871,709	1,315,568,559
Equal Employment Opportunity Commission				
Other - Equal Employment Opportunity Commission	30.U05		2,610,761	-
Total Excluding Clusters			2,610,761	-
Total Equal Employment Opportunity Commission			2,610,761	-

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

STATE OF CALIFORNIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Agency/ Federal Program or Cluster Title/ Pass-Through Entity	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through To Subrecipients
General Services Administration				
Donation of Federal Surplus Personal Property (Noncash)	39.003		394,025	-
Election Reform Payments	39.011		247,399	-
Total Excluding Clusters			641,424	-
Total General Services Administration			641,424	-
National Endowment for the Arts				
Promotion of the Arts Partnership Agreements	45.025		1,397,720	400,000
Grants to States	45.310		15,536,814	10,614,996
Total Excluding Clusters			16,934,534	11,014,996
Total National Endowment for the Arts			16,934,534	11,014,996
Small Business Administration				
State Trade Expansion	59.061		473,670	62,499
Shuttered Venue Operators Grant Program	59.075		43,432	-
Total Excluding Clusters			517,102	62,499
Total Small Business Administration			517,102	62,499
U.S. Department of Veterans Affairs				
Grants to States for Construction of State Home Facilities	64.005		536,403	-
VHA Primary Care	64.047		417,438	-
Burial Expenses Allowance for Veterans	64.101		500,640	-
Veterans Housing Guaranteed and Insured Loans	64.114		186,513,208	-
All-Volunteer Force Educational Assistance	64.124		2,015,017	-
Veterans Cemetery Grants Program	64.203		300,325	-
Total Excluding Clusters			190,283,031	-
Total U.S. Department of Veterans Affairs			190,283,031	-
Environmental Protection Agency				
Air Pollution Control Program Support	66.001		7,830,450	-
State Indoor Radon Grants	66.032		96,222	96,222
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		1,620,428	-
Diesel Emissions Reduction Act (DERA) State Grants	66.040		12,799	-
Geographic Programs - San Francisco Bay Water Quality Improvement Fund	66.126		487,522	487,522
Congressionally Mandated Projects	66.202		608,702	563,615
Multipurpose Grants to States and Tribes	66.204		171,816	-
Water Pollution Control State, Interstate, and Tribal Program Support	66.419		15,329,645	2,058,826
State Public Water System Supervision	66.432		7,123,100	-
State Underground Water Source Protection	66.433		337,084	-
Voluntary School and Child Care Lead Testing and Reduction Grant Program (SDWA 1464(d))	66.444		2,250,427	-
Water Quality Management Planning	66.454		2,472,989	637,949
Nonpoint Source Implementation Grants	66.460		7,364,908	5,214,564
Regional Wetland Program Development Grants	66.461		47,305	6,298
Beach Monitoring and Notification Program Implementation Grants	66.472		394,748	368,000
Performance Partnership Grants	66.605		2,375,370	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608		22,391	-
Pollution Prevention Grants Program	66.708		302	-
Hazardous Waste Management State Program Support	66.801		8,248,644	-
Superfund State, Political Subdivision, and Indian Tribe Site - Specific Cooperative Agreements	66.802		1,000,332	-
Underground Storage Tank (UST) Prevention, Detection, and Compliance Program	66.804		232,419	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805		1,634,060	-
State and Tribal Response Program Grants	66.817		919,527	-
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818		136,699	-
Targeted Alshed Grant Program	66.956		91,540	89,038
Total Excluding Clusters			60,809,429	9,522,034
Total Environmental Protection Agency			60,809,429	9,522,034

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

STATE OF CALIFORNIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Agency/ Federal Program or Cluster Title/ Pass-Through Entity	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through To Subrecipients
U.S. Department of Energy				
State Energy Program	81.041		3,828,330	-
Weatherization Assistance for Low-Income Persons	81.042		6,437,868	5,145,030
Nuclear Legacy Cleanup Program	81.065		1,281,970	-
Environmental Remediation and Waste Processing and Disposal	81.104		262,176	-
Long-Term Surveillance and Maintenance	81.136		26,048	-
Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response	81.214			
Research, Outreach, Technical Analysis			47,019	-
Sustainable Energy for Homes and Business	81.U06		23,240	-
Total Excluding Clusters			11,906,651	5,145,030
Total U.S. Department of Energy			11,906,651	5,145,030
U.S. Department of Education				
Adult Education - Basic Grants to States	84.002		106,770,494	98,772,485
Title I Grants to Local Educational Agencies	84.010		1,754,060,690	1,733,751,231
Migrant Education State Grant Program	84.011		119,225,282	113,054,057
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		2,528,982	2,528,982
Career and Technical Education - Basic Grants to States	84.048		118,242,053	106,977,154
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		370,922,206	-
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177		4,025,384	3,711,398
Special Education - Grants for Infants and Families	84.181		52,156,786	-
COVID-19 - Special Education - Grants for Infants and Families	84.181		1,700,520	-
Total Special Education - Grants for Infants and Families			53,857,306	-
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187		3,077,955	-
Education for Homeless Children and Youth	84.196		13,472,360	12,694,011
Charter Schools	84.282		5,454,985	4,922,444
Twenty-First Century Community Learning Centers	84.287		114,675,275	110,083,362
Special Education - State Personnel Development	84.323		2,598,198	2,598,198
Rural Education	84.358		5,511,518	5,273,415
English Language Acquisition State Grants	84.365		157,276,722	153,995,236
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367		257,245,556	243,950,697
Grants for State Assessments and Related Activities	84.369		29,809,509	21,044,124
Comprehensive Literacy Development	84.371		6,265,137	5,962,528
Disability Innovation Fund (DIF)	84.421		4,049,967	-
Student Support and Academic Enrichment Program	84.424		145,347,250	144,135,731
Education Stabilization Fund				
COVID-19 - Governor's Emergency Education Relief (GEER) Fund	84.425C		107,644,813	107,644,813
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D		2,825,214,308	2,819,719,017
COVID-19 - Discretionary Grants - Reimagining Workforce Preparation Grants	84.425G		5,033,196	-
COVID-19 - Coronavirus Response and Relief Supplemental Appropriations Act 2021 - Emergency Assistance to Non-Public Schools (CRRSA EANS) Program	84.425R		15,636,633	15,602,786
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U		5,108,997,749	5,103,319,114
COVID-19 - American Rescue Plan - Emergency Assistance to Non-Public Schools (ARP EANS) Program	84.425V		32,741,137	32,724,204
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W		20,461,070	20,160,652
Total Education Stabilization Fund			8,115,728,906	8,099,170,586
Randolph-Sheppard - Financial Relief and Restoration Payments	84.426		2,739	-
Disaster Recovery Assistance for Education	84.938		33,322	-
Total Excluding Clusters			11,390,181,796	10,862,625,639

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

STATE OF CALIFORNIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Agency/ Federal Program or Cluster Title/ Pass-Through Entity	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		1,089,862,737	1,035,820,601
Special Education – Preschool Grants	84.173		32,788,054	30,926,852
COVID-19 - Special Education – Preschool Grants	84.173		8,009,707	8,009,707
Total Special Education – Preschool Grants			40,797,761	38,936,559
Total Special Education Cluster (IDEA)			1,130,660,498	1,074,757,160
Total U.S. Department of Education			12,520,842,294	11,937,382,799
U.S. Election Assistance Commission				
Help America Vote Act Requirements Payments	90.401		8,826,495	-
HAVA Election Security Grants	90.404		83,669	-
Total Excluding Clusters			8,910,164	-
Total U.S. Election Assistance Commission			8,910,164	-
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		504,609	504,609
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042		2,073,755	1,937,030
COVID-19 - Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042		349,462	349,462
Total Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals			2,423,217	2,286,492
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043		2,231,014	2,231,014
COVID-19 - Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043		526,846	492,196
Total Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services			2,757,860	2,723,210
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048		26,532	-
National Family Caregiver Support, Title III, Part E	93.052		18,250,537	17,454,141
COVID-19 - National Family Caregiver Support, Title III, Part E	93.052		3,018,654	2,903,206
Total National Family Caregiver Support, Title III, Part E			21,269,191	20,357,347
Public Health Emergency Preparedness	93.069		34,600,391	21,513,430
Environmental Public Health and Emergency Response	93.070		1,004,398	-
Medicare Enrollment Assistance Program	93.071		2,869,756	2,641,748
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		88,234	-
Guardianship Assistance	93.090		30,414,222	29,147,856
COVID-19 - Guardianship Assistance	93.090		10,487,340	10,487,340
Total Guardianship Assistance			40,901,562	39,635,196
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		5,324,386	3,829,374
Food and Drug Administration Research	93.103		4,645,086	-
Maternal and Child Health Federal Consolidated Programs	93.110		97,044	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		8,550,945	4,145,490
Preventive Medicine Residency	93.117		497,750	-
Emergency Medical Services for Children	93.127		78,879	-
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130		688,525	-

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

STATE OF CALIFORNIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Agency/ Federal Program or Cluster Title/ Pass-Through Entity	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through To Subrecipients
Injury Prevention and Control Research and State and Community Based Programs	93.136		12,527,469	4,670,367
Projects for Assistance in Transition from Homelessness (PATH)	93.150		5,035,262	4,864,139
COVID-19 - Rural Health Research Centers	93.155		11,885,296	-
Grants to States for Loan Repayment	93.165		999,916	-
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197		(416,946)	-
Traumatic Brain Injury State Demonstration Grant Program	93.234		251,963	-
State Capacity Building	93.240		580,872	-
State Rural Hospital Flexibility Program	93.241		636,842	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		10,756,018	9,426,762
Immunization Cooperative Agreements	93.268		29,758,760	11,234,345
COVID-19 - Immunization Cooperative Agreements	93.268		156,358,695	118,975,223
Immunization Cooperative Agreements (Noncash)	93.268		548,442,902	-
Total Immunization Cooperative Agreements			734,560,357	130,209,568
Viral Hepatitis Prevention and Control	93.270		347,547	347,547
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283			
<i>Pass-Through from Colorado Department of Public Health and Environment</i>		840644739	76,230	-
Small Rural Hospital Improvement Grant Program	93.301		1,144,992	-
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			
<i>Pass-Through from Heluna Health</i>		95-2557063	578,123,169	282,954,398
State Health Insurance Assistance Program	93.324		3,633,620	2,982,866
Behavioral Risk Factor Surveillance System	93.336		413,266	-
COVID-19 - Behavioral Risk Factor Surveillance System	93.336		59,994	-
Total Behavioral Risk Factor Surveillance System			473,260	-
COVID-19 - Public Health Emergency Response - Cooperative Agreement for Emergency Response - Public Health Crisis Response	93.354		53,010,409	22,176,267
Flexible Funding Model - Infrastructure Development and Maintenance for State Manufactured Food Regulatory Programs	93.367		940,586	-
ACL Independent Living State Grants	93.369		2,431,549	2,431,549
National and State Tobacco Control Program	93.387		3,028,329	-
COVID-19 - Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391		7,058,158	-
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426		3,752,499	-
Every Student Succeeds Act/Preschool Development Grants	93.434		13,208,613	664,677
Well-Integrated Screening and Evaluation for Women Across the Nation (WiseWoman)	93.436		417,485	-
State Physical Activity and Nutrition (SPAN)	93.439		1,034,103	477,613
ACL Assistive Technology	93.464		1,511,647	-
Preventing Maternal Deaths: Supporting Maternal Mortality Review Committees	93.478		444,114	-
COVID-19 - Family Violence Prevention and Services/Sexual Assault/Rape Crisis Services and Supports	93.497		7,997,513	7,694,899
COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		936,140	936,140
Low Income Household Water Assistance Program	93.499		17,203,590	14,446,589
COVID-19 - Low Income Household Water Assistance Program	93.499		19,072,934	18,442,021
Total Low Income Household Water Assistance Program			36,276,524	32,888,610
MaryLee Allen Promoting Safe and Stable Families Program	93.556		39,254,156	36,070,919
COVID-19 - MaryLee Allen Promoting Safe and Stable Families Program	93.556		3,922,440	3,922,440
Total MaryLee Allen Promoting Safe and Stable Families Program			43,176,596	39,993,359

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

STATE OF CALIFORNIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Agency/ Federal Program or Cluster Title/ Pass-Through Entity	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through To Subrecipients
Temporary Assistance for Needy Families	93.558		3,238,507,836	2,760,410,605
COVID-19 - Temporary Assistance for Needy Families	93.558		14,580,207	14,580,207
Total Temporary Assistance for Needy Families			3,253,088,043	2,774,990,812
Child Support Enforcement	93.563		714,703,139	551,281,279
Child Support Enforcement Research	93.564		193,995	186,480
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566		132,808,616	124,212,557
Low-Income Home Energy Assistance	93.568		280,574,726	267,429,107
COVID-19 - Low-Income Home Energy Assistance	93.568		91,568,753	89,787,120
Total Low-Income Home Energy Assistance			372,143,479	357,216,227
Community Services Block Grant	93.569		71,151,946	66,506,943
COVID-19 - Community Services Block Grant	93.569		11,758,678	11,758,678
Total Community Services Block Grant			82,910,624	78,265,621
Refugee and Entrant Assistance Discretionary Grants	93.576		(145)	-
U.S. Repatriation	93.579		108,951	-
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584		(181)	-
State Court Improvement Program	93.586		2,741,684	-
Community-Based Child Abuse Prevention Grants	93.590		4,572,979	4,272,979
COVID-19 - Community-Based Child Abuse Prevention Grants	93.590		9,348	9,348
Total Community-Based Child Abuse Prevention Grants			4,582,327	4,282,327
Grants to States for Access and Visitation Programs	93.597		694,788	-
Chafee Education and Training Vouchers Program (ETV)	93.599		3,745,070	-
COVID-19 - Chafee Education and Training Vouchers Program (ETV)	93.599		2,617,660	-
Total Chafee Education and Training Vouchers Program (ETV)			6,362,730	-
Adoption and Legal Guardianship Incentive Payments	93.603		2,117,457	-
Developmental Disabilities Basic Support and Advocacy Grants	93.630		7,679,921	-
COVID-19 - Developmental Disabilities Basic Support and Advocacy Grants	93.630		217,360	-
Total Developmental Disabilities Basic Support and Advocacy Grants			7,897,281	-
Support for Ombudsman and Beneficiary Counseling Programs for States Participating in Financial Alignment Model Demonstrations for Dually Eligible Individuals	93.634		1,345,832	1,295,156
Section 9813: State Planning Grants for Qualifying Community-Based Mobile Crisis Intervention Services	93.639		676,128	676,128
Children's Justice Grants to States	93.643		1,262,483	1,132,061
Stephanie Tubbs Jones Child Welfare Services Program	93.645		22,238,261	22,238,261
Foster Care Title IV-E	93.658		1,366,400,914	1,177,200,721
COVID-19 - Foster Care Title IV-E	93.658		32,235,517	32,235,517
Total Foster Care Title IV-E			1,398,636,431	1,209,436,238
Adoption Assistance	93.659		723,264,887	720,744,206
COVID-19 - Adoption Assistance	93.659		76,625,602	76,625,602
Total Adoption Assistance			799,890,489	797,369,808
Social Services Block Grant	93.667		461,835,308	411,332,328
Child Abuse and Neglect State Grants	93.669		8,300,949	8,040,949
COVID-19 - Child Abuse and Neglect State Grants	93.669		1,552,049	1,552,049
Total Child Abuse and Neglect State Grants			9,852,998	9,592,998

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

STATE OF CALIFORNIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Agency/ Federal Program or Cluster Title/ Pass-Through Entity	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through To Subrecipients
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		11,972,051	11,542,347
COVID-19 - Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671			
			<u>9,061,705</u>	<u>8,390,499</u>
Total Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services			21,033,756	19,932,846
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674		19,576,940	18,524,103
COVID-19 - John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674			
			<u>3,844,201</u>	<u>3,844,201</u>
Total John H. Chafee Foster Care Program for Successful Transition to Adulthood			23,421,141	22,368,304
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738		947,684	751,696
COVID-19 - PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738			
			<u>340,774</u>	<u>340,774</u>
Total PPHF - Racial and Ethnic Approaches to Community Health Program Financed Solely by Public Prevention and Health Funds			1,288,458	1,092,470
Elder Abuse Prevention Interventions Program	93.747		55,380	55,380
COVID-19 - Elder Abuse Prevention Interventions Program	93.747			
			<u>4,716,029</u>	<u>4,716,029</u>
Total Elder Abuse Prevention Interventions Program			4,771,409	4,771,409
Children's Health Insurance Program	93.767		2,661,790,942	-
COVID-19 - Children's Health Insurance Program	93.767			
			<u>175,534,411</u>	<u>-</u>
Total Children's Health Insurance Program			2,837,325,353	-
Opioid STR	93.788		115,220,343	-
Money Follows the Person Rebalancing Demonstration	93.791		10,433,823	-
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796		49,476,458	15,542,564
Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	93.810		528	-
COVID-19 - Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817		1,191,509	1,191,509
Promoting Population Health through Increased Capacity in Alcohol Epidemiology	93.845		220,650	-
Maternal, Infant and Early Childhood Home Visiting Grant	93.870		17,643,076	14,692,865
COVID-19 - Maternal, Infant and Early Childhood Home Visiting Grant	93.870			
			<u>1,648,015</u>	<u>1,378,626</u>
Total Maternal, Infant and Early Childhood Home Visiting Grant			19,291,091	16,071,491
National Bioterrorism Hospital Preparedness Program	93.889		21,068,403	10,411,876
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898		9,970,166	165,029
Grants to States for Operation of State Offices of Rural Health	93.913		286,944	-
HIV Care Formula Grants	93.917		144,561,124	25,882,509
COVID-19 - HIV Care Formula Grants	93.917			
			<u>2,539</u>	<u>-</u>
Total HIV Care Formula Grants			144,563,663	25,882,509
HIV Prevention Activities Health Department Based	93.940		25,557,752	13,204,436
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		1,254,299	319,856
Tuberculosis Demonstration, Research, Public and Professional Education	93.947		211,947	-
Block Grants for Community Mental Health Services	93.958		93,442,355	75,787,252
COVID-19 - Block Grants for Community Mental Health Services	93.958			
			<u>43,521,084</u>	<u>22,496,002</u>
Total Block Grants for Community Mental Health Services			136,963,439	98,283,254

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

STATE OF CALIFORNIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Agency/ Federal Program or Cluster Title/ Pass-Through Entity	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through To Subrecipients
Block Grants for Prevention and Treatment of Substance Abuse	93.959		265,325,610	241,981,652
COVID-19 - Block Grants for Prevention and Treatment of Substance Abuse	93.959		106,034,444	59,794,052
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>371,360,054</u>	<u>301,775,704</u>
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	93.967		6,371,769	6,303,327
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977		15,683,812	8,736,683
Mental Health Disaster Assistance and Emergency Mental Health	93.982		5,992,925	-
Preventive Health and Health Services Block Grant	93.991		9,643,821	717,198
Maternal and Child Health Services Block Grant to the States	93.994		41,696,319	18,727,888
Other - Department of Health and Human Services	93.U07		27,100,210	-
Total Excluding Clusters			<u>12,839,659,257</u>	<u>7,549,362,291</u>
Aging Cluster				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		44,897,289	42,569,339
COVID-19 - Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		15,082,360	14,702,075
Total Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers			<u>59,979,649</u>	<u>57,271,414</u>
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045		70,563,739	65,496,816
COVID-19 - Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045		20,563,060	19,944,026
Total Special Programs for the Aging, Title III, Part C, Nutrition Services			<u>91,126,799</u>	<u>85,440,842</u>
Nutrition Services Incentive Program	93.053		13,680,881	13,680,881
Total Aging Cluster			<u>164,787,329</u>	<u>156,393,137</u>
CCDF Cluster				
Child Care Disaster Relief	93.489		(199)	-
Child Care and Development Block Grant	93.575		549,286,911	531,973,839
COVID-19 - Child Care and Development Block Grant	93.575		1,311,943,386	444,732,480
Total Child Care and Development Block Grant			<u>1,861,230,297</u>	<u>976,706,319</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		321,772,353	259,426,714
Total CCDF Cluster			<u>2,183,002,451</u>	<u>1,236,133,033</u>
Head Start Cluster				
Head Start	93.600		5,582,649	3,759,388
COVID-19 - Head Start	93.600		103,510	103,510
Total Head Start			<u>5,686,159</u>	<u>3,862,898</u>
Total Head Start Cluster			<u>5,686,159</u>	<u>3,862,898</u>
Medicaid Cluster				
State Medicaid Fraud Control Units	93.775		48,609,175	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777		56,860,447	14,083,855
Medical Assistance Program	93.778		81,907,125,487	-
COVID-19 - Medical Assistance Program	93.778		5,529,672,931	-
Total Medical Assistance Program			<u>87,436,798,418</u>	<u>-</u>
Total Medicaid Cluster			<u>87,542,268,040</u>	<u>14,083,855</u>
Total U.S. Department of Health and Human Services			<u>102,735,403,236</u>	<u>8,959,835,214</u>

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

STATE OF CALIFORNIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Agency/ Federal Program or Cluster Title/ Pass-Through Entity	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through To Subrecipients
Corporation for National and Community Service				
AmeriCorps State Commissions Support Grant	94.003		954,386	-
AmeriCorps State and National	94.006		37,841,799	37,182,749
AmeriCorps Commission Investment Fund	94.008		142,092	-
Training and Technical Assistance	94.009		(133)	-
Total Excluding Clusters			38,938,144	37,182,749
Foster Grandparent/Senior Companion Cluster				
Foster Grandparent Program	94.011		1,153,048	-
Total Foster Grandparent/Senior Companion Cluster			1,153,048	-
Total Corporation for National and Community Service			40,091,192	37,182,749
Executive Office of the President				
High Intensity Drug Trafficking Areas Program	95.001			
<i>Pass-Through from INCH/LA Police Chiefs Association/Riverside County</i>		G21LA0007A	29,286	-
<i>Pass-Through from INCH/LA Police Chiefs Association/Riverside County</i>		G22LA0007A	102,914	-
<i>Pass-Through from LA Clear/LA Police Chiefs Association/City of Monrovia</i>		G21LA0004A	119,485	-
<i>Pass-Through from LA Clear/LA Police Chiefs Association/City of Monrovia</i>		G22LA0004A	993,534	-
Total High Intensity Drug Trafficking Areas Program			1,245,219	-
Total Excluding Clusters			1,245,219	-
Total Executive Office of the President			1,245,219	-
Social Security Administration				
Disability Insurance/SSI Cluster				
Social Security Disability Insurance	96.001		242,946,482	-
Total Disability Insurance/SSI Cluster			242,946,482	-
Total Social Security Administration			242,946,482	-
U.S. Department of Homeland Security				
Non-Profit Security Program	97.008		7,710,524	7,710,524
Boating Safety Financial Assistance	97.012		4,453,883	2,812,239
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023		637,260	-
Flood Mitigation Assistance	97.029		306,521	33,544
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		1,064,634,196	1,033,854,962
Hazard Mitigation Grant	97.039		74,133,412	57,903,591
National Dam Safety Program	97.041		403,575	-
Emergency Management Performance Grants	97.042		25,354,011	14,594,520
COVID-19 - Emergency Management Performance Grants	97.042		3,125,199	1,300,454
Total Emergency Management Performance Grants			28,479,210	15,894,974
Cooperating Technical Partners	97.045		406,616	-
Fire Management Assistance Grant	97.046		20,998,459	4,563,711
BRIC: Building Resilient Infrastructure and Communities	97.047		6,192,340	5,406,223
Presidentially Declared Disaster Assistance to Individuals and Households - Other Needs	97.050		(7,316,724)	-
Homeland Security Grant Program	97.067		171,258,069	146,495,808
Earthquake State Assistance	97.082		548,758	300,170
Disaster Assistance Projects	97.088		8,495,853	8,495,853
State and Local Cybersecurity Grant Program Tribal Cybersecurity Grant Program	97.137		6,488	-
Total Excluding Clusters			1,381,348,440	1,283,471,599
Total U.S. Department of Homeland Security			1,381,348,440	1,283,471,599
Total Expenditures of Federal Awards			\$159,732,068,961	\$30,835,599,997

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, 2023**

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, 2023, 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 entity and reported on a cash basis. Under the cash basis of accounting, expenditures are reported when paid by the State. All expenditures for each program are net of applicable program income and refunds.

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

3. 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 noncash 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. The noncash federal awards are valued at fair market value at the time of receipt, or the assessed value provided by the respective federal agency. Noncash awards administered by the State are included in the Schedule. Noncash awards for fiscal year ended June 30, 2023 are as follows:

Assistance Listing Number	Federal Program Title	Noncash Awards for the Fiscal Year Ended June 30, 2023
10.551	Supplemental Nutrition Assistance Program	\$ 12,306,192,569
10.551	COVID-19 Supplemental Nutrition Assistance Program	4,736,963,475
10.555	National School Lunch Program	223,600,745
10.565	Commodity Supplemental Food Program	39,505,707
10.569	Emergency Food Assistance Program (Food Commodities)	155,451,552
10.569	COVID-19 Emergency Food Assistance Program (Food Commodities)	19,015,398
39.003	Donation of Federal Surplus Personal Property	394,025
93.268	Immunization Cooperative Agreements	548,442,902
Total		\$ 18,029,566,373

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

Loans and loan guarantees outstanding, and insurance in effect at June 30, 2023 are summarized below.

Assistance Listing Number	Federal Program Title	Loans/Loan Guarantees Outstanding	Insurance In Effect
64.114	Veterans Housing Guaranteed and Insured Loans	\$ -	\$186,513,208
81.041	State Energy Program	599,591	-
Total		\$ 599,591	\$186,513,208

6. PASS-THROUGH

The State receives the majority of its federal assistance directly from 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 other 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 on the Schedule.

8. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule, which is prepared on a cash 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
- California Coastal Commission
- California State Water Resources Control Board
- California Department of Rehabilitation

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

10. SUBSEQUENT EVENTS

On December 18, 2024, the State signed Executive Order No. E 24/25 – 141 to transfer expenditures from Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing Number 21.027) to the State's General Fund. The transfer resulted in an expenditure reduction totaling \$1.863 billion, which will be reported in the fiscal year 2024-25 Schedule of Expenditures of Federal Awards (SEFA). This includes \$291.2 million of expenditures reported in the 2022-23 SEFA.

Since January 20, 2025, the President has signed a number of executive orders calling into question the future availability of funding related to numerous federal programs,

including those related to diversity, equity, and inclusion or funded by the Infrastructure Investment and Jobs Act and the Inflation Reduction Act. While no reductions to federal funding have been implemented as of the date of this report, future funding levels for specific programs could be affected. We will continue to monitor policy and legislative developments to assess potential impacts on funds the State received from the federal government.

Summary Schedule of Prior Audit Findings Prepared by Department of Finance

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SUMMARY SCHEDULE OF 2022 PRIOR AUDIT FINDINGS

Reference Number: **2022-001**

State Administering Department: California Employment Development Department (EDD)

Audit Finding: Material Weakness and Material Instance of Noncompliance. Due to the unprecedented impacts from the COVID-19 pandemic, the California Employment Development Department (EDD) was unable to timely report to Finance through the Single Audit Expenditures Reporting Database (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 of \$27.0 billion was reported by EDD, the final amount reported in the Schedule was \$23.3 billion.

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.

Status of Corrective Action: Partially Corrected. EDD continues to make significant progress with this finding. The deferred transition to F\$Cal and the COVID-19 pandemic have resulted in delays in obtaining the data needed to submit year-end financials to the California State Controller's Office (SCO) and report in the Database. The delays resulted in EDD reporting estimated expenditures in the Database and updating once actual figures were known.

Below is EDD's actual and anticipated submittal timeline for the four most recent fiscal years:

Fiscal Year Ending June 30, 2021:

- Financial statements were submitted to SCO in August 2022.

- Expenditures were finalized in the Database in November 2022.

Fiscal Year Ending June 30, 2022:

- Financial statements were submitted to SCO in May 2023.
- Expenditures were finalized in the Database in July 2023.

Fiscal Year Ending June 30, 2023:

- Financial statements were submitted to SCO in January 2024.
- Expenditures were finalized in the Database in August 2024.

Fiscal Year Ending June 30, 2024:

- The goal is to submit financial statements to SCO in October 2024.
- The goal is to finalize the expenditures in the Database in January 2025.
- If there are no delays with the 2023-24 financial statements, EDD will have submitted them within two months of the State's September 3, 2024, deadline. The finalization of expenditures in the Database depends on EDD's ability to gather and validate the ineligible payment data, enabling the exclusion of these payments from the expenditures reported in the Database.

Reference Number: **2022-002**

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

Audit Finding: Material Weakness and Material Instance of Noncompliance. Public Health understated federal expenditures and overstated amounts passed through to subrecipients for the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) program. 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. Public Health understated

federal expenditures and overstated amounts passed through to subrecipients for the ELC program (ALN 93.323).

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

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 of Expenditures of Federal Awards is complete and accurate.

Status of Corrective Action: Fully Corrected. Public Health has developed a more thorough internal review and communication process, as recommended. On an annual basis, Accounting develops the schedule of expenditures report to better capture activities specific to the ELC Program (ALN 93.323). This report is now reviewed and validated for the accuracy and completeness of federal expenditures and the amount passed through to subrecipients before submitting the final data to Finance. Accounting has also conducted training for the development of the annual expenditure report.

Reference Number: **2022-003**

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 overwrite existing data. As a result, key data and documentation to support the initial participant eligibility are removed during the recertification process. Public Health's 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.

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

Status of Corrective Action:

Partially Corrected. WIC Division agrees that WIC-WISE did not store eligibility history in the “Cert History Report,” and initial eligibility data was overwritten when subsequent eligibility information was keyed into the system. However, WIC-WISE includes preventative internal stops or checkpoints that prevent certification and benefit issuance to ineligible individuals, including those who exceed the income limit, with no nutrition risk factor, or are not California residents. These controls were vetted through user acceptance prior to the system’s implementation between 2019 and 2020. On August 24, 2023, new audit tables were implemented in WIC-WISE to ensure that participant eligibility data is no longer overwritten. From this date forward, new eligibility information is being retained as required. WIC revised and improved the “Cert History Report,” which displays a snapshot of the certification information.

Public Health is addressing two remaining identified defects impacting the certification information display, which are scheduled for resolution in Release 3.1 in April 2025. Despite the defects, the underlying data is correctly captured and saved in the system.

Public Health remains committed to ensuring that all system updates are promptly implemented and thoroughly tested to maintain accurate retention of participant data and eligibility information.

Reference Number:

2022-004

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, 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.

EDD should continue to strengthen controls, such as database identification cross-matches, ID.me verification, partnerships with law enforcement and Thompson Reuters, and 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.

Status of Corrective Action:

Partially Corrected. As reported to the California State Auditor, since fiscal year 2020-21, EDD has implemented various 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 continuously and recommends tools and data filter adjustments as necessary for further improvement. As a result, EDD has successfully prevented 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 the processes to stay ahead of the ever-evolving fraud landscape.

Specifically, 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 of social security numbers on mailed documents to reduce identity theft risk.
- Enhanced benefit card security with Bank of America.
- Partnered with federal, state, and local law enforcement agencies to support thousands of criminal investigations, arrests, prosecutions, and convictions.

The Annual Reassessment is completed and pending the Governor's Office review. EDD will continue to evaluate and enhance the fraud detection/prevention tools that have been put in place.

Reference Number:	2022-005
Assistance Listing Number:	17.225
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, 2020, EDD implemented the PUA program, under the CARES Act for COVID-19 relief in unemployment compensation. The PUA program was to be administered in accordance with

the 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).

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.

Status of Corrective Action:

Fully Corrected. On December 29, 2023, the U.S. Department of Labor (DOL) issued the Unemployment Insurance Program Letter (UIPL) 05-24, which defers to states' finality laws regarding the CARES Act Unemployment Insurance (UI) programs. DOL specified in the UIPL 05-24 that DOL would no longer exercise its authority to require retroactive actions for CARES Act Unemployment Compensation programs where a state's finality law applies. Based on DOL's guidance in UIPL 05-24, EDD notified DOL on February 6, 2024, that EDD is barred from resolving the wage verification and self-employment/employment verification items by California Unemployment Insurance Code (CUIC) section 1376. CUIC section 1376 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 was no fraud found in these overpayments on the part of the individuals identified in these populations, EDD is no longer able to establish overpayments for these populations.

The claimants identified for this finding due to the lack of wage verification and/or self-employment/employment verification are covered under the March 18, 2024 notification from the DOL Employment and Training Administration (ETA) Region 6 Regional Office. DOL ETA approved EDD's application of California's finality law that prevents the establishment of non-fraud overpayments more than one year after the close of the benefits year in which the overpayment was made. Thus, DOL ETA does not require EDD to take any further action on the wage verification and self-employment/employment verification workloads.

Reference Number: **2022-006**

Assistance Listing Number: 17.225

State Administering Department: California Employment Development Department (EDD)

Audit Finding: Activities Allowed or Unallowed and Eligibility. 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 who received benefits that matched ineligible criteria for identity or eligibility fraud due to misrepresented information.

EDD's Unemployment Insurance Branch 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 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.

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

Status of Corrective Action: Fully Corrected. EDD resumed adjudicating all potential eligibility issues in January 2021 and completed the retroactive determination workload on April 30, 2023.

Reference Number: **2022-007**

Assistance Listing Number: 21.027

State Administering Department: California Department of Finance (Finance)

Audit Finding: Activities Allowed or Unallowed. 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.

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.

Status of Corrective Action: Fully Corrected. Due to unclear federal guidance provided at the time, 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 an accounting perspective. Contributions by State employees to 457(b) to 401(k) deferred compensation plans were removed from the calculation along with other budgetary revenues generated from similar employee contributions to retirement plans. After this revision, the new total estimated revenue loss amount of \$16.8 million was reported to the U.S. Treasury in Finance's Quarter 4 2023 Project and Expenditures State Fiscal Recovery Funds Report and included in the Budget Act of 2024 when it was introduced on January 9, 2024.

Reference Number: **2022-008**

Assistance Listing Number: 93.767
93.778

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

Audit Finding: Activities Allowed or Unallowed. 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 took the required action of notifying the 10 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.

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.

Status of Corrective Action: Partially Corrected. Health Care Services is currently developing policies and procedures to take additional action for significantly late cost reports and non-compliant counties. Health Care Services estimates the implementation will be completed by January 1, 2025.

Reference Number: **2022-009**

Assistance Listing Number: 93.959

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

Audit Finding: Activities Allowed or Unallowed. Expenditures related to payroll costs charged to the Block Grants for Prevention and Treatment of Substance Abuse (SAPT) program for fiscal year 2021-22 totaled \$11,606,958. During our testing of 40 employee timesheets, 19 of the 40 employees did not prepare and submit timesheets as required by Health Care Services internal control procedures.

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

Status of Corrective Action: Fully Corrected. The following steps will be completed each month for the Behavioral Health Administrative Support (BHAS) Team to ensure all Behavioral Health programs collect and submit timesheets to the Health Care Services' Human Resources (HR) Division.

Specifically, a central digital location is established to store the employees' timesheets. The assigned

Personnel Liaison for each program will provide the most current employee master file to the assigned Attendance Coordinator (AC) monthly by the tenth of each month. The AC will use the employee master file as a checklist to ensure all current staff have submitted a timesheet to be entered into the leave accounting system by the fifth working day of the following month. Once all staff timekeeping is entered into the leave accounting system and submitted to HR, the AC will save the documents in the centralized location, using the employee master file as a coversheet, and confirm all documents have been collected. Furthermore, the current policies and procedures to ensure the allowability and allocability of costs on Substance Abuse Mental Health Services Administration (SAMHSA) block grants are outlined in the Substance Use Block Grant (SUBG) policy manual.

Reference Number: **2022-010**

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 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 Modified Adjusted Gross Income (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. 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: Fully Corrected. In April 2022, the Office of AIDS (OA) developed and implemented additional internal quality assurance (QA) processes to ensure that secondary reviews of ADAP applications consistently enforce the existing guidelines by retaining acceptable supporting documentation to support 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 Public Health's guidelines were implemented based on guidance received from Public Health's federal funder, Health Resources and Services Administration, which encouraged ADAPs to reassess their 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.

OA terminated the documentation deferral on December 31, 2021, and full documentation requirements have been enforced since January 1, 2022. This includes applications that are granted an eligibility exception (i.e., Temporary Access Period, Medi-Cal Eligibility Exception Request, or Eligibility Exception Request). Clients who fail to provide required documentation within the approved extension period are now disenrolled in a timely manner in accordance with established guidelines. OA's ongoing efforts will further ensure compliance and mitigate future findings in ADAP applications.

Reference Number: **2022-011**

Assistance Listing Number: 93.323

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

Audit Finding: Subrecipient Monitoring. 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 subrecipient's compliance with applicable requirements. In addition, Public Health did not obtain Single Audit reports from those subrecipients as required.

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.

Status of Corrective Action: Partially Corrected. Public Health's Center for Preparedness and Response (CPR) is currently drafting formal procedures for conducting risk assessments over its subrecipients of federal awards and specific subrecipient monitoring procedures. CPR will meet with Public Health's Office of Compliance to review completed drafts of risk assessments and subrecipient monitoring procedures. In addition, CPR will request the Office of Compliance's recommendations for obtaining the Single Audit reports from Public Health's subrecipients. Public Health estimates completion by December 2024.

Reference Number: **2022-012**

Assistance Listing Number: 93.778

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

Audit Finding: Special Tests and Provisions-Provider Health and Safety Standards. There was no evidence of surveyor signature or supervisor review and approval on Form CMS-1539 for all 40 surveys of providers tested. 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.

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.

Status of Corrective Action:

Partially Corrected. Center for Health Care Quality (CHCQ) held a meeting with internal stakeholders, including the Public Policy and Prevention and Data and Analytics divisions on July 17, 2024, to develop and plan to comply with the auditor's recommendation. These meetings emphasized the importance of timely review and approval of the CMS-1539 forms and identified challenges in past compliance.

On July 23, 2024, Public Health distributed a survey to the district office and CHCQ headquarter employees to identify training gaps. Based on the survey results, CHCQ's training team, in collaboration with the Center for Medicare and Medicaid Services (CMS) contractor Healthcare Management Solutions (HMS), is developing virtual training and materials. This training is designed to improve staff knowledge of Form CMS-1539 requirements. However, the training is still in development and has not yet been implemented.

CHCQ Policy and Prevention is in the process of creating checklists and job aids to reflect new compliance expectations. While the policies are in development, they have not yet been finalized or implemented. These updates will ensure that CMS-1539 forms are completed timely, even in cases where staff are on leave or have left the department.

CHCQ Data Analytics has begun random audits of completed CMS-1539 forms. While these audits are underway, Public Health is still in the process of following up with district offices that are not in compliance. Additional training and corrective measures for non-compliant offices are planned but not yet fully implemented.

Public Health is on track to fully correct the issue but recognizes that additional work is required to ensure complete and sustainable compliance with CMS-1539 form requirements. Correction is estimated to be completed by April 2025.

SUMMARY SCHEDULE OF 2021 PRIOR AUDIT FINDINGS

Reference Number: **2021-001**

State Administering Department: California Employment Development Department (EDD)

Audit Finding: Material Weakness and Material Instance of Noncompliance. 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.

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.

Status of Corrective Action: Partially Corrected. This finding was repeated in fiscal year 2021-22. 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: Fully Corrected. This finding was repeated in fiscal year 2021-22. 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.

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: Partially Corrected. This finding was repeated in fiscal year 2021-22. 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: Partially Corrected. This finding was repeated in fiscal year 2021-22. Refer to Finding 2022-004.

Reference Number: **2021-005**

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, 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 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.

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.

Status of Corrective Action: Fully Corrected. This finding was repeated in fiscal year 2021-22. Refer to Finding 2022-005.

Reference Number: **2021-006**

Assistance Listing Number: 17.225

State Administering Department: California Employment Development Department (EDD)

Audit Finding: Activities Allowed or Unallowed and Eligibility. 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: Fully Corrected. This finding was repeated in fiscal year 2021-22. Refer to Finding 2022-006.

Reference Number: **2021-007¹**

Assistance Listing Number: 21.019

State Administering Department: California Business, Consumer Services, and Housing Agency (BCSH) California Department of Education (CDE) California Department of Social Services (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

¹ This finding was not repeated in fiscal year 2021-22.

communicated to the subrecipients. The 4 direct costs transactions were from BCSH; 1 of the subawards was from CDE; and 1 of the subawards was from 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.

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.

As of July 1, 2024, the program was transitioned from BCSH to the California Department of Housing & Community Development (HCD), and, therefore, this finding will be addressed by HCD. As part of the transition, numerous protocols to increase grantee transparency and accountability have been instituted. These protocols include enhanced annual report requirements, which are due each April reporting on all activity through the prior calendar year, a desk audit review process, public posting of grantee-reported fiscal data and program outcomes, enhanced technical assistance support to grantees who are behind on compliance or outcomes, and as

needed, processes to revoke funds or other consequences. Due to the programmatic transition from BCSH to HCD, the full implementation of the desk reviews was delayed.

HCD will report the results of the first round of desk reviews and annual reports that take place under its stewardship by June 2025.

CDE – Fully Corrected. Refer to the State of California Single Audit Report for fiscal year ended June 30, 2022.

Social Services – Fully Corrected. Refer to the State of California Single Audit Report for fiscal year ended June 30, 2022.

Reference Number:	2021-008
Assistance Listing Number:	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</p>

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.

Status of Corrective Action: Partially Corrected. This finding was repeated in fiscal year 2021-22. Refer to Finding 2022-008.

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. Refer to the State of California Single Audit Report for fiscal year ended June 30, 2022.

Reference Number: **2021-010²**

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

² This finding was not repeated in fiscal year 2021-22.

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. DHCS will gradually restart oversight activities and implement enhanced monitoring practices using a phased approach. During phase one, counties were notified of the hold harmless policy, active throughout the public health emergency, which ended on June 1, 2024.

In October 2024, Health Care Services will begin phase two by releasing an All County Welfare Director's Letter (ACWDL), which updates Health Care Services' policy on performance standards associated with MEDS

alerts. In preparation for phase two, Health Care Services released ACWDL 23-14 to notify the counties of the MEDS alerts subject to review.

DHCS plans to implement phase three in November 2024 with the resumption of most of the oversight activities including MEDS alerts monitoring and focused 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: Fully Corrected. This finding was repeated in fiscal year 2021-22. Refer to Finding 2022-010.

Reference Number: **2021-012**

Assistance Listing Number: 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. Refer to the State of California Single Audit Report for fiscal year ended June 30, 2022.

Reference Number: **2021-013³**

Assistance Listing Number: 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 (CHIP) for the fiscal year ended June 30, 2021. The required FFATA reporting submissions pertaining to these subawards were not made.

We recommend that Health Care Services 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.

³ This finding was not repeated in fiscal year 2021-22.

Status of Corrective Action: Fully Corrected. Health Care Services has updated and implemented an FFATA reporting procedure to identify payment types and to meet FFATA reporting requirements for Medicaid. Health Care Services continues to work with program partners to monitor and identify the subrecipient payments. Health Care Services will prepare an FFATA report for subrecipients for Medicaid programs. Per Health Care Services' review, all Medicaid clusters and CHIPs do not have subrecipients. FFATA is not required if payments are not for subrecipients.

Per FFATA reporting requirement, FFATA reporting will need to occur whenever a sub-award is obligated and can be at various times throughout the year. Prime awardees awarded a federal grant must file an FFATA sub-award report by the end of the month after the prime awardee awards any sub-grant. Health Care Services program partners are the administrators of the grants and are required to submit the FFATA information to the Financial Management Division (FMD).

FMD will send program partners a monthly reminder email about the reporting requirements and ensure FFATA is submitted timely.

Reference Number: **2021-014**

Assistance Listing Number: 93.323

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

Audit Finding: Subrecipient Monitoring. 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.

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.

Status of Corrective Action: Partially Corrected. This finding was repeated in fiscal year 2021-22. Refer to Finding 2022-011.

Reference Number: **2021-015**

Assistance Listing Number: 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. Refer to the State of California Single Audit Report for fiscal year ended June 30, 2022.

Reference Number: **2021-016**

Assistance Listing Number: 97.050

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 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. Refer to the State of California Single Audit Report for fiscal year ended June 30, 2022.

SUMMARY SCHEDULE OF 2020 PRIOR AUDIT FINDINGS

Reference Number: **2020-008⁴**

Assistance Listing Number: 93.767
93.778

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

Audit Finding: Eligibility. Out of 160 Medi-Cal beneficiaries and CHIP beneficiaries tested, there were 17 beneficiaries with instances in which redeterminations had not been performed within a year. Additionally, in 2018, reports from the U.S. Department of Health and Human Services, Office of Inspector General, and California State Auditor highlighted payments made to ineligible and potentially ineligible beneficiaries.

Health Care Services should continue looking for ways to enhance the functionality of the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) for application and eligibility redetermination for those individuals who are eligible on a modified adjusted gross income basis and to increase the use of automation features to reduce workload for eligibility caseworkers. In addition, Health Care Services should continue its practice of conducting regular focus reviews on county welfare agencies to identify factors contributing to the delays and errors in the redetermination process such as misinterpretations of policies, systems issues, business practices, etc., and work with county welfare agencies to provide appropriate training and/or creating corrective action plans.

Health Care Services should continue with the quality control process used to monitor all critical and urgent level Health Care Services' MEDS alerts to quickly identify county welfare agencies that are not resolving MEDS alerts in a timely manner. Health Care Services should continue its efforts to incorporate into the MEDS alert functionality the ability to alert county welfare agencies when eligibility redeterminations are

⁴ The 2020-21 Single Audit indicated Report Finding Reference Number 2020-008 was partially corrected but was not included in the 2021-22 Single Audit Report. Due to the COVID-19 public health emergency, CMS provided an exemption to redeterminations which expired March 2023. Health Care Services provided a status update on this finding.

required or overdue. Health Care Services should then work directly with those county welfare agencies that are not performing eligibility redeterminations in a timely manner and who may not be correctly verifying eligibility through training and site visits to implement policies and procedures to improve their compliance status.

Status of Corrective Action:

Partially Corrected. Health Care Services will gradually restart oversight activities and implement enhanced monitoring practices using a phased approach. Phase one involved notifying counties that the hold harmless policy, active throughout the public health emergency, ended on June 1, 2024.

In October 2024, Health Care Services will begin phase two with the release of an All County Welfare Director's Letter (ACWDL) that updates Health Care Services' policy on performance standards that are associated with MEDS alerts. In preparation for phase two, Health Care Services released ACWDL 23-14 that served as notification to the counties of the MEDS alerts that are subject to review.

Health Care Services plans to implement phase three in December 2024 with the resumption of most of its oversight activities; this includes MEDS alerts monitoring and focused reviews. The first month subject to focused reviews was entered as the implementation date in error. The updated implementation date includes the time needed to notify counties of the reviews, release additional guidance, perform the reviews and issue the final reports to the counties. Health Care Services estimates the implementation will be completed by July 2025.

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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

March 19, 2025

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, 2023. 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 were 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,

A handwritten signature in blue ink, appearing to read "Joe Stephenshaw".

JOE STEPHENSHAW
Director

Attachment

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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, 2023

Reference No. 2023-002:

Public Health's WIC Division will strengthen its procedures for verifying the suspension and debarment status of vendors with option "(c) Adding a clause or a condition to the covered transactions with that person" provided above, to not include vendors in the contracting process as part of an existing Public Health exhibit that incorporates the required suspension and debarment clause or condition. For the remaining procurements not covered by the existing Public Health exhibit, the WIC Division will utilize option "(a) Checking SAM Exclusions" provided above and attach to the procurement a printout of the appropriate page from the SAM Exclusion website at the time the package is submitted into Public Health's Contract and Purchasing System (CAPS).

Estimated Implementation Date: January 2025

Contact: William Welch, Assistant Division Director, Operations
Center for Family Health, WIC Division
California Department of Public Health

Reference No. 2023-003:

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: Completed April 2024

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

Reference No. 2023-004:

As reported in the prior year's response, 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.

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”), based on the U.S. Department of Labor’s (DOL) guidance in Unemployment Insurance Program Letter 05-24, EDD notified DOL on February 6, 2024, that California Unemployment Insurance Code (CUIC) section 1376 bars EDD from resolving the wage verification and self-employment verification items. Section 1376 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 in creating these overpayments on the part of the individuals identified in these populations, EDD is no longer able to establish overpayments for these populations.

On May 31, 2024, DOL notified EDD that the February 6, 2024, submission regarding how California’s finality laws affect the actions required to correct the wage verification and self-employment findings is sufficient to close these findings.

Estimated Implementation Date: Completed May 2024

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

Reference No. 2023-005:

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.

Estimated Implementation Date: Completed September 2024

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

Reference No. 2023-006:

California Department of Transportation (Caltrans) has determined that federal award information is not always disseminated to the project managers. Caltrans will review current policies and procedures of each division and revise, if necessary, so that best practices are followed.

Caltrans Internal Audits Office will be working with Local Assistance's single audit report monitoring process and take on the responsibility to monitor for all Caltrans divisions.

Estimated Implementation Date: June 2025

Contact: Ben Shelton, Chief – Caltrans Internal Audits Office
Division of Risk and Strategic Management

Reference No. 2023-007:

The Chancellor's Office established and implemented SLFRF emergency financial assistance grants policies and procedures. The policies and procedures can be found on the following website: [State Fiscal Recovery Funds - Emergency Financial Assistance for California Community College Students](#). These policies and procedures included a self-certification process to certify that students met SLFRF eligibility requirements, expenditure tracking and management information system data reporting, a monitoring plan, and state compliance procedures through the annual Contracted District Audit Manual for the 2021-22, 2022-23, and 2023-24 fiscal years. The Chancellor's Office intends to include SLFRF compliance procedures in the upcoming 2024-25 fiscal year Contracted District Audit Manual. The intent of both the policies and procedures as well as the Audit requirements are intended to address the Chancellor's Office need to: (1) maintain effective internal controls regarding its use of the applicable SLFRF Federal award funding, (2) assess each community college's risk of potential noncompliance with SLFRF subaward federal statutes, regulations and terms and conditions, and (3) validate that

community colleges expended the SLFRF resources in accordance with federal statutes, regulations and terms and conditions.

The Chancellor's Office will coordinate with the Department of Finance as needed to revise the funding source of expenditures that are determined to be ineligible to be supported by SLFRF resources. The Chancellor's Office will also work with community college districts to ensure any SLFRF funds awarded to ineligible students are adjusted in districts' accounting records to the proper state funding source.

The Chancellor's Office will continue to communicate the SLFRF emergency financial assistance grants policies and procedures to California Community districts as needed. Additionally, the Chancellor's Office will continue to receive copies of each district's annual audit and audit findings as determined through the Contracted District Audit Manual process. The Chancellor's Office will also continue to review and revise the SLFRF policies and procedures, and memorandums as needed to ensure the required federal award identification information and retention process information is available to community college districts.

In conclusion, the Chancellor's Office appreciates the focus toward ensuring the successful implementation of the emergency financial assistance grant program and in support of our students' success. The SLFRF grants provided low-income students who were disproportionately impacted by the COVID-19 pandemic emergency support to continue with their enrollment, improve their economic mobility, complete their educational goals, and contribute to California's economy in a meaningful way.

Estimated Implementation Date: December 15, 2025

Contact: Chris Ferguson
Executive Vice Chancellor of Finance and Strategic Initiatives
California Community Colleges Chancellor's Office

Reference No. 2023-008:

Public Health agrees with the recommendation. Public Health will review existing procedures for verifying the suspension and debarment status of vendors before entering into any agreement involving federal funds, and strengthen procedures as required.

Estimated Implementation Date: May 2025

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

Reference No. 2023-009:

Public Health agrees with the recommendation. Public Health will develop a process for conducting risk assessments of subrecipient funding, develop and implement procedures

for obtaining single audit reports from subrecipients, as well as a system to monitor and track compliance with the single audit mandate among subrecipients. Public Health will ensure each subaward includes all requirements imposed on the subrecipient so that the federal award is used in accordance with Federal Statutes, regulations, and terms of conditions of the federal award.

Estimated Implementation Date: May 2025

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

Reference No. 2023-010:

The CDSS agrees with the finding and recognizes the importance of effective report tracking and the timely submission of fiscal and compliance reports, with clearly defined responsibilities and workflows to ensure accuracy. When the grants were transferred from CDE to CDSS, no formal guidance was provided during the transition. The delay in submission was due to multiple factors including training new staff, understanding the different pieces of the various grants, and the most impactful factor was the information to produce the Federal Funding Accountability and Transparency Act (FFATA) report. To produce the FFATA report, the Federal Reporting Section (FRS) had to reach out to every contractor, vendor, county, etc. and ask for their assistance to fill out the FFATA report information. This was a labor- and time-consuming process due to the size of the grant. As a result, it took some time for the FRS to gather the necessary information and become fully familiar with the procedures required to prepare the FFATA report.

To minimize the risk of late report submission, FRS has ensured that all staff understand the final deadline and all key milestones along the way. The FRS has broken down the report into smaller, manageable tasks within individual deadlines which helps to avoid last-minute rushes and ensure steady progress. The FRS utilizes Microsoft Teams as a project management tool to track deadlines, monitor progress, and send reminders to keep everyone on track. The FRS conducts regular check-ins to discuss progress, address any challenges early, and adjust the plan as needed to prevent delays.

Additionally, FRS has created a standardized template to save time and allow the team to work efficiently. Staff are now completing their individual reports ahead of time which gives ample room for review and revisions to ensure the FFATA report is prepared accurately and timely.

Estimated Implementation Date: Implemented

Contact: Daniel During, Federal Reporting Section Chief
Accounting and Fiscal Systems Branch
Finance and Accounting Division
California Department of Social Services

Reference No. 2023-011:

The CDSS has sufficient internal controls for the Federal Fiscal Year (FFY) 2022 grants onward. The CDSS was not the lead agency for the FFY 2020 and 2021 grants. During those years, the California Department of Education (CDE) held the responsibilities as the lead agency and had custody of the grants. As such, CDSS cannot be held accountable for the reports submitted by CDE. The CDSS is unable to validate or provide commentary on the data or information reported by CDE for those periods. The CDSS is the lead agency for FFY 2022 grants onward and has assumed full responsibilities for all related procedures, including the review, preparation, and submission of quarterly reports with complete and accurate information. The CDSS is diligently monitoring and managing the process to ensure that future reconciliations are conducted with the utmost accuracy and timeliness. The CDSS is also collaborating closely with all relevant stakeholders to ensure that the current data is thoroughly verified and aligned.

The CDSS maintains comprehensive documentation supporting all expenditures, including the Schedule of Expenditures of Federal Awards (SEFA) report. Furthermore, CDSS has strengthened our internal checks and improved communication with all involved parties to mitigate the risk of issues arising in future reconciliations.

Estimated Implementation Date: Implemented

Contact: Daniel During, Federal Reporting Section Chief
Accounting and Fiscal Systems Branch
Finance and Accounting Division
California Department of Social Services

Reference No. 2023-012:

The CDSS agrees with the finding. The Child Care and Development Division's Program Quality Improvement Branch (PQIB) recognized the need for tracking monitoring procedures starting from risk assessment identification to closing out of Continuous Improvement Plans (CIP) to ensure that contractors with the highest risk factors are prioritized and agencies requiring follow up received a CIP.

- **Tracking Use of the Risk Assessment:** Annually, the PQIB identifies risk criteria for the upcoming Fiscal Year (FY) monitoring through the Contract Monitoring Protocols Agreement document. Using the Consultant Caseload Cohorts spreadsheet staff identify the agencies they will monitor using the FY Monitoring Priorities criteria (risk assessment criteria). The PQIB Travel Team and Administrators review the monitoring schedules for each consultant to ensure the risk assessment criteria has been followed. The risk assessment criteria are reviewed and updated annually based on trends and support needs of the field. In FY 2023-2024 PQIB implemented a cohort review cycle to apply the risk assessment criteria to all contracted programs subject to monitoring reviews.
- **Maintaining Monitoring Reports:** Each Contract Monitoring Report includes a "Monitoring Summary Page" containing all items reviewed during a Contract Monitoring Review (CMR). Any item from the Program Integrity Monitoring Tool

identified during a review as unmet and/or identified for a CIP is automatically tracked by the analysts for follow-up and resolution. A spreadsheet with all the reviews scheduled for any contract monitoring visit are maintained by FY and the findings are recorded for each item on the tool. The PQIB analysts track the review dates, reports, findings, and CIPs. The analysts meet with the administrators monthly to track missing reports. All reports are filed by individual agency.

- **Continuous Improvement Plan (CIP):** The PQIB analysts use the Contract Monitoring Report to determine if a CIP is required. A standard CIP template was developed, and all staff are required to use the same document. Every CIP has a 45-day corrective action period; however, programs may be granted extensions if requested in writing. Programs can request up to an additional 180 days to complete corrective actions. To receive an extension, a plan must be submitted in writing detailing how the program will address the actions by the end of the extension period. The PQIB analyst conducts follow-up with the consultant until the CIP is received. The CIP is not closed until all items identified for corrective action are resolved. A completed CIP and Resolution Letter are sent to the contractor and filed in the Common Folder in the agency's folder.

All spreadsheets, agreements, forms, and records of completed monitoring reports referenced above are maintained in the Common Folder and on the PQIB SharePoint page.

Furthermore, CDSS is actively working to fully adopt audit report monitoring responsibilities of Local Education Agencies (LEA) and certain non-LEAs receiving Child Care and Development Fund (CCDF) Cluster program funds by July 1, 2025.

Estimated Implementation Date: July 1, 2025

Contact: Jeff Fowler, Staff Services Manager III
Child Care and Development Program
California Department of Social Services

Reference No. 2023-013:

The CDSS disagrees with the finding. California's subsidized child care system is locally operated. The CDSS relies on hundreds of local county offices and nonprofit agencies to administer child care and development programs at the local level, rather than having the State pay subsidized providers directly. As a result, CDSS required Alternative Payment Programs, direct-service contractors that administer Family Child Care Home Education Networks, and fiscal partners to track survey completion as a prerequisite for awarding American Rescue Plan Act (ARPA) subgrants. This local infrastructure and the size of California's subsidized child care and development system separates California from other states. As a result, CDSS worked very closely with the federal grantor, the Administration for Children and Families, to ensure that the ARPA survey methodology met federal monitoring requirements and tracked data elements required by the federal government. For this reason, CDSS believes it has fulfilled its responsibility and does not need to further establish a monitoring program.

Estimated Implementation Date: Will not implement

Contact: Jeff Fowler, Staff Services Manager III
Child Care and Development Program
California Department of Social Services

Reference No. 2023-014:

The CDSS will complete its development and implementation of a monitoring process over license-exempt health and safety standards in collaboration with the federal Administration of Children and Families and the State Legislature.

Estimated Implementation Date: July 1, 2027

Contact: Jeff Fowler, Staff Services Manager III
Child Care and Development Program
California Department of Social Services

Reference No. 2023-015:

DHCS implemented a process to impose payment withholds for significantly late cost reports, which addresses CSA's recommendations. As of January 1, 2025, DHCS has issued 26 Notices of Delinquency to contracted counties of Short-Doyle funding (two notices for FY 2015-16, four notices for FY 2016-17, one notice for FY 2018-19, three notices for FY 2019-20, six notices for FY 2020-21, and ten notices for FY 2021-22). DHCS has received positive responses from some of the delinquent counties, stating the cost reports should be submitted shortly. If the counties do not submit their cost reports within 30 calendar days of the delinquency notice, DHCS will send a Notice of Intent to Impose Temporary Withhold of Funds with an option to meet and confer. If a county still has not submitted its cost report within 30 calendar days after Notice of Intent to Impose Temporary Withhold of Funds, the county will be put on Final Notice of Intent to Impose Temporary Withhold of Funds with an effective date of 30 days, at which time a withhold of funds will be processed.

Estimated Implementation Date: January 1, 2025

Contact: California Department of Health Care Services

- Primary – Ryan Whalen, Behavioral Health Interim Settlement, Section Chief, Audit & Investigations (A&I) Financial Review Outpatient and Behavioral Health Division (FROBHD)
- Secondary – Lisa Alder, Behavioral Health Financial Review, Branch Chief, A&I FROBHD
- Tertiary – Charles Anders, Behavioral Health Financing Branch, Chief, Local Governmental Financing Division (LGFD)

Reference No. 2023-016:

CDPH is addressing the findings of the audit through a combination of outreach and training for internal stakeholders, updated internal policies, and data verification to ensure proper review and approval of the Form CMS-1539.

Estimated Implementation Date: April 2025

Contact: Nate Gilmore, Branch Chief
Center for Health Care Quality
California Department of Public Health

Reference No. 2023-017:

Public Health's Office of AIDS (OA) agrees with the finding and recommendation. OA introduced and fully implemented an internal Secondary Review (SR) process for all AIDS Drug Assistance Program (ADAP) applications in March 2018. This SR process enables ADAP staff to verify that contracted and certified enrollment workers across California are consistently adhering to eligibility and documentation requirements.

However, due to staffing challenges caused by the redirection of staff during the state of emergency declared for the COVID-19 pandemic, ADAP faced significant workforce shortages from March 2020 through much of 2023. This caused a backlog in SR processing, which delayed tasks, including the review of this client's application. The client's eligibility lapsed after 130 days, before SR could be conducted.

The Eligibility Operations Section (EOS) of ADAP which conducts SR, is now fully staffed and has successfully addressed the backlog. As of early 2024, SR processing has returned to normal operations and is current.

Estimated Implementation Date: Already implemented as of April 2024

Contact: Joseph Lagrama, ADAP Branch Chief
California Department of Public Health

Reference No. 2023-018:

DHCS recently implemented and instructed all staff on an improved leave management and timesheet submission process, effective November 20, 2024, beginning with the December 2024 pay period. The change addresses the recommendations from CSA by streamlining the submission, review, and storage of employee timesheets, ensuring efficient and transparent management of time-related data across DHCS. Furthermore, the new process ensures a manager or supervisor reviews and approves all timesheets before submission.

Estimated Implementation Date: November 20, 2024

Contact: California Department of Health Care Services

- Primary – Erika Cristo Assistant Deputy Director, Behavioral Health
- Secondary – Wendy Rasmussen, Chief, Office of Compliance - Internal Audits

Reference No. 2023-019:

The CDSS' Disability Determination Services Division (DDSD) has implemented corrective measures to address inaccuracies in the Modernized Integrated Disability Adjudicative System (MIDAS) and Disability Case Processing System (DCPS) invoice review processes. This includes an internal quality control process to monitor and review additional invoice samples from Branches after they have been processed and reviewed by Branch Program Technicians and Branch Auditors. Additionally, the DDSD Central Support Services Branch implemented a secondary audit process and created a new Auditor role to routinely sample additional Medical Evidence of Record (MER) and Consultative Examination (CE) contracts. Findings are provided to branches to reinforce accuracy and assure compliance. The DDSD, also transitioned from MIDAS to DCPS, which provides more sophisticated fiscal controls.

To remediate any inaccuracies, DDSD's centralized auditor will assess findings and develop an action plan to prevent erroneous invoices. The CDSS ensures that all necessary controls are in place to verify the accuracy and proper documentation of invoices.

The CDSS concludes that the sample size of 15 MER cases does not provide sufficient audit evidence that controls are not operating effectively resulting in a calculated \$54,398 in potential costs. However, CDSS agrees with the finding and is committed to the control and mitigation of risk related to the audit recommendation.

Estimated Implementation Date: Implemented

Contact: Bernice Stanfield, Fiscal and Procurement
Section Chief
Central Support Services Branch
Disability Determination Service Division
California Department of Social Services