

**REPORT  
ON THE  
LIMITED AUDIT**

**COUNTY OF STANISLAUS  
HEALTH SERVICES AGENCY  
MODESTO, 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 14, 2011

Carol Dunbar  
Chief Financial Officer  
Stanislaus County Health Services Agency  
820 Scenic Drive  
Modesto, CA 95350-6194

Dear Ms. Dunbar:

The claims for expenditures for services provided by County of Stanislaus Health Services Agency, 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 Stanislaus for the year ending June 30, 2006, were examined by other auditors whose report dated September 28, 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 August 16, 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 \$4,786 is due the Federal government. You will be receiving an invoice in that amount from the Department's Accounting Section.

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 disagree with the amount due, you may appeal by writing to:

John Melton, Chief  
Office of Administrative Appeals and Hearings  
1029 J Street, Suite 200  
MS 0017  
Sacramento, CA 95814  
(916) 322-5603

This written notice of disagreement must be received by the Department within sixty (60) calendar days from the day you receive this letter. A copy of this notice should be sent to:

**United States Postal Service (USPS)**

Assistant Chief Counsel  
Department of Health Care Services  
Office of Legal Services  
MS 0010  
P. O. Box 997413  
Sacramento, CA 95899-7413

**Courier (UPS, FedEx, etc.)**

Assistant Chief Counsel  
Department of Health Care Services  
Office of Legal Services  
MS 0010  
1501 Capitol Avenue, Suite 71.5001  
Sacramento, CA 95814-5005  
(916) 440-7700

The procedures that govern this hearing are contained in Welfare and Institutions Code, Section 14171, and Title 22 California Code of Regulations, Section 51016, et seq.

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

Susan Fanelli  
Assistant Deputy Director

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

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PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM  
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**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 \$604,312 of federal funds, and had expenditures totaling \$532,744. The unexpended federal program funds totaled \$71,568 as of August 30, 2006, representing approximately 12% of the \$604,312 federal funds awarded. (See Section V.A)
2. The County requested a carryover of unexpended funds totaling \$71,568 to the 06/07 grant period. The carryover request was approved by the EPO on July 27, 2007. (See Section V.B)
3. The County did not have prior approval for redirection of funds as required under the grant agreement. The County reported 05/06 grant expenditures for travel, equipment, and supplies which exceeded the original budget line item amounts. Due to the audit findings, the County subsequently requested and received approval from EPO on February 4, 2010 for redirection of funds via a budget revision. (See Section V.C)
4. 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. Additionally, the County's trust fund report, dated November 13, 2006 did not accurately reflect the CDC funds received and interest income earned on an accrual basis of accounting for the 05/06 grant period. (See Section V.D)
5. 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.E)
6. Required mid-year and year-end written progress reports and expenditure reports were received by the due dates set by EPO. (See Section V.F)

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7. Fringe benefit expenditures claimed for the 05/06 grant period was \$119,111. The County claimed fringe benefits expenditure based on a calculated percentage of 42.62%. Generally, fringe benefit expenses were for insurance, FICA, SUI, FUI, retirement, and workers' compensation. The County included vacation, holiday, and sick pay as part of their fringe benefit percentage calculation for the fringe benefits line item; however, since vacation, holiday, and sick pay was claimed against the personnel salaries line item, the program's actual fringe benefits percentage was lower. Based on our review of the County's records, we calculated the average percentage of fringe benefits to salaries ratio at 40.91%. This resulted in a difference of \$4,786 claimed in excess of the County's supporting records. An audit adjustment is proposed to the fringe benefit expenditures to reflect the preceding audited ratio and to recover \$4,786. (See Section V.H.1)
  
8. Our review of travel expenditures identified several travel reimbursement exceptions which included the following; the County's travel reimbursement per diem rates for meals were generally higher than the California Department of Personnel Administration (DPA) rates; the County's policy allowed lunch to be claimed for travel less than 24 hours depending on travel timeframe, which would not be reimbursable under DPA rules for travel less than 24 hours. (See Section V.H.2)

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**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 Stanislaus Health Services Agency (HSA) is a local governmental agency, which is a part of the County of Stanislaus government. The Health Services Agency (HSA) consists of a network of outpatient medical primary care clinics and services, and the Public Health Services Division.

The HSA serves close to 500,000 patients and community residents each year.

The County of Stanislaus (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 LOCATIONS**

The County of Stanislaus Health Services Agency administrative offices are located at 820 Scenic Drive, Modesto, CA 95350.

Six primary care medical offices are located throughout Stanislaus County, in Modesto, Turlock, Ceres, and Hughson.

**D. FUNDING SOURCES**

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

|  | <u>Expenditures</u> |
|--|---------------------|
| U.S. Department of Health and Human Services | \$119,586,438       |
| U.S. Department of Agriculture               | 51,904,458          |
| U.S. Department of Labor                     | 9,438,540           |

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|  |                      |
|--|----------------------|
| U.S. Office of National Drug Control Policies    | 3,170,225            |
| U.S. Department of Housing and Urban Development | 2,390,139            |
| U.S. Department of Transportation                | 1,799,410            |
| U.S. Department of Justice                       | 433,664              |
| U.S. Department of Education                     | 114,981              |
| U.S. Environmental Protection Agency             | 94,119               |
| Total Expenditures of Federal Awards             | <u>\$188,931,974</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 \$604,312. 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.

The CDC Preparedness Goals that the County 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.

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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

|      |   |
|------|---|
| AFR  | 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   |
| DPA  | Department of Personnel Administration (California)                                   |
| EPO  | Emergency Preparedness Office (California Department of Public Health Program Office) |
| FICA | Federal Insurance Contributions Act   |
| FUI  | Federal Unemployment Insurance  |
| HSA  | Health Services Agency (County of Stanislaus)   |
| LHD  | Local Health Department (County of Stanislaus Health Services Agency)                 |
| OMB  | U.S. Office of Management and Budget  |
| SUI  | State Unemployment Insurance  |

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**III. SCOPE OF AUDIT**

The Financial Audits Section's review of the County of Stanislaus (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.

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**IV. 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 EPO or the Federal CDC.

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**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 \$604,312 of federal funds, and incurred expenditures totaling \$532,744. The unexpended federal program funds totaled \$71,568 as of August 30, 2006, which represented approximately 12% of the \$604,312 federal funds awarded. The federal grant award for CDC funding is shown on Schedule 1A.

B. UNEXPENDED CDC GRANT FUNDS

Grant agreement, Exhibit B.2.C - Budget Detail and Payment Provisions, Accountability Requirements, states "The LHD shall return unexpended funds from Project Period 05/06 unless carry over of such funds is approved by CDHS ..."

The County's explanations for not fully expending approved funds were for a variety of reasons, such as the Health Educator and Application Specialist positions vacant for half the year, and the laboratory being able to secure other funding sources for travel and training.

Since all the requested funds were not expended during the project period, the County requested a carryover of unexpended funds to the following 06/07 grant period. The County's Carryover Budget submitted to the EPO (CDPH [formerly CDHS]) was for \$71,568, and requested re-distribution of fund among line items. The carryover request of \$71,568 was approved by EPO on July 27, 2007.

The carryover funds to the 06/07 grant period are to be spent on approved items as listed on the County's request for funds carryover. The carryover funds are separate and not part of the next year's Emergency Preparedness grant funds awarded.

C. REDIRECTION OF FUNDS

The County did not have prior approval for redirection of funds as required under the grant agreement. The County reported 05/06 grant expenditures for travel, equipment, and supplies which exceeded the original budget line item amounts. Due to the audit findings, the County subsequently requested and received approval from EPO on February 4, 2010 for redirection of funds via a budget

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revision.

Grant agreement, Exhibit B.6 - Redirection of Funds, states in part "Any redirection of funds requires prior approval by CDHS."

Recommendation:

The County should obtain and document prior approval from the EPO to comply with the fund redirection requirement as outlined in Exhibit B.6 of the grant agreement.

D. TRUST FUND

The County did not meet the grant agreement, 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 into a cash and investment pool, and allocated interest earnings to the respective funds in the pool. The County recorded these funds as a Special Revenue Fund. An accounting fund number designates the use of these funds to exclusively be used for the Emergency Preparedness Program. The County's methodology for depositing the funds into a cash and investment pool and designating the funds specifically for the CDC grant does not fulfill requirements of this grant provision.

The County's trust fund report, dated November 13, 2006 did not accurately reflect the CDC funds received and interest income earned on an accrual basis of accounting for the 05/06 grant period. The trust fund report showed CDC income received of \$453,234 while CDC payments for the 05/06 grant period totaled \$604,312. The difference of \$151,078 (\$604,312 - \$453,234) was due to the 4<sup>th</sup> quarter payment not being reported on the trust fund report. CDPH sent the 4<sup>th</sup> quarter payment on September 22, 2006. Additionally, the County's trust fund report showed interest income earned of \$25,727, which was the balance as of June 2006. The reported interest income earned on the trust fund report did not include additional accrued interest income earned as of August 30, 2006 of \$3,749.

Recommendation:

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

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E. SUPPLANTING OF FUNDS

The 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.

F. REPORTING REQUIRMENTS

The grant agreement requires that the County submit written progress reports and expenditure reports according to the schedule set by EPO. The purpose of the progress reports and expenditure reports are to document activities and expenditure of funds. The County was required to submit mid-year reports by August 31, 2006 and year-end reports by November 20, 2006. Based on tracking documents provided by the EPO, the written progress reports and expenditure reports were received by the due dates.

G. 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 Bartig, Basler & Ray, LLP, whose report was dated September 28, 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 instances of noncompliance with those requirements applicable to the Medical Assistance Program (CFDA number 93.778); Temporary Assistance for Needy Families (CFDA number 93.558); and Adoption Assistance (CFDA number 93.659). No exceptions were disclosed in the Single Audit Reports regarding the Public Health Emergency Preparedness Program (CFDA number 93.283).

H. EXPENDITURE REVIEW

1) Personnel and Fringe Benefits

Personnel salaries and fringe benefits represented approximately 76% (\$457,689/\$604,312) of the total emergency preparedness federal

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allocation of funds awarded for the 05/06 grant period. The County revised budget requested \$317,472 for personnel expenditures and \$140,217 for fringe benefits. The County did not fully expend the personnel and fringe benefits funds awarded. The County's explanation for not fully expending the approved personnel funds was that the Health Educator and Application Specialist positions were vacant for half the year.

- Personnel Expenditures

Personnel expenditures claimed for the 05/06 grant period was \$279,452. We reviewed payroll summary records, personnel job descriptions, and salary ranges for class specifications for the requested program personnel. Our review of the County's supporting documents for all the 05/06 salaries expenses did not disclose any material exceptions.

- Fringe Benefits

Fringe benefit expenditures claimed for the 05/06 grant period was \$119,111. The County claimed fringe benefits expenditures based on a calculated percentage of 42.62%. Generally, fringe benefit expenses were for insurance, FICA, SUI, FUI, retirement, and workers' compensation. The County included vacation, holiday, and sick pay as part of their fringe benefit percentage calculation for the fringe benefits line item; however, since vacation, holiday, and sick pay was claimed against the personnel salaries line item, the program's actual fringe benefits percentage was lower. Based on our review of the County's records, we calculated the average percentage of fringe to salaries ratio at 40.91%. This resulted in a difference of \$4,786 claimed in excess of the County's supporting records. An audit adjustment is proposed to the fringe benefit expenditures to reflect the preceding audited ratio and to recover \$4,786. (See Schedules 1 and 2)

Recommendation:

The County should review records supporting the claimed expenditures to ensure compliance with program and grant requirements.

2) Travel Expenditures

The original travel expense budget for this grant award period totaled \$13,338. Of the total travel budget, \$8,692 was from the CDC base

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funding source to be used for travel to Bio-Terrorism related training, National Emergency Response Conference (out-of-state), National Public Health Conference (out-of-state), and various state and regional meetings (in-state). An additional \$4,646 was from the Laboratory Only (Labs Only) funding source to be used for travel for laboratory directors/national conference (out-of-state), and various state and regional meetings (in-state).

Although the County received the full funding for the travel line item, the County did not use the grant funding for Labs Only of \$4,646. The County's explanation for the unspent funds was that the laboratory was able to secure other funding sources to pay for travel and training. For CDC base travel, the County reported travel expenditures of \$14,196 which exceeded the original budget amount of \$8,692. (Refer to Schedule 1A for the Summary of Program Expenditures.) No prior approval for redirection of funds for travel expense was documented. Due to the audit findings, the County subsequently requested and received approval from EPO on February 4, 2010 for redirection of funds via a budget revision.

We judgmentally selected a sample of reported travel expenditures for review. Based on this review, we identified that the County's own travel reimbursement per diem rates for meals were generally higher than the California Department of Personnel Administration (DPA) rates. Under the grant agreement, travel and per diem expenses are to be the rates currently in effect as established by the DPA. The following shows a comparison of DPA and County travel per diem meal rates:

| <u>Meal rates (up to):</u> | <u>DPA rates</u> | <u>County rates</u> |
|----------------------------|------------------|---------------------|
| Breakfast                  | \$6              | \$12                |
| Lunch                      | \$10             | \$15                |
| Dinner                     | \$18             | \$25                |

The County's travel policy also differs from DPA travel policy, where the County allowed lunch to be claimed for travel less than 24 hours depending on travel timeframe. The DPA policy does not allow lunch to be claimed for trips less than 24 hours. Additionally, the County's travel meal limits included an allowance for a 15% tip, with department heads authorized to approve overages up to 18%. The DPA rates do not include any additional amount to the meal limits.

We were not able to review travel claim reimbursements to determine whether travel were within DPA allowable reimbursement timeframes as the County's Trip Authorization and Reimbursement Forms did not include areas to include trip start and end times.

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Exhibit D(F), Section 2 requires that the travel and per diem expenses be the rates currently in effect as established by the California Department of Personnel Administration (DPA). Exceptions to DPA rates may be approved by CDPH upon submission of a statement by the County indicating such rates are not available.

Recommendation:

The County should monitored all CDC program related travel to ensure compliance with program and grant requirements. The County may want to include trip start and end times on Employee's travel claim forms.

3) Equipment

On the original budget, the County did not request any budget funds for equipment line item expenditures; however, \$9,408 was expended and reported on the equipment line. The County spent \$9,408 for an uninterrupted power supply (UPS) and copier. No prior approval for redirection of funds was documented as required under Exhibit B.6 of the grant agreement. Grant agreement, Exhibit B.6 - Redirection of Funds, states in part "Any redirection of funds requires prior approval by CDHS."

Due to the audit findings, the County subsequently requested and received approval from EPO on February 4, 2010 for redirection of funds via a budget revision. The budget revision redirected \$9,408 of unspent funds from other line items to the equipment line.

Recommendation:

The County shall obtain prior approval from EPO (formerly CDHS) for redirection of funds to comply with program and grant requirements.

4) Supplies Expenditures

On the original budget, the County requested \$28,218 for supplies expenditures such as office supplies, printing, printer, and masks with face shield, coveralls, and vinyl gloves. However, the County reported \$34,827 as supplies expenses, which exceeded the original approved budget amount. The County subsequently requested and received approval from EPO on February 4, 2010 for a budget revision to redirect unspent funds from other line items to cover supplies expenses which exceeded the budget amount. Our review of 05/06 supplies expenses did not disclose any material exceptions.

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Recommendation:

The County shall obtain prior approval from EPO (formerly CDHS) for redirection of funds to comply with program and grant requirements.

5) Subcontracts (Contractuals)

The County requested \$24,000 for subcontract services related to bio-terrorism program consultation. Expenditures for the 05/06 grant period were \$24,000. Our review of all 05/06 subcontract expenses did not disclose any material exceptions.

6) Other Expenditures

The County revised budget requested \$11,788 for "Other" expenditures for miscellaneous items such as flu pandemic tabletop exercise facility rental, food, audit-visual rental, etc.

The County reported \$11,788 in "Other" expense for the 05/06 grant period. Our review of all 05/06 other expenses did not disclose any material exceptions.

7) Indirect Costs

The County's indirect costs budgeted under the grant agreement was 10% of personnel (salaries) and fringe benefits. The County claimed \$39,962 as indirect costs, which was approximately 10% of their actual Personnel and Fringe costs. Indirect costs expenditures claimed for grant purposes were supported by the County's records.

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.

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**VI. SYSTEMS AND PROCEDURES**

The management of the County of Stanislaus 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'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 Annual Financial Report (AFR) of the County of Stanislaus disclosed no material weaknesses related to the overall internal control structure.

**COUNTY OF STANISLAUS  
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 STANISLAUS  
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 August 16, 2010. A copy of the Contractor's response is included as Attachment A.

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

**COUNTY OF STANISLAUS  
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.

SCHEDULE 1

COUNTY OF STANISLAUS  
 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. | <b>CDC Base</b>                   |                      |                        |                   |                  |
|    | <b>Financial Assistance</b>       |                      |                        |                   |                  |
|    | A. Personnel                      |                      | \$279,452              | \$0               | \$279,452        |
|    | B. Fringe                         | 1                    | \$119,111              | (\$4,786)         | \$114,325        |
|    | C. Travel                         |                      | \$14,196               | \$0               | \$14,196         |
|    | D. Equipment                      |                      | \$9,408                | \$0               | \$9,408          |
|    | E. Supplies                       |                      | \$34,827               | \$0               | \$34,827         |
|    | F. Contractual                    |                      | \$24,000               | \$0               | \$24,000         |
|    | G. Other                          |                      | \$11,788               | \$0               | \$11,788         |
|    | H. <b>Total Direct FA</b>         |                      | \$492,782              | \$4,786           | \$478,620        |
|    | I. Indirect                       |                      | \$39,962               | \$0               | \$39,962         |
|    | <b>Total Financial Assistance</b> |                      | <b>\$532,744</b>       | <b>(\$4,786)</b>  | <b>\$527,958</b> |
|    | <b>Total</b>                      |                      | <b>\$532,744</b>       | <b>(\$4,786)</b>  | <b>\$527,958</b> |
| 2. | <b>LABS Only</b>                  |                      |                        |                   |                  |
|    | <b>Financial Assistance</b>       |                      |                        |                   |                  |
|    | A. Personnel                      |                      | \$0                    | \$0               | \$0              |
|    | B. Fringe                         |                      | \$0                    | \$0               | \$0              |
|    | C. Travel                         |                      | \$0                    | \$0               | \$0              |
|    | D. Equipment                      |                      | \$0                    | \$0               | \$0              |
|    | E. Supplies                       |                      | \$0                    | \$0               | \$0              |
|    | F. Contractual                    |                      | \$0                    | \$0               | \$0              |
|    | G. Other                          |                      | \$0                    | \$0               | \$0              |
|    | <b>Total Direct FA</b>            |                      | \$0                    | \$0               | \$0              |
|    | H. Indirect                       |                      | \$0                    | \$0               | \$0              |
|    | <b>Total Financial Assistance</b> |                      | <b>\$0</b>             | <b>\$0</b>        | <b>\$0</b>       |
|    | <b>Total</b>                      |                      | <b>\$0</b>             | <b>\$0</b>        | <b>\$0</b>       |
|    | <b>GRAND TOTAL</b>                |                      | <b>\$532,744</b>       | <b>(\$4,786)</b>  | <b>\$527,958</b> |

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

**SUMMARY OF PROGRAM EXPENDITURES**

|    | <b>Budget Category</b>             | <b>Base Funding Source</b> | <b>Approved Budget Revision*</b> | <b>05/06 Expenditures</b> | <b>Total Unspent Funds **</b> |
|----|------------------------------------|----------------------------|----------------------------------|---------------------------|-------------------------------|
| 1. | <b>CDC Base</b>                    |                            |                                  |                           |                               |
|    | <b><u>Financial Assistance</u></b> |                            |                                  |                           |                               |
|    | A. Personnel                       | \$333,937                  | \$317,472                        | \$279,452                 | \$38,020                      |
|    | B. Fringe                          | \$143,642                  | \$140,217                        | \$119,111                 | \$21,106                      |
|    | C. Travel                          | \$8,692                    | \$14,196                         | \$14,196                  | \$0                           |
|    | D. Equipment                       | \$0                        | \$9,408                          | \$9,408                   | \$0                           |
|    | E. Supplies                        | \$28,218                   | \$34,827                         | \$34,827                  | \$0                           |
|    | F. Contractual                     | \$24,000                   | \$24,000                         | \$24,000                  | \$0                           |
|    | G. Other                           | \$13,419                   | \$11,788                         | \$11,788                  | \$0                           |
|    | H. <b>Total Direct FA</b>          | <b>\$551,908</b>           | <b>\$551,908</b>                 | <b>\$492,782</b>          | <b>\$59,126</b>               |
|    | I. Indirect                        | \$47,758                   | \$47,758                         | \$39,962                  | \$7,796                       |
|    | <b>Total Financial Assistance</b>  | <b>\$599,666</b>           | <b>\$599,666</b>                 | <b>\$532,744</b>          | <b>\$66,922</b>               |
|    | <b>Total</b>                       | <b>\$599,666</b>           | <b>\$599,666</b>                 | <b>\$532,744</b>          | <b>\$66,922</b>               |
| 2. | <b>LABS Only</b>                   |                            |                                  |                           |                               |
|    | <b><u>Financial Assistance</u></b> |                            |                                  |                           |                               |
|    | A. Personnel                       | \$0                        | \$0                              | \$0                       | \$0                           |
|    | B. Fringe                          | \$0                        | \$0                              | \$0                       | \$0                           |
|    | C. Travel                          | \$4,646                    | \$4,646                          | \$0                       | \$4,646                       |
|    | D. Equipment                       | \$0                        | \$0                              | \$0                       | \$0                           |
|    | E. Supplies                        | \$0                        | \$0                              | \$0                       | \$0                           |
|    | F. Contractual                     | \$0                        | \$0                              | \$0                       | \$0                           |
|    | G. Other                           | \$0                        | \$0                              | \$0                       | \$0                           |
|    | <b>Total Direct FA</b>             | <b>\$4,646</b>             | <b>\$0</b>                       | <b>\$0</b>                | <b>\$4,646</b>                |
|    | H. Indirect                        | \$0                        | \$0                              | \$0                       | \$0                           |
|    | <b>Total Financial Assistance</b>  | <b>\$4,646</b>             | <b>\$4,646</b>                   | <b>\$0</b>                | <b>\$4,646</b>                |
|    | <b>Total</b>                       | <b>\$4,646</b>             | <b>\$4,646</b>                   | <b>\$0</b>                | <b>\$4,646</b>                |
|    | <b>GRAND TOTAL</b>                 | <b>\$604,312</b>           | <b>\$604,312</b>                 | <b>\$532,744</b>          | <b>\$71,568</b>               |

\* Budget revision approved by EPO on February 4, 2010.

\*\* To be rolled-over to 2006/07 grant period.

| Provider Name                       |          |                  |        |      | Fiscal Period   | CFDA Number |                     | Adjustments |
|-------------------------------------|----------|------------------|--------|------|---|-------------|---------------------|-------------|
| COUNTY OF STANISLAUS                |          |                  |        |      | AUGUST 31, 2005 THROUGH AUGUST 30, 2006   | 93.283      |                     | 2           |
| Report References                   |          |                  |        |      | Explanation of Audit Adjustments  | As Reported | Increase (Decrease) | As Adjusted |
| AUDIT REPORT                        |          | INVOICE OR CLAIM |        |      |   |             |                     |             |
| Adj. No.                            | Schedule | Line             | Form # | Line |   |             |                     |             |
| <u>ADJUSTMENT TO REPORTED COSTS</u> |          |                  |        |      |   |             |                     |             |
| 1                                   | 1        | 1.B              |        |      | CDC Base - Fringe<br>To exclude fringe benefit expenditures claimed in excess of supporting records.<br>Public Health Emergency Preparedness Funding Grant Agreement, Exhibit A.8 | \$119,111   | (\$4,786)           | \$114,325   |

| Provider Name                      |          |                  |        |      | Fiscal Period  | CFDA Number |                     | Adjustments |
|------------------------------------|----------|------------------|--------|------|--|-------------|---------------------|-------------|
| COUNTY OF STANISLAUS               |          |                  |        |      | AUGUST 31, 2005 THROUGH AUGUST 30, 2006  | 93.283      |                     | 2           |
| Report References                  |          |                  |        |      | Explanation of Audit Adjustments   | As Reported | Increase (Decrease) | As Adjusted |
| AUDIT REPORT                       |          | INVOICE OR CLAIM |        |      |  |             |                     |             |
| Adj. No.                           | Schedule | Line             | Form # | Line |  |             |                     |             |
| <u>ADJUSTMENT TO OTHER MATTERS</u> |          |                  |        |      |  |             |                     |             |
| 2                                  | N/A      | N/A              |        |      | CDC Base - Overpayment<br>To recover overpayment for fringe benefits expenditures claimed in excess of supporting records.<br>Public Health Emergency Preparedness Funding Grant Agreement, Exhibit A, 2.A | \$0         | \$4,786             | \$4,786     |



Mary Ann Lee  
Managing Director

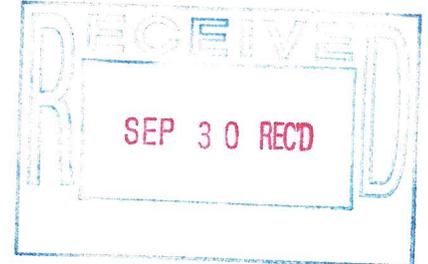
Public Health Services  
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Public Health Officer

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September 15, 2010

Mr. Edmund Yee  
DHCS | State of California  
Audits Section - Richmond  
850 Marina Bay Parkway  
Building P, 2nd Floor, MS 2104  
Richmond, CA 94804-6403



RE: Stanislaus County 05-06 CDC & HPP Audit Findings

Dear Mr. Yee:

Please consider this our response for the audit findings based upon our exit conference and summary of findings from the 05-06 CDC and HPP grants.

**CDC FINDINGS**

***“The County did not have prior approval for redirection of funds as required under the grant agreement. The County reported 05/06 grant expenditures for travel, equipment, and supplies which exceeded the original budget line item amounts. Due to the audit findings, the County subsequently requested and received approval from EPO on February 4, 2010 for redirection of funds via a budget revision.”***

It is noted the State approved the expenditures subsequent to the expenditures. The department currently ensures that there is preapproval from the State for all redirection of funds for this program using the following procedures:

1. Budget revision request is made to the State in advance of actual purchase requisitions.
2. Budget revision approval is received from the State and appropriate adjustments are made within the department and State budget.
3. Actual purchasing occurs only after the budget revision approval has been received from the State.

***“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. Additionally, the County’s trust fund report, dated November 13, 2006 did not accurately reflect the CDC funds received and interest income earned on an accrual basis of accounting for the 05/06 grant period.”***

The department disagrees with this Audit finding for the following reasons:

In accordance with Governmental Accounting and Financial Reporting Standard 34 the County's Auditor-Controller sets up a discrete special revenue fund when required as detailed: "to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes".

The monies deposited in each special revenue fund are invested by the County Treasury Division as pooled investments with the other County Funds. Pooled interest earnings are deposited back to each respective fund based on the contributed amounts. The County Auditor-Controller's Office ensures that any and all interest earnings received from these pooled investment funds are appropriately and fairly distributed to all the participants and funds. All special revenue funds as well as any interest earning allocations are audited by the County Independent Auditor's as part of the County's Annual Financial Statement Audit process to verify and ensure existence and conformity with the appropriate Accounting standards, appropriate allocation rules, procedures and guidelines.

***“Our review of personnel salaries and fringe benefits expenditures identified that the County included vacation, holiday, and sick pay as part of their fringe benefit percentage calculation for the fringe benefits line item; however, since vacation, holiday, and sick pay was already claimed against the salaries line item, the actual fringe benefits percentage was lower. This resulted in a difference of \$4,786 claimed in excess of the County’s supporting records. Audit adjustments were proposed to exclude \$4,786 reported as fringe benefits grant expenditures and to recover the overpayment.”***

Fringe benefits were calculated based upon a percentage amount of salaries in the FY 05-06 grant. However, the department has changed this process and currently invoices the actual salaries and benefits cost for the employees versus using a percentage amount.

***“Our review of travel expenditures identified several travel reimbursement exceptions which included the following: the County’s travel reimbursement per diem rates for meals were generally higher than the California Department of Personnel Administration (DPA) rates; the***

**County's policy allowed lunch to be claimed for travel less than 24 hours depending on travel timeframe, which would not be reimbursable under DPA rules for travel less than 24 hours; and no prior written approval from EPO for out-of-state travel to Washington DC.**

Employee travel is reimbursed based upon the current County travel policies, procedures and guidelines. Any overages or other variances in the reimbursement amounts are adjusted to the DPA approved and allowable limit. Any excess or variance amounts are normally absorbed by the department's own funds as in-kind contributions toward the program.

### **HPP FINDINGS**

**"Our review disclosed redirection of funds from critical benchmarks to another without prior approval as required under the grant agreement. Due to the audit findings, the County subsequently requested and received approval from EPO on July 16, 2009 for a budget revision."**

It is noted the State approved the expenditures subsequent to the expenditures. The department currently ensures that there is preapproval from the State for all redirection of funds for this program using the following procedures:

1. Budget revision request is made to the State in advance of actual purchase requisitions.
2. Budget revision approval is received from the State and appropriate adjustments are made within the department and State budget.
3. Actual purchasing occurs only after the budget revision approval has been received from the State.

We appreciate your consideration of this response to be reflected in the final report.

Sincerely,



Carol Dunbar

Chief Financial Officer

Cc: Vijay Chand

Laura Shinn

Renee Cartier