

COUNTY OF SANTA CLARA

Single Audit Reports

For the Fiscal Year Ended June 30, 2006

COUNTY OF SANTA CLARA
Single Audit Reports
For the Fiscal Year Ended June 30, 2006

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The Honorable Members of the
 Board of Supervisors of the
 County of Santa Clara
 San Jose, California

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the County of Santa Clara, California (the County), as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, and have issued our reported thereon dated November 28, 2006. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the FIRST 5 Santa Clara County; the County Sanitation Districts 2 - 3 of Santa Clara County; the Santa Clara County Vector Control District; the Santa Clara County Central Fire Protection District; and the Los Altos Hills County Fire District, which represent the following percentages of assets, net assets and revenues as of and for the fiscal year ended June 30, 2006:

Opinion Unit	Assets	Net Assets	Revenues
Governmental activities	2.3%	2.7%	3.2%
Business-type activities	1.4%	19.2%	0.4%
Aggregate discretely presented component units and remaining fund information	4.1%	4.4%	1.2%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted 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 (the Schedule) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule does not include expenditures of federal awards received by the Housing Authority of the County of Santa Clara (Housing Authority). The Housing Authority's expenditures are separately audited in accordance with OMB Circular A-133. The Schedule 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.


Certified Public Accountants

Walnut Creek, California
November 28, 2006

COUNTY OF SANTA CLARA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2006

Federal Grantor/Grant Name	Federal CFDA No.	Expenditures
U.S. Department of Agriculture		
<u>Passed Through State Department of Social Services:</u>		
Food Stamps	10.551	\$ 68,645,871
State Administrative Matching Grants for Food Stamp Program	10.561	16,643,147
Subtotal Food Stamps Cluster		85,289,018
<u>Passed Through State Department of Health Services:</u>		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	2,634,013
<u>Passed Through Council on Aging Silicon Valley</u>		
Nutrition Services Incentive	10.570	611,283
<u>Passed Through State Department of Agriculture</u>		
Inspection Grading and Standardization	10.162	6,000
<u>Passed Through State Department of Education:</u>		
Food Donation	10.550	5,162
School Breakfast Program	10.553	187,811
National School Lunch Program	10.555	278,771
Subtotal National School Lunch and Breakfast Program Cluster		466,582
Subtotal Passed Through State Department of Education		471,744
Total U.S. Department of Agriculture		89,012,058
U.S. Department of Housing and Urban Development		
<u>Direct Programs</u>		
Community Development Block Grants/Entitlement Grants	14.218	3,576,546
HOME Investment Partnerships Program	14.239	8,953,164
Total U.S. Department of Housing and Urban Development		12,529,710
U.S. Department of Interior		
<u>Direct Program</u>		
Cooperative Endangered Species Conservation	15.615	73,658
Total U.S. Department of Interior		73,658
U.S. Department of Justice		
<u>Direct Programs</u>		
Juvenile Accountability Incentive Block Grants	16.523	206,825
Supervised Visitation, Safe Havens for Children	16.527	303,330
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	55,364
Grants to Encourage Arrest Policies and Enforcement		
Dependency Drug Treatment Court	16.585	125,214
of Protection Orders	16.590	880,664
Public Safety Partnership and Community Policing Grants	16.710	193,333
Subtotal Direct Programs		1,764,730

See accompanying notes to Schedule of Expenditures of Federal Awards.

COUNTY OF SANTA CLARA
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2006

Federal Grantor/Grant Name	Federal CFDA No.	Expenditures
U.S. Department of Justice (Continued)		
<u>Passed Through the State Office of Emergency Service:</u>		
Crime Victim Assistance	16.575	304,989
Anti-Drug Abuse Enforcement Program	16.738	473,104
Subtotal Passed Through State Office of Emergency Service:		778,093
<u>Passed Through Bureau of Justice Assistance</u>		
State Criminal Alien Assistance Program	16.606	1,535,340
Total U.S. Department of Justice		4,078,163
U.S. Department of Transportation		
<u>Direct Program</u>		
Airport Improvement Program	20.106	996,820
<u>Passed Through State Department of Transportation</u>		
Highway Planning and Construction	20.205	1,228,605
<u>Passed Through State Business, Transportation, and Housing Agency</u>		
State and Community Highway Safety	20.600	475,384
Total U.S. Department of Transportation		2,700,809
U.S. Department of Education		
<u>Passed Through State Department of Alcohol and Drug</u>		
Safe and Drug Free Schools and Communities - State Grants	84.186	172,933
Total U.S. Department of Education		172,933
U.S. Department of Health and Human Services		
<u>Direct Program</u>		
Consolidated Health Centers (Community Health Center, Migrate Health Centers Health Care for the Homeless, Public Housing Primary Care, and School Base Health Centers)	93.224	566,819
Substance Abuse and Mental Health Services _Projects of Regional and National Significance	93.243	1,057,014
Subtotal Direct Programs		1,623,833
<u>Passed Through Council on Aging Silicon Valley</u>		
Special Programs for the Aging _Title III, Part C _Nutrition Service:	93.045	1,361,785
<u>Passed Through State Department of Health Services:</u>		
Public Health and Social Services Emergency Fund	93.003	2,614,970
Projects for Assistance in Transition from Homelessness (PATH)	93.150	232,083
Immunization Grants	93.268	1,127,245
Centers for Disease Control and Prevention _ Investigations and Technical Assistance	93.283	2,160,543
Refugee and Entrant Assistance _Discretionary Grants	93.576	361,161
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	1,806,065
Medical Assistance Program	93.778	49,710,241
HIV Emergency Relief Project Grants:	93.914	2,450,473
HIV Care Formula Grants	93.917	364,716
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	751,673
HIV Prevention Activities _Health Department Basec	93.940	1,503,570
Public Health Traineeships	93.964	1,033,788
Maternal and Child Health Services Block Grant to the State:	93.994	652,471
Subtotal Passed Through State Department of Health Services:		64,768,999

See accompanying notes to Schedule of Expenditures of Federal Awards.

COUNTY OF SANTA CLARA
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2006

Federal Grantor/Grant Name	Federal CFDA No.	Expenditures
U.S. Department of Health and Human Services (Continued)		
<u>Passed Through State Department of Child Support Services</u>		
Child Support Enforcement	93.563	24,416,134
<u>Passed Through State Department of Aging</u>		
Medical Assistance Program	93.778	4,267,772
<u>Passed Through State Department of Social Services:</u>		
Promoting Safe and Stable Families	93.556	1,365,312
Temporary Assistance for Needy Families	93.558	116,617,532
Refugee and Entrant Assistance_State Administered Program:	93.566	969,641
Refugee and Entrant Assistance_Targeted Assistance Grants	93.584	437,901
Child Welfare Services_State Grants	93.645	1,189,555
Foster Care_Title IV-E	93.658	45,887,413
Adoption Assistance	93.659	9,584,902
Social Services Block Grant	93.667	1,251,952
Chafee Foster Care Independence Program	93.674	631,692
Subtotal Passed Through State Department of Social Services:		177,935,900
<u>Passed Through State Department of Alcohol and Drug</u>		
Block Grants for Community Mental Health Services	93.958	721,247
Block Grants for Prevention and Treatment of Substance Abuse	93.959	11,216,140
Subtotal Passed Through State Department of Alcohol and Drug		11,937,387
Total U.S. Department of Health and Human Services		286,311,810
U.S. Department of Homeland Security		
<u>Direct Program</u>		
Homeland Security Grant Program	97.067	710,028
<u>Passed Through the State Office of Emergency Service:</u>		
State Domestic Preparedness Equipment Support Program	97.004	5,025,321
Pre-Disaster Mitigation	97.017	280,924
Emergency Management Performance Grant:	97.042	207,881
Subtotal Passed Through State Office of Emergency Service:		5,514,126
Total U.S. Department of Homeland Security		6,224,154
Total Expenditures of Federal Awards		\$ 401,103,295

See accompanying notes to Schedule of Expenditures of Federal Awards.

COUNTY OF SANTA CLARA
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2006

Note 1 – General

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the expenditures of all federal award programs of the County of Santa Clara, California (the County), for the fiscal year ended June 30, 2006, except for the Housing Authority of the County of Santa Clara (Housing Authority) (see Note 4). The County’s reporting entity is defined in Note 1 to the County’s basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the SEFA.

Note 2 – Basis of Accounting

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in Note 1 to the County’s basic financial statements, with the exception of the HOME Investment Partnership Program (see note 7).

Note 3 – Relationship to the Financial Statements

Expenditures of federal awards are reported in the County’s basic financial statements as expenditures in the General Fund and nonmajor special revenue funds and as expenses in the Airport enterprise fund.

Note 4 – Housing Authority (Discrete Component Unit) Federal Expenditures

The Housing Authority federal expenditures are excluded from the SEFA because the Housing Authority’s federal expenditures are separately audited. Expenditures for the programs of the Housing Authority listed below are taken from the separately issued single audit report. The programs of the Housing Authority are as follows:

Federal Grantor/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Agriculture		
Nutrition Services Incentive	10.570	\$ 21,554
U.S. Department of Housing and Urban Development		
Supportive Housing for Persons with Disabilities	14.181	264,300
Shelter Plus Care	14.238	2,443,176
Public and Indian Housing	14.850	944,523
Lower Income Housing Assistance Program:		
Section 8 Moderate Rehabilitation	14.856	1,254,236
Section 8 New Construction	14.182	1,345,089
Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	745,355
Section 8 Housing Choice Vouchers	14.871	229,428,787
Public Housing Capital Fund	14.872	1,340,817
Total Federal Expenditures		<u>\$ 237,787,837</u>

Note 5 – Food Stamps

Food stamps expenditures of \$68,645,871 represent the face value of food stamps distributed to program participants. They do not represent cash expenditures in the County’s basic financial statements for the fiscal year ended June 30, 2006.

COUNTY OF SANTA CLARA

Notes to the Schedule of Expenditures of Federal Awards (Continued)

For the Fiscal Year Ended June 30, 2006

Note 6 – Amount Provided to Subrecipients

Of the federal expenditures presented in the SEFA, the County provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Nutrition Services Incentive	10.570	\$ 611,283
Community Development Block Grants/Entitlement Grants	14.218	1,485,501
Juvenile Accountability Incentive Block Grants	16.523	151,341
Supervised Visitation, Safe Havens for Children	16.527	114,758
Dependency Drug Treatment Court	16.585	120,462
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	213,870
Anti-Drug Abuse Enforcement Program	16.738	214,437
Safe and Drug Free Schools and Communities	84.186	138,773
Special Program for the Aging - Title III, Part C Nutrition Services	93.045	1,361,785
Substance Abuse & Mental Health Services	93.243	382,218
Immunization Grants	93.268	291,848
Center for Disease Control & Prevention - Investigations and Technical Assistance	93.283	497,220
Temporary Assistance for Needy Families (TANF)	93.558	4,606,503
Refugee and Entrant Assistance-State Administered Programs	93.566	267,506
Refugee and Entrant Assistance-Discretionary Grants	93.576	141,650
Refugee and Entrant Assistance-Targeted Assistance Grants	93.584	299,138
Chafee Foster Care Independent Living	93.674	540,446
HIV Emergency Relief Project Grants	93.914	1,578,493
HIV Prevention Activities - Health Department Based	93.940	496,644
Block Grants for Community Mental Health Services	93.958	142,852
Substance Abuse Prevention and Treatment Block Grant	93.959	4,107,564
State Domestic Preparedness Equipment Support Program	97.004	984,039
Homeland Security Grant Program	97.067	480,022
Total		<u>\$ 19,228,353</u>

Note 7 – Loans Outstanding

The County participates in certain federal award programs that sponsor revolving loan programs, which are administered by the County. These programs maintain servicing and trust arrangements with the County to collect loan repayments. The funds are returned to the programs upon repayment of the principal and interest. The federal government has imposed certain continuing compliance requirements with respect to the loans rendered under the HOME Investment Partnership Program (HOME). During the fiscal year 2006, the County incurred \$168,161 in expenditures related to new loans under this program. As of June 30, 2006, the total amount of HOME loans outstanding subject to continuing compliance requirements was \$8,411,123, which is included in the SEFA.

COUNTY OF SANTA CLARA

Notes to the Schedule of Expenditures of Federal Awards (Continued)

For the Fiscal Year Ended June 30, 2006

Note 8 – California Department of Aging (CDA) Grant

The terms and conditions of agency contracts with CDA require agencies to display state-funded expenditures discretely along with the related federal expenditures. The following schedule is presented to comply with these requirements.

Federal Grantor Pass-through Grantor Program Title	CFDA Number	Grant/ Contract Number	Expenditures	
			State	Federal
U.S. Department of Agriculture				
<i>Pass through the Council on Aging Silicon Valley</i>				
Nutrition Services Incentive (NSIP)	10.570	AP-0506-10	\$ -	\$ 611,283
U.S. Department of Health & Human Services				
<i>Pass through the Council on Aging Silicon Valley</i>				
<i>Special Programs for the Aging Title III, Part C</i>				
Nutrition Services	93.045	AP-0506-10	208,075	1,361,785
Medical Assistance Program:				
California Children's Services (CCS)				
Child Health and Disability Prevention (CHDP)				
Health Care Program for Children in				
Foster Care (HCPCFC)	93.778		<u>2,766,039</u>	<u>4,267,772</u>
Total Expenditures of State and Federal Awards			<u>\$ 2,974,114</u>	<u>\$ 6,240,840</u>

Note 9 – Program Totals

The schedule of expenditures of federal awards does not summarize programs that receive funding from various funding sources or grants. The following table summarizes the Medical Assistance Program:

Program Title / Federal Grantor or Pass-Through Grantor	Federal Expenditures
CFDA Number 93.778 - Medical Assistance Program (Medicaid: Title XIX)	
State of California, Department of Health Services	\$ 49,710,241
State of California, Department of Aging	<u>4,267,772</u>
	<u>\$ 53,978,013</u>

COUNTY OF SANTA CLARA
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2006

Note 10 - Schedules of the Office of Emergency Services (OES), California Victims Compensation & Government Claims Board, and California Department of Justice grant expenditures

State of California Office of Emergency Services grant expenditures:

The following represents grant expenditures for Department of Justice grants passed through the State of California Office of Emergency Services for the fiscal year ended June 30, 2006.

<u>Program Title and Expenditure Category</u>	<u>Grant Award Number/Period</u>	<u>Budget</u>	<u>Actual Non-match</u>	<u>Actual Match</u>	<u>Actual Total</u>	<u>Variance</u>
Victim Witness Assistance - OCJP & OES	VW 04230430					
Personal Services	7/1/04 to 9/30/05	\$ 522,485	\$ -	\$ -	\$ -	\$ 522,485
Operating Expenses		123,557	9,290	688	9,978	113,579
Equipment		9,916	7,933	1,983	9,916	-
Total		<u>\$ 655,958</u>	<u>\$ 17,223</u>	<u>\$ 2,671</u>	<u>\$ 19,894</u>	<u>\$ 636,064</u>
Victim Witness Assistance - OES	VW 05240430					
Personal Services	7/1/05 to 6/30/06	\$ 520,460	472,897	\$ -	\$ 472,897	\$ 47,563
Operating Expenses		122,145	119,214	-	119,214	2,931
Equipment		-	-	-	-	-
Total		<u>\$ 642,605</u>	<u>\$ 592,111</u>	<u>\$ -</u>	<u>\$ 592,111</u>	<u>\$ 50,494</u>
Anti-Drug Abuse Enforcement Program	DC05160430					
Personal Services	7/1/05 to 6/30/06	\$ 258,667	\$ 258,667	\$ -	\$ 258,667	\$ -
Operating Expenses		208,160	208,160	-	208,160	-
Equipment		6,277	6,277	-	6,277	-
Total		<u>\$ 473,104</u>	<u>\$ 473,104</u>	<u>\$ -</u>	<u>\$ 473,104</u>	<u>\$ -</u>

(Note: The non-match expenditure of \$10,683, \$294,306 and \$473,104 for grants VW04230430, VW 05240430 and DC05160430, respectively are reported as federal expenditures in the SEFA under the following CFDA numbers:16.575, 16.575 and 16.738.)

The following represents the State of California Office of Emergency Services summary grant expenditures for the fiscal year ended June 30, 2006. This information is included in the County's single audit report at the request of the State of California's Office of Emergency Services.

<u>Program Title and Expenditure Category</u>	<u>Grant Award Number/Period</u>	<u>Budget</u>	<u>Actual Non-match</u>	<u>Actual Match</u>	<u>Actual Total</u>	<u>Variance</u>
Child Abuser Vertical Prosecution Program	VB 05030430					
Personal Services	7/1/05 to 6/30/06	\$ 180,925	\$ 180,925	\$ -	\$ 180,925	\$ -
Operating Expenses		-	-	-	-	-
Equipment		-	-	-	-	-
Total		<u>\$ 180,925</u>	<u>\$ 180,925</u>	<u>\$ -</u>	<u>\$ 180,925</u>	<u>\$ -</u>
High Technology Theft Apprehension & Prosecutio	HT 05060430					
Personal Services	7/1/05 to 6/30/06	\$ 582,623	\$ 402,623	\$ 180,000	\$ 582,623	\$ -
Operating Expenses		1,844,725	1,539,255	305,470	1,844,725	-
Equipment		-	-	-	-	-
Total		<u>\$ 2,427,348</u>	<u>\$ 1,941,878</u>	<u>\$ 485,470</u>	<u>\$ 2,427,348</u>	<u>\$ -</u>
High Technology Theft Apprehension & Prosecutio	HD 04040430					
Personal Services	7/1/04 to 6/30/05	\$ 275,782	\$ -	\$ -	\$ -	\$ 275,782
Operating Expenses		361,946	1,269	-	1,269	360,677
Equipment		74,772	9,873	2,811	12,684	62,088
Total		<u>\$ 712,500</u>	<u>\$ 11,142</u>	<u>\$ 2,811</u>	<u>\$ 13,953</u>	<u>\$ 698,547</u>
High Technology Theft Apprehension & Prosecutio	HD 05050430					
Personal Services	7/1/05 to 6/30/06	\$ 321,139	\$ 233,735	\$ 87,404	\$ 321,139	\$ -
Operating Expenses		379,155	326,500	52,655	379,155	-
Equipment		-	-	-	-	-
Total		<u>\$ 700,294</u>	<u>\$ 560,235</u>	<u>\$ 140,059</u>	<u>\$ 700,294</u>	<u>\$ -</u>

COUNTY OF SANTA CLARA
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2006

Note 10 - Schedules of the Office of Emergency Services (OES), California Victims Compensation & Government Claims Board, and California Department of Justice grant expenditures (Continued)

California Victims Compensation & Government Claims Board grant expenditures:

The following represents the California Victims Compensation & Government Claims Board grant expenditures for the fiscal year ended June 30, 2006. This information is included in the County's single audit report at the request of the California Victims Compensation & Government Claims Board.

<u>Program Title and Expenditure Category</u>	<u>Grant Award Number/Period</u>	<u>Budget</u>	<u>Actual Non-match</u>	<u>Actual Match</u>	<u>Actual Total</u>	<u>Variance</u>
Victim Witness Assistance - BOC	BOC-5059 (VCGC5059)					
Personal Services	7/1/05 to 6/30/06	\$ 912,652	\$ 833,940	\$ -	\$ 833,940	\$ 78,712
Operating Expenses		162,786	150,823	-	150,823	11,963
Equipment		1,812	798	-	798	1,014
Total		<u>\$ 1,077,250</u>	<u>\$ 985,561</u>	<u>\$ -</u>	<u>\$ 985,561</u>	<u>\$ 91,689</u>
Victim Witness Restitution for Crime Victims	BOC-5077					
Personal Services	7/1/05 to 6/30/06	\$ 165,127	\$ 165,127	\$ -	\$ 165,127	\$ -
Operating Expenses		583	583	-	583	-
Equipment		-	-	-	-	-
Total		<u>\$ 165,710</u>	<u>\$ 165,710</u>	<u>\$ -</u>	<u>\$ 165,710</u>	<u>\$ -</u>

California Department of Justice grant expenditures:

The following represents the California Department of Justice grant expenditures for the fiscal year ended June 30, 2006. This information is included in the County's single audit report at the request of the California Department of Justice.

<u>Program Title and Expenditure Category</u>	<u>Grant Award Number/Period</u>	<u>Budget</u>	<u>Actual Non-match</u>	<u>Actual Match</u>	<u>Actual Total</u>	<u>Variance</u>
Spousal Abuser Prosecution Program	0512SAB030					
Personal Services	7/1/05 to 6/30/06	\$ 56,360	\$ 37,353	\$ 19,007	\$ 56,360	\$ -
Other		57,680	57,680	-	57,680	-
Total		<u>\$ 114,040</u>	<u>\$ 95,033</u>	<u>\$ 19,007</u>	<u>\$ 114,040</u>	<u>\$ -</u>
Burbank Weed & Seed	2005WSQ50124					
Personal Services	1/1/05 to 6/30/06	\$ 22,660	\$ 24,825	\$ -	\$ 24,825	\$ (2,165)
Operating Expenses		152,340	150,175	-	150,175	2,165
Other		-	-	-	-	-
Total		<u>\$ 175,000</u>	<u>\$ 175,000</u>	<u>\$ -</u>	<u>\$ 175,000</u>	<u>\$ -</u>



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The Honorable Members of the
 Board of Supervisors of the
 County of Santa Clara
 San Jose, 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, each major fund, and the aggregate discretely presented component units and remaining fund information of the County of Santa Clara, California, (the County), as of and for the fiscal year ended June 30, 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 28, 2006. We did not audit the financial statements of the FIRST 5 Santa Clara County; the County Sanitation Districts 2 - 3 of Santa Clara County; the Santa Clara County Vector Control District; the Santa Clara County Central Fire Protection District; and the Los Altos Hills County Fire District, which represent the following percentages of assets, net assets and revenues as of and for the fiscal year ended June 30, 2006:

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Business-type activities	1.4%	19.2%	0.4%
Aggregate discretely presented component units and remaining fund information	4.1%	4.4%	1.2%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 operating 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 basic 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 Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated November 28, 2006.

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


Certified Public Accountants

Walnut Creek, California
November 28, 2006



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The Honorable Members of the
Board of Supervisors of the
County of Santa Clara
San Jose, California

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

Compliance

We have audited the compliance of County of Santa Clara, California (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 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.

The County's basic financial statements include the operations of the Housing Authority of the County of Santa Clara (Housing Authority), which expended \$237,787,837 in federal awards, which is not included in the schedule of expenditures of federal awards (SEFA) for the fiscal year ended June 30, 2006. Our audit, described below, did not include the operations of the Housing Authority because we audited and reported on the Housing Authority in accordance with OMB Circular A-133 as a separate engagement.

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.

As described in item 2006-01, in the accompanying schedule of findings and questioned costs, the County did not comply with the requirements regarding eligibility and special tests and provisions that are applicable to its Temporary Assistance for Needy Families (CFDA 93.558) program. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2006

Internal Control Over Compliance

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over 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. The reportable conditions are described in the accompanying schedule of finding and questioned costs as items 2006-01 and 2006-02.

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 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.

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


Certified Public Accountants

Walnut Creek, California
February 5, 2007, except for the expenditures of federal
awards of the HOME Investment Partnership Program
(CFDA #14.239), which is dated March 26, 2007

COUNTY OF SANTA CLARA
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2006

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
<ul style="list-style-type: none"> • Material weaknesses identified? • Reportable conditions identified that are not considered to be material weaknesses? 	No None reported.
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
<ul style="list-style-type: none"> • Material weaknesses identified? • Reportable conditions identified that are not considered to be material weaknesses? 	No Yes
Type of auditor’s report issued on compliance for major programs:	Qualified for CFDA #93.558 only
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes
Identification of major programs:	
CFDA #10.557	Special Supplemental Nutrition Program for Women, Infants and Children
CFDA #14.239	HOME Investment Partnership Program
CFDA #16.606	State Criminal Alien Assistance Program
CFDA #20.205	Highway Planning and Construction
CFDA #93.558	Temporary Assistance for Needy Families
CFDA #93.563	Child Support Enforcement
CFDA #93.659	Adoption Assistance
CFDA #93.778	Medical Assistance Program
Dollar threshold used to distinguish between Type A and Type B programs:	\$3,000,000
Auditee qualified as low-risk auditee?	Yes

Section II Financial Statement Findings

None reported.

COUNTY OF SANTA CLARA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2006

Section III Federal Award Findings and Questioned Costs

Finding No. 2006-01 **CFDA #93.558 - Temporary Assistance for Needy Families (TANF) Eligibility and Special Tests & Provisions – Child Support Non Cooperation, Income Eligibility and Verification System, Penalty for Refusal to Work**

Criteria:

In accordance with OMB Circular A-133, a grantee is responsible for determining and documenting eligibility determinations. Specifically, the County is required to:

- Terminate or reduce assistance by at least 25 percent for child support non-cooperation;
- Reduce or terminate assistance for refusal to work subject to any good cause or exemption, such as unavailability of appropriate child care for an adult single custodial parent caring for a child under the age of six; and
- Consider the information obtained from the Income Eligibility and Verification System (IEVS) in determining eligibility and the amount of TANF benefits.

The County has established policies and procedures to send out a notice of action (NOA) to participants who do not cooperate with child support or who refuse to work at least ten days before the effective date of the County imposing a sanction on the participants' benefits.

OMB Circular A-133 also requires a grantee to use the Income Eligibility and Verification System (IEVS) to corroborate income information provided by the applicant during the eligibility determination process. The County also requires that eligibility workers sign and maintain a copy of the IEVS form in the participants' case folders to document that income and benefit information from IEVS was requested and used when making eligibility determinations. Since the County is receiving TANF grant funding passed through the State, the State has developed various forms to be completed in the eligibility determination process including the "Statement of Facts for Cash Aid, Food Stamps, and Medi-Cal/State-run County Medical Services Program" (SAWS-2) form and the "Notice and Agreement for Child, Spousal and Medical Support" (CW2.1). This form is used to document the eligibility determination of the applicant and all relevant information supporting the determination.

Condition:

During the performance of our testwork over these federal compliance requirements, we noted the following:

- *Child Support Non Cooperation* –Ten out of the fourteen cases tested (out of a population of 20 fiscal year 2006 new participants) that had benefits terminated did not have a notice of action form in the case file.
- *Penalty for Refusal to Work* –One out of the forty cases (out of a population of 1,792 participants) tested that had benefits terminated did not have a notice of action form in the case file.
- *Income Eligibility and Verification System* – The County was unable to locate four out of the forty-five case files selected for tested (out of a population of 17,774 participants). In addition, eight case files were missing the IEVS; three case files were missing the CW2.1; and one case file was missing the SAWS-2. One case also did not have an indication of approval from the eligibility worker on the SAWS-2.

COUNTY OF SANTA CLARA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2006

Finding No. 2006-01 (Continued)

Cause:

The County was mandated to implement a new eligibility determination computer system, the CalWORKs Information Network (CalWIN). The County is part of an 18 county consortium that previously used a DOS-based computer system called Welfare Case Data Systems (CDS). Effective June 1, 2005, the County became the fifth California county to move to the CalWIN system. CalWIN is an automated information system that automates eligibility determination and case maintenance functions for specific county-administered social services programs in the state of California, including CalWORKs, Food Stamps, Medi-Cal, CAPI (Cash Assistant Program for Immigrants), General Assistance, and Foster Care.

CalWIN is a Windows-based software package radically evolved from its predecessor, the mainframe, 'green screen' style Welfare Case Data System (CDS). Much CDS core technology, including legacy COBOL code, was imported into CalWIN, but the latter system is far more complex. While CDS had about 100 data collection and display screens, CalWIN has over 1,000. During the County's CalWIN implementation, operational problems, delays, and system issues occurred frequently and regularly. As a result, the County's staff has spent additional resources to correct these issues. In addition, the County staff are spending a significant amount of time relearning how to perform routine tasks, validating results and reconciling system reports.

Questioned Costs:

Known questioned costs related to the Income Eligibility and Verification System requirement are \$27,512 for the twelve cases related to the missing IEVS form.

Recommendation:

We recommend the County continue to offer supplemental CalWIN trainings so that its caseworkers could improve on their efficiency and effectiveness with this new complex system. In addition, the County should evaluate the caseload related to the old versus the new system to ensure that adequate resources are in place to improve the implementation process.

Management Response from the Social Services Agency:

A memorandum identifying the findings of the 2006 TANF Single Audit will be issued by March 23, 2007 to all Department of Employment and Benefits (DEBS) staff. The memorandum will provide clear instructions to staff on which steps to follow to ensure we are in compliance with State regulations. In addition, all non-cooperation referrals from the Department of Child Support Services (DCSS) will be centralized and received by SSA's Program Bureau before forwarding them to Social Services Program Managers (SSPMs), Eligibility Workers (EWs), and Eligibility Worker Supervisors (EW Sups). The Program Bureau will monitor the issuance and recording of appropriate NOAs and corresponding penalties.

COUNTY OF SANTA CLARA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2006

Finding No. 2006-01 (Continued)

Santa Clara County has an ongoing training curriculum for CalWIN. As trends are identified via CalWIN tickets, etc. our CalWIN Subject Matter Experts (SME's) meet with our Staff Development Trainers and mandatory training is provided to staff. This is done as needs are identified throughout the year.

In addition, a SSA CalWIN Division was created in January 2007. Its purpose is to focus on the full implementation and integration of CalWIN into the business side, including Staff Development needs. It will also address the need for adequate resources to be in place to improve the implementation process.

Finding No. 2006-02 **CFDA #14.239 – HOME Investment Partnerships Program (HOME) – Monitoring of Eligibility Determination**

Criteria:

Under the requirements of the Single Audit Act and OMB Circular A-133, a grantee is responsible for documenting eligibility determinations. HOME-assisted units in a rental housing project must, pursuant to 24 CFR 92.216(a), be occupied only by households that are eligible as low-income families and must meet certain limits on the rents that can be charged. The requirements also apply to the HOME-assisted non-owner-occupied single-family housing purchased with HOME funds. Although the initial eligibility determinations are made by the rental housing owners, the County must perform on-site inspections to determine compliance with applicable property standards and verify the information submitted by the owners.

Condition:

Based on discussions with Office of Affordable Housing (OAH) staff and review of monitoring documentation, the County has established policies and procedures to perform on-site inspections within the required timeframe. However, the monitoring process did not include procedures to verify actual rent and annual tenant income eligibility information provided by the owner.

Effect:

The County is not in compliance with the monitoring requirement in regards to tenant income eligibility. This may potentially allow the continuation of funding to projects that do not comply with applicable federal requirements.

Questioned Costs:

Not Applicable

COUNTY OF SANTA CLARA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2006

Finding No. 2006-02 (Continued)

Recommendation:

The OAH has been working on a set of procedure to address the ongoing monitoring of rental housing projects. We recommend that OAH continue to evaluate, design and implement effective control procedures over the rental housing inspection process to ensure that tenants are eligible low-income families. Monitoring results should be adequately documented and maintained to support each inspection. Inspection records should include relevant information such as the date of inspection, deadline for the next inspection, tenant income verification, and a conclusion on whether the tenant has been determined to be eligible. Program staff should be held responsible for filing documentation and supervisors should review and monitor the process of adequately documenting inspection results.

Management Response from the Office of Affordable Housing:

Office of Affordable Housing (OAH) does onsite inspections according to Department of Housing and Urban Development (HUD) regulations each year. OAH agrees that we have not conducted monitoring to verify actual rent and annual tenant income eligibility information provided by the owner. However, HUD has approved OAH's plan to complete the rental eligibility monitoring of all HOME assisted units by April 30, 2007. This will entail written verification from property managers of rental income eligibility and actual rent paid, as well as on-site verification with tenants. Procedures have been put in place to conduct onsite inspections, verify actual rent and annual tenant income eligibility information provided by the owner as required by HUD regulations each year thereafter.

COUNTY OF SANTA CLARA
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2006

Reference Number: 2005-01

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

Audit Finding: Special Tests & Provisions.
Child Support Non-Cooperation - Eight out of forty cases tested did not have a notice of action form in the file.
Income Eligibility and Verification System - Four out of forty cases tested were missing the IEVS reports and four cases that did have the IEVS reports did not have an indication of approval from the eligibility worker.
Penalty for Refusal to Work - Two out of forty cases tested did not have a notice of action form in the case file.
Adult Custodial Parent of Child Under Six When Child Care is Not Available - Eight out of forty cases tested did not have a notice of action form in the case file.

Status of Corrective Action: Not corrected. See Finding 2006-01.

Reference Number: 2005-02

Federal Catalog Number: 93.558 – Temporary Assistance for Needy Families (TANF)

Audit Finding: Allowable Costs: We noted that five out of forty timesheets selected for testing did not indicate supervisory signature indicating approval of hours worked.

Status of Corrective Action: Corrected.