

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES
FIRST-PROPOSITION 10 COMMISSION
(a Component Unit of the County of Los Angeles, California)**

SINGLE AUDIT REPORT

For the Year Ended June 30, 2011

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST-PROPOSITION 10 COMMISSION**

**Single Audit Report
For the Year Ended June 30, 2011**

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INDEPENDENT AUDITORS' 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

Board of Commissioners
Los Angeles County Children and Families
First – Proposition 10 Commission
Los Angeles, California

We have audited the financial statements of the governmental activities and the general fund of the Los Angeles County Children and Families First – Proposition 10 Commission (the Commission), a component unit of the County of Los Angeles, California, as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 7, 2011. Our report included an explanatory paragraph regarding the Commission's adoption of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010. 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

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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 Standards*.

We noted certain other matters that we reported to management of the Commission in a separate letter dated October 7, 2011.

This report is intended solely for the information and use of management, the County Board of Supervisors, Board of Commissioners, the County Commission, the State Commission, the State Controller's Office, 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. However, this report is a matter of public record and its distribution is not limited.



Rancho Cucamonga, California
October 7, 2011



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM,
INTERNAL CONTROL OVER COMPLIANCE AND THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
Los Angeles County Children and Families
First – Proposition 10 Commission
Los Angeles, California

Compliance

We have audited the Los Angeles County Children and Families First – Proposition 10 Commission's (the Commission) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2011. The Commission's major federal programs are identified in the summary of auditors' 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 Commission's management. Our responsibility is to express an opinion on the Commission'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 Commission'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 Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 noted as items 2011-1 and 2011-2.

Internal Control Over Compliance

Management of the Commission 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 Commission's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities and the general fund of the Los Angeles County Children and Families First – Proposition 10 Commission (the Commission), a component unit of the County of Los Angeles, California, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 7, 2011. Our report included an explanatory paragraph regarding the Commission's adoption of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required OMB Circular A-133 and is 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 financial statements as a whole.

The Commission's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Commission's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the County Board of Supervisors, the Board of Commissioners, the County Commission, the State Commission, 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.



Rancho Cucamonga California

October 7, 2011

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
(a Component Unit of the County of Los Angeles, California)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011**

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Passed through the County of Los Angeles:			
Medi-Cal Administrative Activities [1]	93.778	75714	<u>\$ 507,869</u>
Total Expenditures of Federal Awards			<u><u>\$ 507,869</u></u>

[1] Denotes a major Federal Financial Assistance Program

See accompanying notes to Schedule of Expenditures of Federal Awards.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
(a Component Unit of the County of Los Angeles, California)**

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of federal awards of the Los Angeles County Children and Families First – Proposition 10 Commission (Commission). The Commission's reporting entity is defined in Note 1 of the Commission's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the Schedule.

B. Basis of Accounting

The Single Audit Act defines major federal award programs based upon total federal expenditures of the grantee during the period reported and risk of the programs audited. The Schedule of Expenditures of Federal Awards includes expenditures incurred for Medi-Cal Administrative Activities (CFDA No. 93.778) in the fiscal year 2008-2009, which were approved for reimbursement by the grantor agency in the fiscal year 2010-2011.

C. Relationship to Basic Financial Statements

Federal awards revenues are generally reported within the Commission's financial statements under the financial statement caption "Federal Operating Grants" for the Governmental Fund.

D. Pass-Through Awards to Subrecipients

Included in the total expenditures of federal awards, the amount of \$319,761 has been passed through to subrecipients under CFDA # 93.778.

E. Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures to Federal Awards agree with the amounts reported in the related federal financial reports. However, certain federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the Schedule of Expenditures of Federal Awards and the federal financial reports.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
(a Component Unit of the County of Los Angeles, California)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
I. SUMMARY OF AUDITORS' RESULTS**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medi-Cal Administrative Activities
_____	_____
_____	_____
_____	_____

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
II. FINANCIAL STATEMENT FINDINGS**

None noted.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
(a Component Unit of the County of Los Angeles, California)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Finding 2011-1

Program: Medi-Cal Administrative Activities
CFDA No.: 93.778
Federal Agency: U.S. Department of Health and Human Services
Passed-through: County of Los Angeles
Award No.: 75714
Award Year: Fiscal year 2010-2011
Compliance Requirement: Subrecipient Monitoring

Criteria:

The *June 2011 Office of Budget and Management (OMB) OMB Circular A-133 Compliance Supplement* requires that the Commission identify to the subrecipients the (1) Federal award information (i.e., CFDA title and number; award name and number) and (2) applicable OMB A-133 compliance requirements.

Condition Found:

Instance of Non-Compliance – The Commission’s contracts with its subrecipients did not identify the Federal award information and applicable OMB Circular A-133 compliance requirements.

Questioned Costs:

None noted.

Context:

The condition noted above was identified during our testwork of specific requirements related to subrecipient monitoring, it was noted that the Medi-Cal Administrative Activities (MAA) program agreements were in place but did not include Federal award identification or applicable OMB Circular A-133 compliance requirements.

Effect:

Federal award identification and applicable OMB Circular A-133 compliance requirements were not included in the subrecipient agreements, which could increase the risk of non-compliance with subrecipient monitoring requirements.

Cause:

The Commission did not ensure that the above described provisions were communicated to the subrecipient.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
(a Component Unit of the County of Los Angeles, California)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Recommendation:

We recommend that the Commission establish policies and procedures with regard to communicating Federal award identification and applicable OMB Circular A-133 compliance requirements to the subrecipients and ensure that such policies and procedures are formally documented and strictly adhered to by Commission personnel.

Views of Responsible Officials and Planned Corrective Actions:

The Commission has established and implemented policies and procedures with regard to communicating Federal award identification and applicable OMB Circular A-133 compliance requirements to the subrecipients and ensure that such policies and procedures are formally documented and strictly adhered to by Commission personnel.

Finding 2011-2

Program: Medi-Cal Administrative Activities

CFDA No.: 93.778

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

Passed-through: County of Los Angeles

Award No.: 75714

Award Year: Fiscal year 2010-2011

Compliance Requirement: Procurement and Suspension and Debarment

Criteria:

The *June 2011 Office of Budget and Management (OMB) OMB Circular A-133 Compliance Supplement* states that when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred, or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties list System (EPLS)*, collecting a certification from the entity or adding a clause or condition to the covered transaction with that entity.

Condition Found:

Instance of Non-Compliance – The Commission did not verify suspension and debarment by reviewing the EPLS, obtaining a certification from the subrecipient or including a clause in the subrecipient agreement.

Questioned Costs:

None noted.

Context:

The condition noted above was identified during our testing of the procurement and suspension and debarment requirements of the program.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
(a Component Unit of the County of Los Angeles, California)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Effect:

The Commission increases its risk of contracting with a suspended and debarred vendor.

Cause:

The Commission did not maintain procedures requiring verification of the suspended and debarred status of its subrecipients.

Recommendation:

We recommend that the Commission implement procedures to ensure that procurements and subawards of federally funded projects are verified for suspension and debarment by review of the EPLS, collecting the appropriate certification or adding a clause/condition to the agreement.

Views of Responsible Officials and Planned Corrective Actions:

The Commission has implemented procedures to ensure that procurements and subawards of federally funded projects are verified for suspension and debarment by review of the EPLS, collecting the appropriate certification or adding a clause/condition to the agreement.

**LOS ANGELES COUNTY
CHILDREN AND FAMILIES FIRST – PROPOSITION 10 COMMISSION
(a Component Unit of the County of Los Angeles, California)**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Finding	CFDA No.	Program	Status
2010-1	93.778	Medi-Cal Administrative Activities	Partially implemented – see current year finding at 2011-1
2010-2	93.778	Medi-Cal Administrative Activities	Partially implemented – see current year finding at 2011-2