

**REPORT
ON THE
LIMITED AUDIT**

**COUNTY OF SAN MATEO
COUNTY OF SAN MATEO HEALTH SYSTEM
SAN MATEO, CALIFORNIA**

**PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
CFDA NO. 93.283**

**FISCAL PERIOD
AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

**Audits Section – Richmond
Financial Audits Branch
Audits and Investigations
Department of Health Care Services**

**Section Chief: Louise Wong
Audit Supervisor: Sandra Garcia
Auditor: Edmund Yee**



TOBY DOUGLAS
Director

State of California—Health and Human Services Agency
Department of Health Care Services



EDMUND G. BROWN JR.
Governor

April 13, 2011

Elizabeth Kauk
Financial Services Manager II
County of San Mateo Health System
225 37th Avenue
San Mateo, CA 94403

Dear Ms. Kauk:

The claims for expenditures for services provided by County of San Mateo Health System, Public Health Emergency Preparedness Program, CDC Funding Grant Agreement, and Federal Domestic Assistance Number: 93.283, for the fiscal period of August 31, 2005 through August 30, 2006, have been audited by the Financial Audits Branch of the Department of Health Care Services.

Except as set forth in the following paragraph, our audit was made in accordance with generally accepted government auditing standards as promulgated by the Comptroller General of the United States. Accordingly, our audit included such tests of the accounting records and other audit procedures, as we considered necessary under the circumstances.

The financial statements of County of San Mateo for the year ending June 30, 2006, were examined by other auditors whose report dated November 9, 2006 expressed an unqualified opinion on those statements.

The scope of our review was limited to specific contract or program requirements relating to financial compliance and did not include sufficient work to determine whether the financial statements present fairly the financial position and the results of the financial operations. We have not duplicated the work performed by the other auditors.

As noted in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial position referred above.

The exit conference was held on October 13, 2010 at which time the results of the engagement were discussed.

This Audit Report includes the:

1. Executive Summary of Findings
2. Fiscal Findings
3. Financial Schedules

The report concludes that no additional amount is due the Federal government or Contractor.

Emergency Preparedness Office may require a corrective action plan in response to the findings in this report. If so, please send a copy of the corrective action plan to:

Richard Martin,
Contract Manager
Planning and Policy Unit
Emergency Preparedness Office
California Department of Public Health
1615 Capitol Avenue, Suite 73.373
P.O. Box 997413, MS 7002
Sacramento, CA 95899-7413

If you should have any further question, please contact Richard Martin, Contract Manager, Planning and Policy Unit, Emergency Preparedness Office at (916) 445-2103.

Original Signed by

Louise Wong, Chief
Audits Section – Richmond
Financial Audits Branch

Certified

cc:	Betsey Lyman Deputy Director	Emergency Preparedness Office California Department of Public Health 1615 Capitol Avenue, Suite 73.373 P.O. Box 997413, MS 7002 Sacramento, CA 95899-7413
	Susan Fanelli Assistant Deputy Director	
	Richard Martin Contract Manager	

**COUNTY OF SAN MATEO
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

I. EXECUTIVE SUMMARY OF FINDINGS

The following information is a summary of our findings:

CONTRACT/GRANT COMPLIANCE

Our report does not include an evaluation of the County's progress toward achieving the CDC Emergency Preparedness goals and objectives other than to note that the County submitted the reports required to document their activities related to the grant award. These reports are monitored by the Emergency Preparedness Office (EPO) or the Federal Center for Disease Control and Prevention (CDC).

FISCAL FINDINGS

1. The County requested a total of \$848,209 of federal funds, and had expenditures totaling \$848,209. (See Section V.A)
2. The County did not meet requirements to deposit the grant funds in a special local public health preparedness trust fund established exclusively for Emergency Preparedness. (See Section V.B)
3. The grant agreement requires that the County not use the CDC funds to supplant existing levels of services in the County. During the course of our review, we did not detect any situations in which funds from this agreement were used to fund other pre-existing programs or other new programs. (See Section V.C)
4. Required mid-year and year-end written progress reports and expenditure reports were submitted on a timely basis. (See Section V.D)
5. Our review of travel expenditures claimed under the CDC grant funds disclosed a The County did not have written approval from EPO for travel expenditures claimed at rates that exceeded California Department of Personnel Administration (DPA) rates. (See Section V.H2)

**COUNTY OF SAN MATEO
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

II. INTRODUCTION

A. DESCRIPTION OF PROGRAM

The Public Health Emergency Preparedness Program is funded by the Federal Center for Disease Control and Prevention (CDC) under the authority of 42 U.S.C. 247d-3. The purpose of this program is to upgrade and integrate State and local public health jurisdictions' preparedness for and response to bioterrorism and other public health emergencies with Federal, State, local and tribal governments, the private sector, and Non-Governmental Organizations. These emergency preparedness and response efforts are intended to support the National Response Plan and the National Incident Management System.

B. DESCRIPTION OF AGENCY

The County of San Mateo Health System is a local governmental agency, which is a part of the San Mateo County government. The County of San Mateo Health System is comprised of the following divisions:

- Health System Administration
 - Health Policy and Planning
- Aging and Adults Services
- Behavioral Health and Recovery Services
- Community Health
 - Agricultural Services
 - Chronic Disease and Injury Prevention
 - Emergency Medical Services
 - Environmental Health
 - Public Health
- Correctional Health
- Family Health
- San Mateo Medical Center

County of San Mateo Health System's mission is to increase the longevity and quality of people's lives by; preventing health issues before they occur, protecting the public's health, providing services for vulnerable populations, and partnering to build healthy communities.

The County of San Mateo (County) has a Public Health Emergency Preparedness Program grant agreement with the California Department of Public Health (CDPH [formerly, CDHS]), to receive CDC base funding and State Pandemic Influenza funding.

C. SITE LOCATION

**COUNTY OF SAN MATEO
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

County of San Mateo Health System administration is located at 225 37th Avenue, San Mateo, CA 94403.

D. FUNDING SOURCES

The following is a summary of the County of Mateo's expenditures of federal awards for the fiscal year ended June 30, 2006.

	<u>Expenditures</u>
U.S. Department of Health and Human Services	\$93,142,950
U.S. Department of Housing and Urban Development	23,035,801
U.S. Department of Agriculture	18,038,120
U.S. Department of Justice	13,115,479
U.S. Department of Labor	5,660,154
U.S. Department of Homeland Security	3,469,815
U.S. Office of National Drug Control Policy	2,891,272
U.S. Department of Education	1,979,619
U.S. Department of Transportation	1,476,927
U.S. Environmental Protection Agency	232,840
Total Expenditures of Federal Awards	<u>\$163,042,977</u>

Public Health Emergency Preparedness Grant Funding

Public Health Emergency Preparedness Program funding for the Federal CDC Emergency Preparedness allocation awarded for the project period, August 31, 2005 through August 30, 2006 was \$848,209. CDC grant expenditures are included as part of U.S. Department of Health and Human Services expenditures line above.

E. GRANT GOALS AND OBJECTIVES

The Centers for Disease Control and Prevention (CDC) has developed Preparedness Goals designed to measure urgent public health system response performance parameters that are directly linked to health protection of the public.

The Goals are intended to measure urgent public health system response performance for terrorism and non-terrorism events including infectious disease, environmental and occupation related emergencies. The primary intent of this cooperative agreement is to fund the active participation of awardees in the immediate establishment, use, and continuous improvement of a national system using the CDC Preparedness Goals to measure public health system response performance.

**COUNTY OF SAN MATEO
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

The CDC Preparedness Goals that the County of San Mateo contracted to meet are:

CDC Preparedness Goal 1: PREVENT

Increase the use and development of interventions known to prevent human illness from chemical, biological, radiological agents, and naturally occurring health threats.

CDC Preparedness Goal 2: PREVENT

Decrease the time needed to classify health events as terrorism or naturally occurring in partnership with other agencies.

CDC Preparedness Goal 4: DETECT/REPORT

Improve the timeliness and accuracy of information obtained from routine surveillance and where applicable, from analysis of non-traditional sources of health data, regarding threats to the public's health.

CDC Preparedness Goal 6: CONTROL

Decrease the time needed to provide countermeasures and health guidance to those affected by threats to the public's health.

CDC Preparedness Goal 9: IMPROVE

Decrease the time needed to implement recommendations from after-action reports following threats to the public's health.

F. REGULATIONS

This program is governed by the following regulations:

- Public Health Service Act, Section 319C (42 USC 247 d-3)
- 45 CFR Part 92 (Under the Public Welfare section) (Under the Grant requirements for State, Local and Tribal Governments)
- OMB Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations)
- California Health and Safety Code, Sections 101315 to 101320

G. ABBREVIATIONS IN THIS REPORT

CAFR	Comprehensive Annual Financial Report
CDC	Centers for Diseases Control and Prevention
CDHS	California Department of Health Services
CDPH	California Department of Public Health (formerly CDHS)
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations

**COUNTY OF SAN MATEO
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

DPA	Department of Personnel Administration (California)
EPO	Emergency Preparedness Office (California Department of Public Health Program Office)
FICA	Federal Insurance Contributions Act
LHD	Local Health Department (County of San Mateo Health and Social Services Department)
OMB	U.S. Office of Management and Budget
PERS	Public Employees Retirement System

**COUNTY OF SAN MATEO
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

III. SCOPE OF AUDIT

The Financial Audits Section's review of County of San Mateo (herein referred to as the County) was restricted to the Public Health Emergency Preparedness Program.

The audit consisted of the review of the financial records to ensure the existence of proper documentation and the propriety of claims submitted to the State for reimbursement. Such review included substantive testing:

- To determine that recorded and reported program funds awarded are expended in accordance with terms of the grant agreement with the CDPH;
- To determine that payments are for actual costs and reflect amounts billed to the State;
- To determine that payments are for services rendered;
- To determine that grant funds did not supplant existing levels of State and local funding for this program.

**COUNTY OF SAN MATEO
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

IV. CONTRACT/GRANT COMPLIANCE

Our report does not include an evaluation of the County's progress toward achieving the CDC Preparedness goals and objectives other than to note that the County submitted the reports required to document their activities related to the grant award. These reports are monitored by EPO or the Federal CDC.

**COUNTY OF SAN MATEO
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

V. FISCAL FINDINGS

The following is a discussion of the fiscal findings relating to our examination of the County. The details of these amounts are included on Schedules 1 and 1A of this report.

A. FEDERAL CDC GRANT FUNDS

The County requested a total of \$848,209 of federal funds, and had expenditures totaling \$848,209. The federal grant award for CDC base funding is shown on Schedule 1A.

B. TRUST FUND

The County did not meet the grant requirement, Exhibit B.8 provisions and the Health and Safety Code, Section 101317(f) to deposit the grant funds in a special local public health preparedness trust fund established solely for this purpose before transferring or expending the funds for any of the uses allocated for Emergency Preparedness. The County deposited the grant funds in a commingled investment pool. The County apportions interest earnings from investments to the respective funds in the pool.

An accounting fund number designated the use of these funds to the Emergency Preparedness Program. The County's methodology for depositing the funds into a commingled pool by designating the funds specifically for the CDC grant does not fulfill requirements of this grant provision.

Recommendation:

The County should establish a Local Public Health Preparedness Trust Fund to comply with the grant requirements and provide supporting documentation of compliance with trust fund requirements to EPO.

C. SUPPLANTING OF FUNDS

The grant agreement requires that the County not use the CDC funds to supplant existing levels of services in the County. During the course of our review, we did not detect any situations in which funds from this agreement were used to fund other pre-existing programs or other new programs.

D. REPORTING REQUIRMENTS

Required mid-year and year-end written progress reports and expenditure reports were submitted on a timely basis.

The County met the grant requirement, Exhibit A.6, provision to submit written

**COUNTY OF SAN MATEO
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

progress reports and expenditure reports according to the schedule set by EPO. The purpose of the progress reports and expenditure reports were to document activities and expenditure of funds. The mid-year reports were received by EPO on August 30, 2006, before the August 31, 2006 due date. The year-end reports were received by EPO on November 11, 2006, before the November 20, 2006 due date.

E. SINGLE AUDIT

In accordance with OMB Circular A-133, Non-Federal entities that expend \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in a year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of this part. (See Section II.D for a summary of federal awards expenditures for the fiscal year ended June 30, 2006.)

We were provided with the Single Audit Reports for Fiscal Year Ended June 30, 2006, issued by Macias Gini & O'Connell, LLP, whose report was dated November 9, 2006. The independent auditor's opinion was that the County complied, in all material respects, with OMB A-133 compliance requirements to each of the major federal programs. However, the results of their auditing procedures disclosed instance of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133. The reportable conditions were related to the High Intensity Drug Trafficking Area (CFDA number 07), Homeland Security Program Cluster (CFDA number 97.067), Food Stamp Cluster (CFDA numbers 10.551 and 10.561), Violent Offenders Incarceration and Truth Sentencing Incentive Grants (CFDA number 16.586), Temporary Assistance Needy Families (TANF) (CFDA number 93.558), and the Foster Care Title IV-E (CFDA number 93.658).

No exceptions were disclosed in the Single Audit Reports regarding the Public Health Emergency Preparedness Program (CFDA 93.283).

F. EXPENDITURE REVIEW

1) Personnel Salaries and Fringe Benefits

Personnel salaries and fringe benefits represented approximately 91% (\$768,670/\$848,209) of the total emergency preparedness federal allocation of funds awarded for the 2005/2006 grant period. The County claimed \$542,825 for salaries expenditures and \$225,845 for fringe benefits.

COUNTY OF SAN MATEO
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006

We reviewed payroll summary records, personnel job descriptions, and salary ranges for class specifications for the requested program personnel. The fringe benefits were principally for insurance, FICA, and retirement. No material exceptions were identified in our review of documents supporting the 2005/2006 personnel and fringe benefits expenditures.

2) Travel Expenditures

The County requested \$1,756 for the travel expense line. Our review disclosed the \$1,756 in expenditures claimed on the Travel expense line was for mileage, parking, and toll reimbursement. Our review of mileage, parking and toll reimbursement did not disclose any material exceptions.

Exhibit D(F), Section 2 requires that the travel and per diem expenses be at the rates currently in effect as established by the California Department of Personnel Administration (DPA) and that no travel outside the State of California be reimbursed without prior written approval.

3) Equipment Expenditures

The County requested \$7,311 for equipment expenditures for shelving and items to be used for a storage room. Our review of all equipment expenditures totaling \$7,311 did not disclose any material exceptions.

4) Supplies Expenditures

The County requested \$45,471 for supplies expenditures such as office supplies, software, pandemic flu educational material, advertisement, postal costs, delivery charges, Bio-Terrorism quarterly meeting, pandemic flu table top exercise, legal table top exercise, parking and bridge tolls, hardware upgrade, telephone charges, and automation charges.

We identified meals, lodging, and other travel related expenses were reported as meeting and conference, and other business travel expense as part of our review the Supplies expenditures. From a review of these travel expenditures, a few travel claims were found where lodging rates exceeded California Department of Personnel (DPA) rates, and meals were claimed for travel less than 24 hours, which is not reimbursable under DPA rules. However, the exceptions in total were not a significant amount; therefore, no audit adjustments or recovery for the travel exceptions were made. Other travel expense reimbursements were within DPA rates.

**COUNTY OF SAN MATEO
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

Exhibit D(F), Section 2 requires that the travel and per diem expenses be at the rates currently in effect as established by the California Department of Personnel Administration (DPA).

Other than the exception related to travel reimbursement, our review of other expenses claimed under the Supplies line item did not disclose any material exceptions.

Recommendation:

The County should monitor all CDC program related travel to ensure compliance with program and grant requirements. The County may want to include travel start and end times on travel expenditures claimed under the public health grants. Written approval should be obtained from EPO prior to out-of-state travel and exceptions to DPA rates.

5) Subcontracts (Contractuals) Expenditures

The County did not request CDC funds or claim expenditures for the Contractual line item.

6) Other Expenditures

The County requested \$25,000 to be used for augmentation of legal services. Our review of legal expenses totaling \$25,000 did not disclose any material exceptions.

7) Indirect Costs

The County did not request CDC funds or claim expenditures for the indirect cost line item.

Further, based on our examination, nothing came to our attention to indicate that the County has not complied with the material terms and conditions of the grant beyond the findings noted above.

**COUNTY OF SAN MATEO
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

VI. SYSTEMS AND PROCEDURES

The management of the County of San Mateo is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance the assets are safeguarded against loss, from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

We did not review the County of San Mateo's overall internal control structure. We limited our internal control review to the County's procedures to account for Emergency Preparedness Program funds, and the County's preparation of the required filing of the program financial status reports.

Further, the CPA's Comprehensive Annual Financial Report (CAFR) of the County of San Mateo disclosed no material weaknesses related to the overall internal control structure.

**COUNTY OF SAN MATEO
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

VII. SCHEDULES

Schedules of financial data have been included in this report to summarize the amounts claimed and paid under the grant agreement as presented on Schedules 1 and 1A.

**COUNTY OF SAN MATEO
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

VIII. CONTRACTOR'S RESPONSE TO AUDIT FINDINGS

The audit findings were discussed at the exit conference on October 13, 2010. A copy of the Contractor's response letter is included as Attachment A.

No revisions were made to this report as a result of the Contractor's response.

**COUNTY OF SAN MATEO
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

IX. PROGRAM'S RESPONSE TO AUDIT FINDINGS

The Local Management Unit within Emergency Preparedness Office (EPO) has no further comments or response to the audit findings.

**COUNTY OF SAN MATEO
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

SUMMARY OF AUDITED PROGRAM EXPENDITURES

	Budget Category	Audit Adjustment No.	2005/2006 Expenditures		
			As Reported	Audit Adjustments	As Audited
1.	CDC Base				
	Financial Assistance				
	A. Personnel		\$542,825		\$542,825
	B. Fringe		\$225,845		\$225,845
	C. Travel		\$1,756		\$1,756
	D. Equipment		\$7,311		\$7,311
	E. Supplies		\$45,471		\$45,471
	F. Contractual		\$0		\$0
	G. Other		\$25,000		\$25,000
	Total Direct FA		\$848,209		\$848,209
	H. Indirect		\$0		\$0
	Total Financial Assistance		\$848,209		\$848,209
	I. Personnel		\$0		\$0
	J. Federal Contract		\$0		\$0
	K. Other		\$0		\$0
	Total Direct Assistance		\$0		\$0
	GRAND TOTAL		\$848,209		\$848,209

**COUNTY OF SAN MATEO
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

SUMMARY OF PROGRAM EXPENDITURES

	Budget Category	Original Base Funding Source	Revised Base Funding Source *	05/06 Expenditures	Total Unspent Funds
1.	CDC Base				
	Financial Assistance				
	A. Personnel	\$614,335	\$542,825	\$542,825	\$0
	B. Fringe	\$208,874	\$225,845	\$225,845	\$0
	C. Travel	\$0	\$1,756	\$1,756	\$0
	D. Equipment	\$0	\$7,311	\$7,311	\$0
	E. Supplies	\$0	\$45,471	\$45,471	\$0
	F. Contractual	\$0	\$0	\$0	\$0
	G. Other	\$25,000	\$25,000	\$25,000	\$0
	Total Direct FA	\$848,209	\$848,209	\$848,209	\$0
	H. Indirect	\$0	\$0	\$0	\$0
	Total Financial Assistance	\$848,209	\$848,209	\$848,209	\$0
	I. Personnel	\$0	\$0	\$0	\$0
	J. Federal Contract	\$0	\$0	\$0	\$0
	K. Other	\$0	\$0	\$0	\$0
	Total Direct Assistance	\$0	\$0	\$0	\$0
	GRAND TOTAL	\$848,209	\$848,209	\$848,209	\$0

* Revised budget approved by EPO on September 28, 2006.



SAN MATEO COUNTY
HEALTH SYSTEM

ATTACHMENT A

October 14, 2010

Edmund Yee
Health Program Auditor
State of California
Department of Health Services, Audit Section – Richmond
850 Marina Bay Parkway, MS 2104
Richmond, CA 94804-6403



RE: Response to the Fiscal Findings Item #2, as reported in the Executive Summary of Findings for the CDC Funding Grant Agreement, Fiscal Period: August 31, 2005 through August 30, 2006

Dear Mr. Yee:

Thank you for your time yesterday to conduct an exit interview for the audit of the CDC Funding Grant Agreement, Fiscal Period: August 31, 2005 through August 30, 2006, and the Hospital Preparedness Program (HPP) Funding Grant Agreement for the Fiscal Period September 1, 2005 through August 31, 2006.

Please accept this letter as San Mateo County's Response to your audit findings to the CDC Funding Grant Agreement, and confirmation that both reports reviewed today marked "draft" are considered the final reports.

The Executive Summary Item #2 of the CDC Funding Grant Agreement, states the following:

"The County did not meet requirements to deposit the grant funds in a special local public health preparedness trust fund established exclusively for Emergency Preparedness. (See Section V.S)."

The County submits the following response:

The County sponsors an investment pool that is managed by the County Treasurer. The County Treasurer acts like a fiscal agent (or a banker) for each individual fund set up in the County's accounting system (commonly known as IFAS). Each fund in IFAS is separately accounted for and participates in the County's Investment Pool to obtain higher yield. Grant monies restricted for the Local Public Health Preparedness are deposited directly into trust fund 04314 and are NOT commingled with monies from other sources. Participants' equity in the Investment Pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment/interest income. Investment/Interest income is apportioned to pool participants every quarter based on each fund's (or participant's) average daily cash

COMMUNITY HEALTH • PUBLIC HEALTH PROGRAMS

Board of Supervisors: Mark Church • Rose Jacobs Gibson • Richard S. Gordon • Carole Groom • Adrienne Tissier
Health System Chief: Jean S. Fraser

225 37th Avenue • San Mateo, CA 94403 • PHONE 650.573.2346 • CA RELAY 711 • FAX 650.573.2919
www.smhealth.org

balance at quarter. The monies in trust fund 04314 will eventually be transferred to an appropriate fund to pay for specific program expenses as permitted under the grant agreement. As such, this trust fund in a way acts like a "clearing fund" to hold the grant monies until they are completely drawn down.

All grant trust fund requirements are handled in this manner and this is the first audit finding that we have received indicating that this practice was insufficient. As mentioned during the meeting, we hope that we can work with the Emergency Preparedness Office (EPO) to draft CDC Funding Grant Agreement language that is agreeable to both parties.

Please feel free to contact me at elkawk@co.sanmateo.ca.us or 650-573-2750 if you would like to discuss this further.

Sincerely,



Elizabeth Kauk
Financial Services Manager II
Community Health/Public Health

Cc: Gina Wilson, CFO, Health System
Carl Hess, Management Analyst III, Public Health
Mel Baumgard, Financial Services Manager I, Community Health/Public Health