

COUNTY OF ORANGE, CALIFORNIA

Single Audit Reports

For the Year Ended June 30, 2006

COUNTY OF ORANGE, CALIFORNIA

Single Audit Reports

For the Year Ended June 30, 2006

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Board of Supervisors
County of Orange, California

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Orange, California (County), as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the County in a separate letter dated December 1, 2006.

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

Macias Fini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
December 1, 2006



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Board of Supervisors
County of Orange, California

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
SUPPLEMENTARY SCHEDULE OF CATEGORICAL EXPENDITURE DISTRIBUTION FOR
THE CORRECTION STANDARDS AUTHORITY AND OFFICE OF EMERGENCY SERVICES
GRANT PROGRAMS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of the County of Orange, California (County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 06-01, 06-02, 06-04 and 06-05.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 06-02, 06-03 and 06-06.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Schedule of Expenditures of Federal Awards and Supplementary Schedule of Categorical Expenditure Distribution for the Correction Standards Authority and Office of Emergency Services Grant Programs

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Orange, California (County), as of and for the year ended June 30, 2006, and have issued our report thereon dated December 1, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards and supplementary schedule of categorical expenditure distribution for the Correction Standards Authority and Office of Emergency Services grant programs are presented for purposes of additional analysis as required by OMB Circular A-133 and the Correction Standards Authority and Office of Emergency Services, respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Macias Tini & O'Connell LLP

Certified Public Accountants

Los Angeles, California

March 26, 2007, except for the paragraph on the schedule of expenditures of federal awards and supplementary schedule of categorical expenditure distribution for the Correction Standards Authority and Office of Emergency Services grant programs, as to which the date is December 1, 2006.

COUNTY OF ORANGE, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Grantor County Program Name Direct or Indirect (1)	Catalog of Federal Domestic Assistance Number (CFDA #)	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Disbursements/ Expenditures	Responsible County Dept./Agency
Department (Dept.) of Agriculture					
Food Stamps Incentive (indirect)	10.551	1946001347 A7	California (CA) Dept. of Social Services	\$ 58,356	Social Services Agency
Value of Food Stamps Issued (indirect)	10.551	1946001347 A7	CA Dept. of Social Services	86,617,297	Social Services Agency
Non-Assisted Food Stamp (indirect)	10.561	1946001347 A7	CA Dept. of Social Services	13,422,060	Social Services Agency
Non-Assisted Food Stamp-CalWIN (indirect)	10.561	1946001347 A7	CA Dept. of Social Services	2,380,340	Social Services Agency
Nutrition Network (indirect)	10.561	04-35455	CA Dept. of Social Services	181,922	Health Care Agency
Nutrition Education Program (indirect)	10.561	03-75374 A02	CA Dept. of Health Services	23,365	Health Care Agency
Regional Nutrition Network (indirect)	10.561	04-35889	CA Dept. of Health Services	<u>484,347</u>	Health Care Agency
Subtotal 10.551 and 10.561 (Food Stamp Cluster)				<u>103,167,687</u>	
School Breakfast, Lunch, and Milk Program (indirect)	10.553	30-34306-9003500-1	CA Dept. of Education	1,015,149	Probation
Women, Infants, and Children (WIC) (indirect)	10.557	05-45780	CA Dept. of Health Services	5,097,899	Health Care Agency
Basic Meal Reimbursement - Orangewood (indirect)	10.558	1946001347 A7	CA Dept. of Social Services	<u>138,560</u>	Social Services Agency
Subtotal - Dept. of Agriculture				<u>109,419,295</u>	
Dept. of Education					
English Literacy and Civics Education Grant (indirect)	84.002		CA Dept. of Education	22,500	Public Library
Individuals with Disabilities Education Act (IDEA) (indirect)	84.027	05-14468-1030-01	Orange County Dept. of Education	11,076,007	Health Care Agency
Agents of Change (indirect)	84.186	SDF03-07	CA Dept. of Alcohol & Drug	197,838	Health Care Agency
Prevention Power (indirect)	84.186	SDF03-08	CA Dept. of Alcohol & Drug	<u>196,758</u>	Health Care Agency

COUNTY OF ORANGE, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Grantor County Program Name Direct or Indirect (1)	Catalog of Federal Domestic Assistance Number (CFDA #)	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Disbursements/ Expenditures	Responsible County Dept./Agency
Dept. of Education (Continued)					
Subtotal 84.186				\$ 394,596	
Subtotal - Dept. of Education				<u>11,493,103</u>	
Dept. of Health and Human Services					
Health Resources and Services Administration (HRSA) Grant (indirect)	93.003	01-30-03-ORG	CA Dept. of Health Services	282,826	Health Care Agency
Title VIIB-Elder Abuse Prevention (indirect)	93.041	AP 0506-22	CA Dept. of Aging	35,627	Housing & Community Service/ Office on Aging
Title VIIA-Ombudsman (indirect)	93.042	AP 0506-22	CA Dept. of Aging	107,281	Housing & Community Service/ Office on Aging
Title IIID-Preventive Health (indirect)	93.043	AP 0506-22	CA Dept. of Aging	142,949	Housing & Community Service/ Office on Aging
Title IIIB-Senior Supportive Services (indirect)	93.044	AP 0506-22	CA Dept. of Aging	2,242,452	Housing & Community Service/ Office on Aging
Title IIIC1-Congregate Meals for Seniors (indirect)	93.045	AP 0506-22	CA Dept. of Aging	1,685,605	Housing & Community Service/ Office on Aging
Title IIIC2-Home Delivered Meals for Seniors (indirect)	93.045	AP 0506-22	CA Dept. of Aging	1,932,178	Housing & Community Service/ Office on Aging
NSIP Title IIIC1 - Nutrition Services Incentive Program (indirect)	93.053	AP 0506-22	CA Dept. of Aging	318,446	Housing & Community Service/ Office on Aging
NSIP Title IIIC2 - Nutrition Services Incentive Program (indirect)	93.053	AP 0506-22	CA Dept. of Aging	<u>725,051</u>	Housing & Community Service/ Office on Aging
Subtotal 93.044, 93.045 & 93.053 (Aging Cluster)				<u>6,903,732</u>	

COUNTY OF ORANGE, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Grantor County Program Name Direct or Indirect (1)	Catalog of Federal Domestic Assistance Number (CFDA #)	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Disbursements/ Expenditures	Responsible County Dept./Agency
Dept. of Health and Human Services (Continued)					
Nation Family Caregiver Support Program (indirect)	93.052	AP 0506-22	CA Dept. of Aging	\$ 1,239,493	Housing & Community Service/ Office on Aging
TB Local Assistance (Base Award) (indirect)	93.116		CA Dept. of Health Services	1,059,331	Health Care Agency
TB Food, Shelter, Incentives, Enablers (FSIE) Allotment (indirect)	93.116		CA Dept. of Health Services	<u>22,058</u>	Health Care Agency
Subtotal 93.116				<u>1,081,389</u>	
PATH Grant (indirect)	93.150	SMX06000 5-03	CA Dept. of Mental Health	446,817	Health Care Agency
Childhood Lead Poisoning Prevention Program (CLPPP) (indirect)	93.197	05-45155	CA Dept. of Health Services	320,249	Health Care Agency
Family Planning Title X (Basic Contraceptives) (indirect)	93.217	6FPHPA092020	CA Family Health Council	191,782	Health Care Agency
Family Planning Integration of HIV, Title X (indirect)	93.217	6FPHPA092020	CA Family Health Council	<u>65,610</u>	Health Care Agency
Subtotal 93.217				<u>257,392</u>	
Traditional Food Project (indirect)	93.245	FDR00243901	CA Dept. of Health Services	29,167	Health Care Agency
Pediatric Immunization (indirect)	93.268	05-45418	CA Dept. of Health Services	647,845	Health Care Agency
DHHS - Drug Free Community Support Program (indirect)	93.276	2 H79 SP12055-05	CA Health & Human Services Agency	44,525	Sheriff-Coroner
Family Preservation (indirect)	93.556	1946001347 A7	CA Dept. of Social Services	2,099,840	Social Services Agency
Cal Works (Admin) (indirect)	93.558	1946001347 A7	CA Dept. of Social Services	92,847,330	Social Services Agency
Cal Works-CalWIN (indirect)	93.558	1946001347 A7	CA Dept. of Social Services	5,491,876	Social Services Agency
Cal Works (indirect)	93.558	1946001347 A7	CA Dept. of Social Services	<u>88,567,270</u>	Social Services Agency
Subtotal 93.558				<u>186,906,476</u>	

COUNTY OF ORANGE, CALIFORNIA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2006

Federal Grantor County Program Name Direct or Indirect (1)	Catalog of Federal Domestic Assistance Number (CFDA #)	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Disbursements/ Expenditures	Responsible County Dept./Agency
Dept. of Health and Human Services (Continued)					
Child Support Enforcement Program (indirect)	93.563	06-059	CA Dept. of Child Support Services	\$ 37,316,959	Child Support Services
Support Enforcement Incentive Fund (indirect)	93.563	06-059	CA Dept. of Child Support Services	<u>3,541,560</u>	Child Support Services
Subtotal 93.563				<u>40,858,519</u>	
Refugee Cash Assistance (indirect)	93.566	1946001347 A7	CA Dept. of Social Services	35,178	Social Services Agency
Refugee Employment Social Services (indirect)	93.566	RESS 0305, RESS 0405, RESS 0505	CA Dept. of Social Services	311,509	Social Services Agency
Welfare Aid to Refugees-CalWIN (indirect)	93.566	1946001347 A7	CA Dept. of Social Services	317,214	Social Services Agency
Welfare Aid to Refugees (indirect)	93.566	1946001347 A7	CA Dept. of Social Services	<u>372,119</u>	Social Services Agency
Subtotal 93.566				<u>1,036,020</u>	
Refugee Health Assessment Program (indirect)	93.567	04-30-9460-1, 05-30-9460-1	CA Dept. of Health Services	265,995	Health Care Agency
Refugee Preventive Health Assessment (indirect)	93.567	05-30-9461-01	CA Dept. of Health Services	<u>49,688</u>	Health Care Agency
Subtotal 93.567				<u>315,683</u>	
Refugee Family Enrichment Services (direct)	93.576			247,671	Social Services Agency
Targeted Assistance (indirect)	93.584	TART0403, TART0503, TAFO0302, TAFO0402 TARL0503	CA Dept. of Social Services	311,887	Social Services Agency
Promoting Safe and Stable Families (direct)	93.608			182,547	Social Services Agency
Child Welfare System Title IVB (indirect)	93.645	1946001347 A7	CA Dept. of Social Services	1,735,212	Social Services Agency

COUNTY OF ORANGE, CALIFORNIA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2006

Federal Grantor County Program Name Direct or Indirect (1)	Catalog of Federal Domestic Assistance Number (CFDA #)	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Disbursements/ Expenditures	Responsible County Dept./Agency
Dept. of Health and Human Services (Continued)					
Welfare Aid to Children in Boarding Homes (indirect)	93.658	1946001347 A7	CA Dept. of Social Services	\$ 28,543,677	Social Services Agency
Children Welfare System Title IV E (indirect)	93.658	1946001347 A7	CA Dept. of Social Services	33,554,258	Social Services Agency
Children Welfare System Title IV E (indirect)	93.658	2282D Prob IV-E	CA Dept. of Social Services	<u>7,707,192</u>	Probation
Subtotal 93.658				<u>69,805,127</u>	
Adoptions (indirect)	93.659	1946001347 A7	CA Dept. of Social Services	2,717,052	Social Services Agency
Social Services Block Grant (indirect)	93.667	1946001347 A7	CA Dept. of Social Services	559,129	Social Services Agency
Independent Living Skills (indirect)	93.674	1946001347 A7	CA Dept. of Social Services	784,189	Social Services Agency
Child Health and Disability Prevention (CHDP) Program Title XIX (indirect)	93.778		CA Dept. of Health Services	905,762	Health Care Agency
Children in Foster Care Title XIX (indirect)	93.778		CA Dept. of Health Services	530,946	Health Care Agency
Medi-Cal Administrative Activities (MAA) (indirect)	93.778	04-35071	CA Dept. of Health Services	2,953,325	Health Care Agency
Medi-Cal Targeted Case Management (TCM) (indirect)	93.778	30-0407	CA Dept. of Health Services	3,560,627	Health Care Agency
California Children Services (CCS) Title XIX (indirect)	93.778		CA Dept. of Health Services	4,790,104	Health Care Agency
Multipurpose Senior Services Program (indirect)	93.778	1946001347 A7	CA Dept. of Social Services	578,437	Social Services Agency
Medi-Cal-In Home Supportive Services (indirect)	93.778	1946001347 A7	CA Dept. of Social Services	3,072,583	Social Services Agency
Medi-Cal-CalWIN (indirect)	93.778	1946001347 A7	CA Dept. of Social Services	3,777,660	Social Services Agency
Medi-Cal (indirect)	93.778	1946001347 A7	CA Dept. of Social Services	<u>43,902,289</u>	Social Services Agency
Subtotal 93.778				<u>64,071,733</u>	

COUNTY OF ORANGE, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Grantor County Program Name Direct or Indirect (1)	Catalog of Federal Domestic Assistance Number (CFDA #)	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Disbursements/ Expenditures	Responsible County Dept./Agency
Dept. of Health and Human Services (Continued)					
Health Care Financing Research, Demonstrations and Evaluations (indirect)	93.779	HI 0506-22	CA Dept. of Aging	\$ 106,127	Housing & Community Service/ Office on Aging
Ryan White Title I (direct)	93.914			4,908,521	Health Care Agency
Ryan White Title II (indirect)	93.917	03-75920	CA Dept. of Health Services	608,821	Health Care Agency
Ryan White Title III (HIV Primary Care) (direct)	93.918			797,468	Health Care Agency
Substance Abuse and Mental Health Services Administration (SAMHSA) (indirect)	93.958	03B1CACMHS-04	CA Dept. of Mental Health	2,219,496	Health Care Agency
Alcohol & Drug Program (indirect)	93.959	06B1CASAPT-03	CA Dept. of Alcohol & Drug	17,125,683	Health Care Agency
Adolescent Family Life Program (AFLP) Title V and XIX (indirect)	93.994	2005-30	CA Dept. of Health Services	788,755	Health Care Agency
Maternal and Child Health (MCH) Allocation Title V and XIX (indirect)	93.994	2005-30	CA Dept. of Health Services	<u>387,015</u>	Health Care Agency
Subtotal 93.994				<u>1,175,770</u>	
Public Health Preparedness & Response to Bioterrorism Grant (indirect)	93.996		CA Dept. of Health Services	<u>4,576,882</u>	Health Care Agency
Subtotal - Dept. of Health and Human Services				<u>414,689,145</u>	
Dept. of Homeland Security					
State Homeland Security Grant Part I (indirect)	97.004	2003-35	CA Office of Emergency Services	159,158	Sheriff-Coroner/ Terrorism Early Warning
State Homeland Security Grant Part II (indirect)	97.004	2003-35	CA Office of Emergency Services	916,032	Sheriff-Coroner/ Terrorism Early Warning
State Homeland Security Grant (indirect)	97.004	2004-0045	CA Office of Emergency Services	<u>1,924,393</u>	Health Care Agency

COUNTY OF ORANGE, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Grantor County Program Name Direct or Indirect (1)	Catalog of Federal Domestic Assistance Number (CFDA #)	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Disbursements/ Expenditures	Responsible County Dept./Agency
Dept. of Homeland Security (Continued)					
Subtotal 97.004				\$ 2,999,583	
FY04 Urban Area Security Initiative (UASI) - Anaheim (indirect)	97.008	2004-45	CA Office of Emergency Services	2,010,283	Sheriff-Coroner
FY04 Urban Area Security Initiative (UASI) - Santa Ana (indirect)	97.008	2004-45	CA Office of Emergency Services	<u>1,872,763</u>	Sheriff-Coroner
Subtotal 97.008				<u>3,883,046</u>	
Emergency Storm Drain Replacement (direct)	97.036			54,567	Dana Point Harbor
Hazard Mitigation Grant Program (indirect)	97.039	059-00000	CA Office of Emergency Services	1,810,342	Resources and Development Management Dept.
Emergency Management Performance Grant - Non-Terrorism (indirect)	97.042	EMF-2004-GR-0402	CA Office of Emergency Services	72,608	Sheriff-Coroner/ Emergency Management
FY05 Emergency Management Preparedness Grant (EMPG) (indirect)	97.042	2005-15	CA Office of Emergency Services	<u>183,074</u>	Sheriff-Coroner
Subtotal 97.042				<u>255,682</u>	
FY04 Citizen Corps Program (CCP) (indirect)	97.053	2004-45	CA Office of Emergency Services	13,758	Sheriff-Coroner
Transportation Security Administration - National Explosives Detection Canine Team Program (direct)	97.072			150,000	John Wayne Airport
FY04 State Homeland Security Program (SHSP) (indirect)	97.073	2004-45	CA Office of Emergency Services	1,091,246	Sheriff-Coroner
FY04 Law Enforcement Terrorism Prevention Plan (LETPP) (indirect)	97.074	2004-45	CA Office of Emergency Services	616,661	Sheriff-Coroner
Transportation Security Administration - Law Enforcement Officers/Screening Checkpoints (direct)	97.999			<u>650,286</u>	John Wayne Airport
Subtotal - Dept. of Homeland Security				<u>11,525,171</u>	

COUNTY OF ORANGE, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Grantor County Program Name Direct or Indirect (1)	Catalog of Federal Domestic Assistance Number (CFDA #)	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Disbursements/ Expenditures	Responsible County Dept./Agency
Dept. of Housing and Urban Development					
Section 8 New Construction and Substantial Rehabilitation (direct)	14.182			\$ 2,445,557	Housing & Community Services
Community Development Block Grant (direct)	14.218			9,495,884	Housing & Community Services
Emergency Shelter Grant Program (direct)	14.231			170,536	Housing & Community Services
Supportive Housing Program (direct)	14.235			76,981	Housing & Community Services
Shelter Plus Care (direct)	14.238			2,918,848	Housing & Community Services
HOME Investment Partnership Act (direct)	14.239			6,361,093	Housing & Community Services
Housing Opportunities for Persons with AIDS (HOPWA) (indirect)	14.241		City of Santa Ana	766,487	Health Care Agency
Section 8 Housing Choice Vouchers (direct)	14.871			<u>93,820,017</u>	Housing & Community Services
Subtotal - Dept. of Housing and Urban Development				<u>116,055,403</u>	
Dept. of the Interior					
Payments in Lieu of Taxes (PILT) (direct)	15.226			75,074	Auditor-Controller
Federal Forest Reserve Fund (indirect)	15.916	12-5955	CA Dept. of Transportation	<u>16,920</u>	Resources and Development Management Dept.
Subtotal - Dept. of the Interior				<u>91,994</u>	
Dept. of Justice					
JABG/Juvenile Drug Court (indirect)	16.523	CSA 143-04	Corrections Standards Authority	1,855	Probation
JABG/Juvenile Drug Court (indirect)	16.523	CSA 143-04	Corrections Standards Authority	2,894	Health Care Agency
JABG/Juvenile Drug Court (indirect)	16.523	CSA 143-04	Corrections Standards Authority	1,500	Superior Court

COUNTY OF ORANGE, CALIFORNIA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2006

Federal Grantor County Program Name Direct or Indirect (1)	Catalog of Federal Assistance Number (CFDA #)	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Disbursements/ Expenditures	Responsible County Dept./Agency
Dept. of Justice (Continued)					
Juvenile Accountability Block Grant (indirect)	16.523	CSA 144-05	Corrections Standards Authority	\$ 131,337	District Attorney
Juvenile Accountability Block Grant (indirect)	16.523	CSA 144-05	Corrections Standards Authority	6,751	Probation
Juvenile Accountability Block Grant (indirect)	16.523	CSA 144-05	Corrections Standards Authority	<u>33,930</u>	Health Care Agency
Subtotal 16.523				<u>178,267</u>	
CHALLENGE/West Youth & Family Resource Center (indirect)	16.549	CSA 224-04	Corrections Standards Authority	18,248	Probation
DOJ- Solving Cold Cases with DNA (direct)	16.560			75,849	Sheriff-Coroner
DOJ-DNA Expansion Demonstration Program (direct)	16.560			96,222	Sheriff-Coroner
DOJ- Forensic Casework DNA Backlog Reduction Program (direct)	16.560			113,686	Sheriff-Coroner
DOJ- DNA Capacity Enhancement Program (direct)	16.560			156,251	Sheriff-Coroner
DOJ-2004 Coverdell National Forensic Science Improvement Program (direct)	16.560			28,935	Sheriff-Coroner
Office of Emergency Service - 2004 Coverdell National Forensic Science Improvement Act (indirect)	16.560	CQ04030300	CA Office of Emergency Services	54,831	Sheriff-Coroner
Office of Emergency Service - 2005 Coverdell National Forensic Science Improvement Act (indirect)	16.560	CQ05040300	CA Office of Emergency Services	<u>42,343</u>	Sheriff-Coroner
Subtotal 16.560				<u>568,117</u>	

COUNTY OF ORANGE, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Grantor County Program Name Direct or Indirect (1)	Catalog of Federal Domestic Assistance Number (CFDA #)	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Disbursements/ Expenditures	Responsible County Dept./Agency
Dept. of Justice (Continued)					
Child Abuse Treatment Services (indirect)	16.575	AT05020300	CA Office of Emergency Services	\$ 143,740	Social Services Agency
Child Abuse Treatment Services (indirect)	16.575	AT04010300	CA Office of Emergency Services	1,766	Social Services Agency
Victim Witness Assistance Program (indirect)	16.575	VW05240300	Community Services Program	529,538	Superior Court
Gang Victim Services-Special Emphasis (indirect)	16.575	SE99090300	Community Services Program	<u>108,806</u>	Superior Court
Subtotal 16.575				<u>783,850</u>	
Local Law Enforcement Block Grant (LLEBG) (direct)	16.592			17,262	County Executive Office
Substance Abuse Education, Recognition & Intervention Program (indirect)	16.593	RT04050300	CA Office of Emergency Services	155,565	Probation
Substance Abuse Education, Recognition & Intervention Program (indirect)	16.593	RT04050300	CA Office of Emergency Services	54,037	Health Care Agency
Residential Substance Abuse Treatment (RSAT) (indirect)	16.593	RT05060300	CA Office of Emergency Services	48,553	Probation
Residential Substance Abuse Treatment (RSAT) (indirect)	16.593	RT05060300	CA Office of Emergency Services	<u>53,627</u>	Health Care Agency
Subtotal 16.593				<u>311,782</u>	
Care of Federal Prisoners - U.S. Marshal (direct)	16.602			10,556	Sheriff-Coroner
State Criminal Alien Assistance Program (direct)	16.606			6,562,437	Sheriff-Coroner
DOJ-2004 Bulletproof Vest Partnership (direct)	16.607			131,833	Sheriff-Coroner
Project Safe Neighborhoods (PSN) (indirect)	16.609	US05D20300	CA Office of Emergency Services	103,123	District Attorney
COPS- Interoperable Communication Technology Grant (direct)	16.710			21,527	Sheriff-Coroner
COPS Grant to DUILA (indirect)	16.710	2001-JN-FX-0022	Office of Community Oriented Policing	74,838	Sheriff-Coroner

COUNTY OF ORANGE, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Grantor County Program Name Direct or Indirect (1)	Catalog of Federal Domestic Assistance Number (CFDA #)	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Disbursements/ Expenditures	Responsible County Dept./Agency
Dept. of Justice (Continued)					
Subtotal 16.710				\$ 96,365	
High Intensity Drug Trafficking Area (HIDTA) (direct)	16.728			1,148,676	Sheriff-Coroner
Anti-Drug Abuse Enforcement Program (indirect)	16.738	DC 05160300	CA Office of Emergency Services	511,002	Sheriff-Coroner
Anti-Drug Abuse Enforcement Program (indirect)	16.738	DC 05160300	CA Office of Emergency Services	136,061	District Attorney
Anti-Drug Abuse Enforcement Program (indirect)	16.738	DC 05160300	CA Office of Emergency Services	<u>83,262</u>	Probation
Subtotal 16.738				<u>730,325</u>	
DOJ-FBI-OCJTTF - Overtime FY 04-05 (direct)	16.999			32,595	Sheriff-Coroner
Regional Narcotics Suppression Program (RNSP) Forfeitures (direct)	16.999			2,798,031	Sheriff-Coroner
Regional Narcotics Suppression Program (RNSP) Consolidated Priority Organization Targets (CPOT) Grant (direct)	16.999			309,986	Sheriff-Coroner
Sheriff's Narcotic Program (SNP) Forfeitures (direct)	16.999			126,462	Sheriff-Coroner
Southwest Border Prosecution Initiative (SWBPI) (direct)	16.999			365,943	Sheriff-Coroner
Southwest Border Prosecution Initiative (SWBPI) (direct)	16.999			<u>540,468</u>	District Attorney
Subtotal 16.999				<u>4,173,485</u>	
Subtotal - Dept. of Justice				<u>14,834,326</u>	
Dept. of Labor					
Senior Community Services Employment Program (2005) (indirect)	17.235	AD-14135-04-60	Senior Services America, Inc.	197,722	Housing & Community Services/ Special Programs

COUNTY OF ORANGE, CALIFORNIA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2006

Federal Grantor County Program Name Direct or Indirect (1)	Catalog of Federal Assistance Number (CFDA #)	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Disbursements/ Expenditures	Responsible County Dept./Agency
Dept. of Labor (Continued)					
Title V - Senior Community Services Employment Program (indirect)	17.235	TV-0405-22	CA Dept. of Aging	\$ <u>574,890</u>	Housing & Community Services/ Office on Aging
Subtotal 17.235				<u>772,612</u>	
Workforce Investment Act Title I Adult (2004) (indirect)	17.258	R588741	CA Employment Development Dept.	397,557	Housing & Community Services
Workforce Investment Act Title I Adult (2005) (indirect)	17.258	R692492	CA Employment Development Dept.	2,038,106	Housing & Community Services
Workforce Investment Act Title I Youth (2004) (indirect)	17.259	R588741	CA Employment Development Dept.	258,620	Housing & Community Services
Workforce Investment Act Title I Youth (2005) (indirect)	17.259	R692492	CA Employment Development Dept.	1,931,596	Housing & Community Services
Workforce Investment Act Title I Dislocated Worker (2003) (indirect)	17.260	R485295	CA Employment Development Dept.	615,924	Housing & Community Services/ Special Programs
Workforce Investment Act Title I Dislocated Worker (2004) (indirect)	17.260	R588741	CA Employment Development Dept.	481,283	Housing & Community Services
Workforce Investment Act Title I Dislocated Worker (2005) (indirect)	17.260	R692492	CA Employment Development Dept.	<u>4,141,583</u>	Housing & Community Services
Subtotal 17.258, 17.259, and 17.260 (WIA Cluster)				<u>9,864,669</u>	
DOL - High Growth Job Training (direct)	17.268			<u>54,829</u>	Housing & Community Services
Subtotal - Dept. of Labor				<u>10,692,110</u>	
Dept. of Transportation					
Airport Improvement Programs 0233-25, 28, 30, 32, 33, 34, 35 (direct)	20.106			261,309	John Wayne Airport
Transportation Equity Act for the 21st Century (TEA-21) (indirect) Road	20.205	12-5955	CA Dept. of Transportation	5,274,008	Resources and Development Management Dept.
DUI Vertical Prosecution Program (indirect)	20.600	AL0667	CA Office of Traffic Safety	134,131	District Attorney

COUNTY OF ORANGE, CALIFORNIA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2006

Federal Grantor County Program Name Direct or Indirect (1)	Catalog of Federal Domestic Assistance Number (CFDA #)	Pass-Through Entity's Identifying Number (2)	Pass-Through Entity's Name	Disbursements/ Expenditures	Responsible County Dept./Agency
Dept. of Transportation (Continued)					
OTS-Avoid South County Regional DUI Task Force (indirect)	20.600	AL0555	CA Office of Traffic Safety	\$ 229,476	Sheriff-Coroner
OTS-Portable Evidential Breath Test (PEBT) Devices Follow-On Program (indirect)	20.600	AL0604	CA Office of Traffic Safety	<u>40,180</u>	Sheriff-Coroner
Subtotal 20.600				<u>403,787</u>	
Subtotal - Dept. of Transportation				<u>5,939,104</u>	
Environmental Protection Agency					
BEACH Act Grant (indirect)	66.472	03-76010	CA Dept. of Health Services	25,000	Health Care Agency
Local Oversight Program (indirect)	66.805	03-015-250-0	CA Water Resources Control Board	<u>317,076</u>	Health Care Agency
Subtotal - Environmental Protection Agency				<u>342,076</u>	
Institute of Museum and Library Services					
Library Services and Technology Act Staff Education Program (indirect)	45.310	40-6497	California State Library	17,028	OC. Public Library
Library Services and Technology Act Small Business Services Program (indirect)	45.310	40-6304	California State Library	<u>58,529</u>	OC. Public Library
Subtotal - Institute of Museum and Library Services				<u>75,557</u>	
Grand Total				<u><u>\$ 695,157,284</u></u>	

LEGEND:

- (1)** Indirect refers to Federal monies passed through various nonfederal agencies, primarily State of California agencies.
(2) The State of California does not assign a pass-through identification number for certain programs passed to the County. Accordingly, a pass-through identification number is not listed for certain indirect programs.

See accompanying Notes to Schedule of Expenditures of Federal Awards and Supplementary Schedule of Categorical Expenditure Distribution for the Correction Standards Authority and Office of Emergency Services Grant Programs.

COUNTY OF ORANGE, CALIFORNIA

Supplementary Schedule of Categorical Expenditure Distribution for the
Correction Standards Authority
and Office of Emergency Services Grant Programs

Year Ended June 30, 2006

Program Name	CFDA#	Grant #		Categorical Expenditure Distribution			
				Personal Services	Operating Expenses	Equipment	Total
Juvenile Drug Court	16.523	CSA143-04	Federal	\$ 3,746	\$ 2,503	\$ -	\$ 6,249
			Match	990	-	-	990
				<u>4,736</u>	<u>2,503</u>	<u>-</u>	<u>7,239</u>
Juvenile Accountability Block Grant	16.523	CSA144-05	Federal	119,634	52,384	-	172,018
			Match	13,293	5,820	-	19,113
				<u>132,927</u>	<u>58,204</u>	<u>-</u>	<u>191,131</u>
Child Abuse Treatment Services (CHAT)	16.575	AT05020300	Federal	-	143,740	-	143,740
			Match	-	35,934	-	35,934
				<u>-</u>	<u>179,674</u>	<u>-</u>	<u>179,674</u>
Child Abuse Treatment Services (CHAT)	16.575	AT04010300	Federal	-	1,766	-	1,766
			Match	-	442	-	442
				<u>-</u>	<u>2,208</u>	<u>-</u>	<u>2,208</u>
Gang Victim Services - Special Emphasis	16.575	SE99090300	Federal	93,677	15,129	-	108,806
			Match	27,200	-	-	27,200
				<u>120,877</u>	<u>15,129</u>	<u>-</u>	<u>136,006</u>
Victim Witness Assistance Program	16.575	VW05240300	Federal	475,663	53,875	-	529,538
			State	420,664	78,294	-	498,958
				<u>896,327</u>	<u>132,169</u>	<u>-</u>	<u>1,028,496</u>
Substance Abuse Education, Recognition & Intervention Program	16.593	RT04050300	Federal	105,530	104,072	-	209,602
			Match	38,312	-	-	38,312
				<u>143,842</u>	<u>104,072</u>	<u>-</u>	<u>247,914</u>
Residential Substance Abuse Treatment (RSAT)	16.593	RT05060300	Federal	99,584	2,596	-	102,180
			Match	34,060	-	-	34,060
				<u>\$ 133,644</u>	<u>\$ 2,596</u>	<u>\$ -</u>	<u>\$ 136,240</u>

COUNTY OF ORANGE, CALIFORNIA

Supplementary Schedule of Categorical Expenditure Distribution for the
Correction Standards Authority
and Office of Emergency Services Grant Programs

Year Ended June 30, 2006

Program Name	CFDA#	Grant #	Categorical Expenditure Distribution			Total
			Personal Services	Operating Expenses	Equipment	
Challenge/West Youth And Family Resource Center (1)	16.549	CSA224-04	\$ 18,248	\$ -	\$ -	\$ 18,248
2005 Coverdell National Forensic Science Improvement Program (1)	16.560	CQ05040300	-	42,343	-	42,343
2004 Coverdell National Forensic Science Improvement Program (1)	16.560	CQ04030300	-	54,831	-	54,831
Anti-Drug Abuse Enforcement Program (1)	16.738	DC05160300	512,121	218,204	-	730,325
Project Safe Neighborhoods (PSN) Program (1)	16.609	US05D20300	96,216	6,907	-	103,123
Vertical Prosecution Program (2)		VB05030300	365,907	24,343	-	390,250
			<u>\$ 2,424,845</u>	<u>\$ 843,183</u>	<u>\$ -</u>	<u>\$ 3,268,028</u>

(1) Federal = 100%

(2) State = 100%

See accompanying Notes to Schedule of Expenditures of Federal Awards and Supplementary Schedule of Categorical Expenditure Distribution for the Correction Standards Authority and Office of Emergency Services Grant Programs.

COUNTY OF ORANGE, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards and Supplementary Schedule of Categorical Expenditure Distribution for the Correction Standards Authority and Office of Emergency Services Grant Programs

For the Year Ended June 30, 2006

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the County of Orange, California (County) including the Orange County Housing Authority and Development Agency. Federal awards received directly from federal agencies as well as federal awards passed through other nonfederal agencies, primarily the State of California, are included on the schedule. The County's reporting entity is defined in Note 1 to the County's basic financial statements.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting except for programs recorded in the County's enterprise funds, which are presented using the accrual basis of accounting, which is described in Note 1 to the County's basic financial statements.

The expenditures for the Urban Area Security Initiative (UASI), CFDA No. 97.008, and Transportation Equity Act for the 21 Century (TEA-21), CFDA No. 20.205, reported on the accompanying Schedule of Expenditures of Federal Awards includes federal expenditures incurred in prior fiscal years in the amounts of \$1,895,740 and \$188,389, respectively. These expenditures were not reported in their respective years' on the Schedule of Expenditures of Federal Awards.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

5. CORRECTION STANDARDS AUTHORITY AND OFFICE OF EMERGENCY SERVICES GRANT PROGRAMS

At the request of the Correction Standards Authority and State of California Office of Emergency Services, the categorical expenditure distribution for their grant programs is also included as a supplementary schedule on pages 18 and 19.

COUNTY OF ORANGE, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards and Supplementary Schedule of
Categorical Expenditure Distribution for the Correction Standards Authority
and Office of Emergency Services Grant Programs (Continued)

For the Year Ended June 30, 2006

6. PASS-THROUGH AWARDS TO SUBRECIPIENTS

Included in the total expenditures of federal awards are the following amounts passed through to subrecipients:

County Program Title	Catalog of Federal Domestic Assistance Number	Amount Provided to Subrecipients For the Year Ended June 30, 2006
Regional Nutrition Network (5 a Day – Power Day)	10.561	\$ 94,828
Regional Nutrition Network (Latino 5 a Day – Power Play)	10.561	132,910
Community Development Block Grant	14.218	4,442,058
Emergency Shelter Grant Program	14.231	164,554
Supportive Housing Program	14.235	63,998
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	712,833
Section 8 Housing Choice Vouchers	14.871	436,596
Child Abuse Treatment Services	16.575	145,506
Victim Witness Assistance Program	16.575	529,538
Gang Victim Services – Special Emphasis	16.575	108,806
Anti-Drug Abuse Enforcement Program	16.738	57,097
RNSP Asset Forfeitures	16.999	577,100
Senior Community Services Employment Program	17.235	14,378
Title V – Senior Employment Program	17.235	547,159
WIA – Adult Program	17.258	1,898,038
WIA – Youth Activities	17.259	1,662,147
WIA – Dislocated Worker	17.260	4,010,873
Individuals with Disabilities Education Act (IDEA)	84.027	3,241,136
Agents of Change	84.186	197,838
Prevention Power	84.186	196,758
Title VIIB – Elder Abuse Prevention	93.041	35,627
Title VIIA – Ombudsman	93.042	107,281
Title IIIB – Senior Supportive Services	93.044	1,997,996
Nation Family Caregiver Support Program	93.052	979,162
Title III C1 – Congregate Meals or Seniors	93.045	1,448,715
Title III C2 – Home Delivered Meals for Seniors	93.045	1,803,854
NSIP Title III C1 – Nutrition Services Incentive Program	93.053	318,446

COUNTY OF ORANGE, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards and Supplementary Schedule of
Categorical Expenditure Distribution for the Correction Standards Authority
and Office of Emergency Services Grant Programs (Continued)

For the Year Ended June 30, 2006

6. PASS-THROUGH AWARDS TO SUBRECIPIENTS (CONTINUED)

County Program Title	Catalog of Federal Domestic Assistance Number	Amount Provided to Subrecipients For the Year Ended June 30, 2006
NSIP Title III C2 – Nutrition Services Incentive Program	93.053	\$ 725,051
PATH Grant	93.150	446,817
Pediatric Immunization	93.268	134,998
Promoting Safe and Stable Families	93.608	182,547
Refugee Employment Social Services	93.566	232,685
Refugee Family Enrichment Services	93.576	247,671
Targeted Assistance	93.584	127,978
Medi-Cal Targeted Case Management (TCM)	93.778	2,453,076
Medi-Cal Administrative Activities (MAA) (indirect)	93.778	1,934,016
Health Care Financing Research, Demonstrations and Evaluations	93.779	89,918
Ryan White Title I	93.914	2,525,090
Substance Abuse and Mental Health Services Administration (SAMSHA)	93.958	1,449,322
Alcohol & Drug Program	93.959	8,543,855
Maternal and Child Health (MCH) Allocation Title V (XIX)	93.994	9,310
03 State Homeland Security Grant Part I (indirect)	97.004	41,571
03 State Homeland Security Grant Part II (indirect)	97.004	232,159
04 State Homeland Security Program (SHSP) (indirect)	97.073	108,556
04 Law Enforcement Terrorism Prevention Plan (LETPP) (indirect)	97.074	168,342
		<u>\$ 45,578,194</u>

7. OUTSTANDING LOANS OF FEDERAL FUNDS AT JUNE 30, 2006

The following schedule presents the amount of outstanding loans by CFDA No. All loans are provided by the U.S. Department of Housing and Urban Development (HUD) and are included on the accompanying Schedule of Expenditures of Federal Awards:

CFDA No.	Federal Program	Outstanding Loans	Prior Year Loans with Continuing Compliance Requirements	New Loans
14.218	Community Development Block Grant	\$ 3,455,760	\$ 3,455,760	\$ -
14.239	HOME Investment Partnership Act	6,024,018	4,284,018	1,740,000

COUNTY OF ORANGE, CALIFORNIA

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2006

Section I Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued on the basic financial statements of the County:	Unqualified
Internal control over financial reporting:	
◆ Material weakness(es) identified?	No
◆ Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
◆ Material weakness(es) identified?	No
◆ Reportable condition(s) identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes
Identification of major programs:	

<u>CFDA number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.551, 10.561	Food Stamp Cluster
84.027	Individuals with Disabilities Education Act (IDEA)
93.558	Temporary Assistance to Needy Families
93.658	Foster Care Program
93.914	Ryan White Title I
97.008	Urban Area Security Initiative (UASI)
14.239	HOME Investment Partnership Act
20.205	Transportation Equity Act for the 21 st Century (TEA-21)

COUNTY OF ORANGE, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2006

Section I Summary of Auditor's Results (Continued)

Dollar threshold used to distinguish between type A and type B programs:	\$3,000,000
Auditee qualified as a low-risk auditee?	Yes

Section II Financial Statement Findings

No matters were reported.

Section III Federal Award Findings and Questioned Costs

Finding 06-01:

CFDA Title and Number:	Food Stamp Cluster, CFDA #10.551, and 10.561
Federal Agency:	U.S. Department of Agriculture
Pass-through Agency:	California Department of Social Services
Award Year:	June 30, 2006
Compliance:	Reporting

Condition

Per OMB A-133 Compliance Supplement Part IV for CFDA #10.551 and 10,561, the County is required to automate their food stamp programs, which includes automation of reporting of the DFA 256, *Food Stamp Program Participation and Benefit Issuance Report*.

The DFA 256 has not been submitted to the California Department of Social Services (CDSS) since February 2006. The monthly report is used to categorize the number of eligible Food Stamp cases as Public Assistance (PA) or Non-Public Assistance (NA).

Due to the conversion of the welfare client data system from Case Data System (CDS) to CalWIN in February 2006, the County has not submitted the required DFA 256 Report due to the CalWIN system failing to properly categorize the Food Stamp cases as PA or NA. The County has communicated with CDSS regarding the difficulties with the system conversion in generating the information necessary to complete the DFA Report. The County was able to submit the DFA 256 to CDSS for the month of December 2006. The County intends to begin submission of the DFA 256 Report to CDSS for the months beginning February 2007.

Questioned Costs

Not determinable

COUNTY OF ORANGE, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2006

Section III Federal Award Findings and Questioned Costs (Continued)

Finding 06-01 (Continued)

Recommendation

We recommend that the County submit the DFA 256 Report from February 2006 to the current period.

Management Response

Not all of Orange County's DFA 256, *Food Stamp Program Participation and Benefit Issuance Reports*, were submitted to the State due to a new welfare client data system's (CalWIN) inability to properly categorize Food Stamp person counts and allotment amounts as State or Federal for converted cases in CalWIN Management Reports. The State specifically requested that CalWIN Counties not submit DFA 256 reports until the reporting issue was corrected. The CalWIN Project issued a County Information Transmittal (CIT) dated 05/03/2005, prior to Orange County's conversion, that described problems with the CalWIN Management Report logic specific to discrepant cases at the time of CalWIN conversion. Cases were considered discrepant if the eligibility results and proposed benefit amounts computed by CalWIN for the month of conversion differed from what had been issued by the old welfare client data system (CDS) for that month. Due to the absence of sufficient detail in CDS and the merging of multiple programs during the conversion process, more than 20,000 of Orange County's total of approximately 30,000 Food Stamp cases were discrepant at the time of CalWIN conversion in February 2006. The total State allotment amount on CalWIN Management Reports for March 2006 was incorrectly reported as over \$3 million as compared to approximately \$56,000 in the month prior to conversion. This problem continued until staff was able to enter additional data and make other corrections in CalWIN for the 20,000 discrepant cases. This activity took approximately six months to complete. Orange County subsequently requested that the CalWIN Project rerun impacted CalWIN Management Reports from February 2006. However, the rerun reports continued to reflect incorrect data.

The CalWIN Project identified another logic problem with this report and issued another (CIT), dated 09/06/2006, notifying Counties that they would rerun the reports once again. The reruns were completed at the end of November 2006. Orange County has validated the November and December 2006 data and has now submitted these DFA 256 reports to the State. It is our plan to continue to complete and submit the DFA 256 reports for February to October 2006 to the State using the validated CalWIN data until all reports are submitted.

Orange County has been in constant communication with the State regarding the irregularities of CalWIN reports and extensions for submitting these reports were granted.

Although the reports were not submitted in a timely manner, there was no financial impact and we continued to receive our Food Stamp allocation advances

COUNTY OF ORANGE, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2006

Section III Federal Award Findings and Questioned Costs (Continued)

Finding 06-01 (Continued)

Corrective Action Plan

As stated in our audit response, SSA Accounting and SSA Food Stamp Program staff will continue to validate the data for February through October 2006. We will continue to complete and submit the DFA 256 reports for February to October using the validated CalWIN data until all reports are submitted. Orange County will also remain in constant communication with the State regarding the irregularities of CalWIN reports and extensions for submitting these reports. We plan to complete these reports by September 30, 2007.

Finding 06-02:

CFDA Title and Number:	Temporary Assistance for Needy Families (TANF), CFDA #93.558
Federal Agency:	U.S. Department of Health and Human Services
Pass-through Agency:	California Department of Social Services
Award Year:	June 30, 2006
Compliance:	Special Tests and Provisions – Income Eligibility and Verification System

Condition

Per *OMB A-133 Compliance Supplement* Part IV for CFDA #93.558, TANF/CalWorks cases subject to the Income Eligibility and Verification System (IEVS) should use the IEVS by properly considering the information obtained from the data matching in determining eligibility in accordance with the State Plan and the amount of TANF benefits.

Per the State Plan, the current federal rule prescribes that the IEVS match follow-up shall be completed within 45 days of the date the state agency completes the match.

During our audit test work performed to determine whether the County has implemented the required IEVS for employment data matching, and verification and use of such data, we noted the following in our sample of forty (40) participant files:

Earnings Clearance System (ECS)

- Three (3) ECS reports were not completed within forty-five (45) days from the matching date.
- Four (4) ECS reports were not signed by the Eligibility Worker.
- Eleven (11) ECS case files were missing the ECS 155 Report, therefore, discrepancy and date of review cannot be determined.

COUNTY OF ORANGE, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2006

Section III Federal Award Findings and Questioned Costs (Continued)

Finding 06-02 (Continued)

New Hire Registry (NHR)

- Nine (9) case files were missing the NHR410 Report, therefore, discrepancy and date of review cannot be determined.
- Three (3) case files were not reviewed within 45 days from the match date.
- One (1) NHR410 Report was not dated, therefore, the date of review was not determined.

Questioned Cost

\$ 5,392 of questioned costs is based on the individual errors noted in our sample.

Recommendation

We recommend the County strengthen its review process over the maintenance of documentation enforcing the federal requirement of timely reviews and adequate documentation.

Management Response

Earnings Clearance System (ECS)

County Policy

Orange County Social Services Agency IEVS Worker Tool Handbook, Integrated Fraud Detection System-Earnings Clearance (IFD-ECS), WT Number B2, instructs specialized IEVS staff to complete review of the ECS report within 45 days of the match date. Review includes case review, reconciliation of reported wages, fraud confrontation interview, initiation of change in benefits, overpayment calculation, and discontinuance for noncompliance.

Cause of Error

Orange County Social Services Agency is dedicated to processing each of its CalWORKs cases in a timely and accurate manner. This is demonstrated by the Agency's quality assurance practices including:

- Formal case reviews by supervisory staff of a sample of CalWORKs cases.
- Formal case reviews by Quality Assurance staff of a sample of CalWORKs cases.
- Informal case reviews by supervisory staff on an "as needed" basis according to recipient requests, employee development, or other factors.

All public administrative bodies acknowledge that certain levels of processing errors are inevitable and occur for several reasons.

COUNTY OF ORANGE, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2006

Section III Federal Award Findings and Questioned Costs (Continued)

Finding 06-02 (Continued)

In the retrospective budgeting environment benefits would be recalculated monthly to determine incorrect payments. The IEVS reports were viable tool to identify potential incorrect payments. However, with the implementation of quarterly reporting the regulations changed and the only time the IEVS reports are viable to identify potential erroneous payments is when the income is totally unreported.

New Hire Registry (NHR)

County Policy

Orange County Social Services Agency IEVS Worker Tool Handbook, New Hire Registry System (NHR), WT Number B7, instructs staff to complete review of the NHR report within 45 days of the match date. Review includes case review, confirmation of new employment, fraud confrontation interview, initiation of change in benefits, overpayment calculation, and discontinuance for noncompliance.

Cause of Error

Orange County Social Services Agency is dedicated to processing each of its CalWORKs cases in a timely and accurate manner. This is demonstrated by the Agency's quality assurance practices including:

- Formal case reviews by supervisory staff of a sample of CalWORKs cases.
- Formal case reviews by Quality Assurance staff of a sample of CalWORKs cases.
- Informal case reviews by supervisory staff on an "as needed" basis according to recipient requests, employee development, or other factors.

All public administrative bodies acknowledge that certain levels of processing errors are inevitable and occur for several reasons.

In the retrospective budgeting environment benefits would be recalculated monthly to determine incorrect payments. The IEVS reports were viable tool to identify potential incorrect payments. However, with the implementation of quarterly reporting the regulations changed and the only time the IEVS reports are viable to identify potential erroneous payments is when the income is totally unreported.

COUNTY OF ORANGE, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2006

Section III Federal Award Findings and Questioned Costs (Continued)

Finding 06-02 (Continued)

Corrective Action Plan

Earnings Clearance System (ECS)

Orange County Social Services Agency appreciates the observations and recommendations of this audit regarding IEVS Earnings Clearance. The Agency will continue its effort to reduce untimely processing of these reports. These efforts will include the following:

1. Conduct refresher training to CalWORKs eligibility staff about IEVS Handbook WT Number B2.
2. Emphasize:
 - The requirement to process Earnings Clearance reports within 45 days of the match date.
 - The proper signing of the reports.
 - The proper filing of the reports in the case record.

Additional Efforts:

1. Eleven (11) case files with missing ECS 155 Reports are in the process of being retrieved and reviewed to process the missing ECS 155 Reports and to assess any discrepancies.

New Hire Registry (NHR)

Orange County Social Services Agency appreciates the observations and recommendations of this audit regarding IEVS New Hire Registry. The Agency will continue its effort to reduce untimely processing of these reports. These efforts will include the following:

1. Conduct refresher training to CalWORKs eligibility staff about IEVS Handbook New Hire Registry System (NHR) WT Number B7.
2. Emphasize:
 - The requirement to process New Hire Registry reports within 45 days of the match date.
 - The proper signing of the reports.
 - The proper filing of the reports in the case record.

Additional efforts:

1. Nine (9) case files with missing NHR410 Reports are in the process of being retrieved and reviewed to process the missing NHR410 Reports and to assess any discrepancies.

COUNTY OF ORANGE, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2006

Section III Federal Award Findings and Questioned Costs (Continued)

Finding 06-03:

CFDA Title and Number: Temporary Assistance for Needy Families (TANF), CFDA #93.558
Federal Agency: U.S. Department of Health and Human Services
Pass-through Agency: California Department of Social Services
Award Year: June 30, 2006
Compliance: Eligibility

Condition

Per OMB A-133 Compliance Supplement Part IV for CFDA #93,558, the County is required to determine that a recipient is eligible to receive benefits.

During our audit test work performed to determine whether the County has complied with the eligibility requirements, we noted that four (4) case files out of our sample of sixty-three (63) participant files were missing the Eligibility Workers' (EW) approval signature on the SAW 2 forms. It was determined that the four (4) participants were determined to be eligible.

Questioned Costs

Not applicable

Recommendation

We recommend that the County's policies and procedures be emphasized to the EW's the importance of their approval signature. Their signature is an important element in the internal controls over eligibility.

Management Response

State and County Policy

Intranet policy 605 is obsolete and was replaced by policy #100-E12. Orange County Social Services Agency policy #100-E12 provides guidelines for required forms for Application and Reinvestigation packets. Initial Services Operating Procedure 601.A1 instructs staff to review the SAWS2 for potential eligibility at application. Ongoing Services Operating Procedure 602-A2 instructs staff to review the SAWS2 when conducting an annual reinvestigation/recertification. EAS manual section 40-128.1 reflects the applicant's responsibility to complete, sign and file with the County the Statement of Facts to support eligibility to assistance.

With the implementation of the CalWIN system effective February 1, 2006, the authorization process is automated.

COUNTY OF ORANGE, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2006

Section III Federal Award Findings and Questioned Costs (Continued)

Finding 06-03 (Continued)

Corrective Action Plan

Orange County Social Services Agency acknowledges and appreciates the observations and recommendations of this audit regarding the Eligibility Worker's signature on the SAWS2 and will assess ongoing business practices.

Orange County Social Services Agency is dedicated to processing each of its CalWORKs cases in a timely and accurate manner. This will continue to be demonstrated by the Agency's quality assurance practices including:

- Formal case reviews by supervisory staff of a sample of CalWORKs cases.
- Formal case reviews by Quality Assurance staff of a sample of CalWORKs cases.
- Informal case reviews by supervisory staff on an "as needed" basis according to recipient requests, employee development, or other factors.

Finding 06-04:

CFDA Title and Number: Ryan White Title I, CFDA #93.914
Federal Agency: U.S. Department of Health and Human Services
Pass-through Agency: Not applicable
Award Year: June 30, 2006
Compliance: Reporting

Condition

Per OMB A-133 Compliance Supplement Part IV for CFDA #93.914, the County is required to file PSC 272-E, Federal Cash Transaction Report, for reimbursement using the Payment Management System, 45 days after the end of the quarter.

We noted that three (3) out of the four (4) quarterly PSC272 Federal Cash Transaction Reports were submitted after the due date as follows:

	<u>Period Covered</u>	<u>Due Date</u>	<u>Date of Submission</u>
1	October 1 – December 31, 2005	February 14, 2006	February 15, 2006
2	January 1 – March 31, 2006	May 15, 2006	May 16, 2006
3	April 1 – June 30, 2006	August 14, 2006	August 17, 2006

Questioned Costs

Not applicable

COUNTY OF ORANGE, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2006

Section III Federal Award Findings and Questioned Costs (Continued)

Finding 06-04 (Continued)

Recommendation

We recommend that the County emphasize their policy and procedures to ensure the timely submission of the PSC272 as required by the program

Management Response

We recognize the importance of timely submissions of the quarterly electronic Federal Cash Transactions Reports, and concur that the submission dates as listed above did not fall strictly within the 45-day time period. For the quarter ended June 30, 2006, we were not able to submit the report due to problems in accessing the Federal system that we are required to use to send the data electronically. We needed assistance from the Division of Payment Management to reset the passwords, and we did not receive the new passwords from them until after the 45-day time period had expired.

Corrective Action Plan

We have now established and are using a precise calendar of due dates for all quarterly reports that consistently meets the 45-day reporting requirement.

Finding 06-05:

CFDA Title and Number:	Urban Area Security Initiative (UASI), CFDA #97.008
Federal Agency:	U.S. Department of Homeland Security
Pass-through Agency:	California Office of Emergency Services
Award Year:	June 30, 2006
Compliance:	Reporting

Condition

Per the Agreement to Transfer or Purchase Equipment or Services between the City and the County, the County is required "to submit the invoice to the City as soon as practical, but in no event later than 30 days after receiving it".

COUNTY OF ORANGE, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2006

Section III Federal Award Findings and Questioned Costs (Continued)

Finding 06-05 (Continued)

We noted that five (5) out of eight (8) Reimbursement Requests for Grant Expenditures were submitted after 30 days upon the receipt of invoices as follows:

#	Invoice #	Invoice Date	Date Claimed	Amount
1	41069328/41066982	March 3 /June 21 2005	October 5, 2005	\$ 776,098
2	7949	November 15, 2005	June 27, 2006	286,975
3	41069328	March 31, 2005	June 10, 2005	646,749
4	12614	August 26, 2006	October 5, 2006	143,873
5	Training Expenditure	February 19, 2006	April 19, 2006	3,467

Questioned Costs

Not applicable

Recommendation

We recommend that the County emphasize the importance of claiming costs timely in order to adhere to the terms of the contract and to recover costs that the County advances.

Management Response

The Department discovered instances of late claiming during a prior internal review by Audit Services and has already taken corrective action.

The Department concurs that all claims should be filed on a regular and timely basis in accordance with grant guidelines and cash management policies.

The Department was responsible for purchasing of and payment for items reimbursable by UASI funding. Claims for reimbursement were made after items received were inspected for compliance with purchase specifications and the resulting obligations were liquidated in accordance with grant guidelines for claiming, not when invoices were received.

Corrective Action Plan

Staff and management responsible for grant claiming have already been retrained subsequent to the period under audit in the requirements for claiming. In addition, desk procedures are currently being rewritten to ensure there is clear guidance regarding the responsibility of filing timely claims.

The Department will also request modification to future transfer agreements to ensure consistency with grant claiming guidelines.

COUNTY OF ORANGE, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2006

Section III Federal Award Findings and Questioned Costs (Continued)

Finding 06-06:

CFDA Title and Number: 1) Temporary Assistance for Needy Families (TANF), CFDA #93.558
2) Food Stamp Cluster, CFDA #10.551, and 10.561
3) Foster Care Program, CFDA #93.658

Federal Agency: 1) U.S. Department of Agriculture
2) U.S. Department of Health and Human Services

Pass-through Agency: California Department of Social Services

Award Year: June 30, 2006

Compliance: Allowable Costs, Eligibility, Reporting

Condition

While user authorization roles have been standardized as the 14 County-wide security profiles, changes to these security profiles have been performed without formal change policies including proper testing, authorization, and documentation procedures. Formal security profile change procedures help ensure that all functions within each user authorization profile have been reviewed to make certain that only the appropriate functions are allowed for each job position. This should be done in order to maintain a proper segregation of duties and mitigate the risk of fraud.

Questioned costs:

Not applicable

Recommendation:

SSA should formally document the user functions being performed within the CalWIN system and document the authorization roles that are appropriate for those functions. User access within the system should be periodically reviewed to ensure they are up-to-date.

The County's IT department should work in conjunction with SSA to develop and implement formal procedures for changes to security profiles. The authorization roles should be tested using formalized testing procedures to ensure they are appropriate and provide for a proper segregation of duties.

Management Response:

Orange County SSA Management is confident appropriate CalWIN security access and profiles are currently assigned to end users, however we agree with recommendations above and are working to develop and implement formalized maintenance processes by 11/30/07.

COUNTY OF ORANGE, CALIFORNIA

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2006

Section IV Summary of Prior Year Findings and Questioned Costs

Finding 05-01:

CFDA Title and Number: Temporary Assistance for Needy Families (TANF), CFDA #93.558
Federal Agency: U.S. Department of Health and Human Services
Award Year: June 30, 2005
Compliance: Special Tests and Provisions, Income Eligibility and Verification System

Corrective action has not been taken. See Finding 06-02 Special Tests and Provisions – Income Eligibility and Verification System.

Finding 05-02:

CFDA Title and Number: Temporary Assistance for Needy Families (TANF), CFDA #93.558
Federal Agency: U.S. Department of Health and Human Services
Award Year: June 30, 2005
Compliance: Eligibility

Partial corrective action has been taken. See Finding 06-03 Special Tests and Provisions – Income Eligibility and Verification System.