

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

(A component unit of the
County of San Diego, California)

Statement of Claims and Final Fiscal Reports
with Independent Auditor's Report

June 30, 2008

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Table of Contents

Independent Auditor’s Report.....	1
Statement of Claims	3
Audited Final Fiscal Reports.....	9
Audited Final Revenue and Expenditure Reports	12
Notes to Financial Statements.....	15
Schedule of Expenditures of Federal and State Awards.....	21
Combining Schedule of Activities	22
Combining Schedule of Administrative Costs	24
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	26
Schedule of Findings and Questioned Costs.....	28
Status of Prior Year Findings and Questioned Costs.....	31



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INDEPENDENT AUDITOR'S REPORT

Health and Human Services Agency
County of San Diego
San Diego, California

We have audited the accompanying Statements of Claims and Final Fiscal Reports, Final Revenue and Expenditure Reports, Schedule of Activities, and Schedule of Administrative Costs of the County of San Diego Health and Human Services Agency (County) for the California State Department of Education Child Development Programs (Project Nos. 37-2337-00-7, 37-2001-00-7, and 37-2001-00-5, and Contract Nos. C2AP-7051, C3AP-7052, CAPP-7057, CRET-5033, CDRT-7033, and CLPC-7035) for the fiscal year ended June 30, 2008. The Statements of Claims and Final Fiscal Reports, Final Revenue and Expenditure Reports, Schedule of Activities, and Schedule of Administrative Costs are the responsibility of the County's management. Our responsibility is to express an opinion on the Statement of Claims and Final Fiscal Reports, Final Revenue and Expenditure Reports, Schedule of Activities, and Schedule of Administrative Costs based on our audit.

We conducted our audit 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 the Audit Guide for Auditors of Child Development Programs Administered by County Welfare Departments (Audit Guide) issued by the California State Department of Education. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statements of Claims and Final Fiscal Reports, Final Revenue and Expenditure Reports, Schedule of Activities, and Schedule of Administrative Costs are free of material misstatements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statements of Claims and Final Fiscal Reports, Final Revenue and Expenditure Reports, Schedule of Activities, and Schedule of Administrative Costs. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Statements of Claims and Final Fiscal Reports, Final Revenue and Expenditure Reports, Schedule of Activities, and Schedule of Administrative Costs present fairly, in all material respects, the program expenditures, program funds received, and fiscal year reimbursements for the fiscal year ended June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis and is not a required part of the Statements of Claims and Final Fiscal Reports, Final Revenue and Expenditure Reports, Schedule of Activities, and Schedule of Administrative Costs. Such additional information has been subjected to the auditing procedures applied in the audit of Statements of Claims and Final Fiscal Reports, Final Revenue and Expenditure Reports, Schedule of Activities, and Schedule of Administrative Costs and, in our opinion, is fairly stated, in all material respects, in relation to the Statements of Claims and Final Fiscal Reports, Final Revenue and Expenditure Reports, Schedule of Activities, and Schedule of Administrative Costs taken as a whole.

This report is intended solely for the information and use of the County of San Diego and for filing with the California State Department of Education in connection with the contracts to which it refers, and should not be used for any other purposes.

Moss, Levy & Hartzheim
Moss, Levy & Hartzheim, LLP
Beverly Hills, California
November 7, 2008

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Alternative Payment Program - State General Fund
Project No.: 37-2337-00-7
Contract No.: CAPP-7057

Statement of Claims
Fiscal Year 2007-2008

Program Expenditures:

Direct service expenditures	\$ 4,192,051	
Administrative and support services costs	<u>561,275</u>	
Total Expenditures		\$ 4,753,326

Program Funds Received:

State of California	3,958,708	
Parent fees	191,273	
Funds used to satisfy MOE requirement	105,332	
Other: Interest earned on State advances	<u>96,831</u>	
Total Funds Received		<u>4,352,144</u>
Program Funds Due to the County (Due to the State)		<u>\$ 401,182</u>

The accompanying notes are an integral part of these financial statements

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Alternative Payment Program - Child Care Development Fund
Project No.: 37-2337-00-7
Contract No.: C2AP-7051

Statement of Claims
Fiscal Year 2007-2008

Program Expenditures:

Direct service expenditures	\$ 6,703,882	
Administrative and support services costs	<u>1,245,187</u>	
Total Expenditures		\$ 7,949,069

Program Funds Received:

State of California	8,455,085	
Parent fees	166,214	
Other: Interest earned on State advances	<u>59,128</u>	
Total Funds Received		<u>8,680,427</u>
Program Funds Due to the County (Due to the State)		<u>\$ (731,358)</u>

The accompanying notes are an integral part of these financial statements

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Alternative Payment Program - Child Care Development Fund
Project No.: 37-2337-00-7
Contract No.: C3AP-7052

Statement of Claims
Fiscal Year 2007-2008

Program Expenditures:

Direct service expenditures	\$ 4,636,550	
Administrative and support services costs	<u>686,312</u>	
Total Expenditures		\$ 5,322,862

Program Funds Received:

State of California	5,027,023	
Parent fees	267,892	
Other: Interest earned on State advances	<u>22,084</u>	
Total Funds Received		<u>5,316,999</u>
Program Funds Due to the County (Due to the State)		<u><u>\$ 5,863</u></u>

The accompanying notes are an integral part of these financial statements

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Alternative Payment Program - Child Care Development Fund
Project No.: 37-2001-00-7
Contract No.: CLPC-7035

Statement of Claims
Fiscal Year 2007-2008

Program Expenditures:

Administrative and support services costs	<u>\$ 143,701</u>	
Total Expenditures		\$ 143,701

Program Funds Received:

State of California	138,897	
Funds used to satisfy MOE requirement	21,750	
Other: Interest earned on State advances	<u>8,253</u>	
Total Funds Received		<u>168,900</u>
Program Funds Due to the County (Due to the State)		<u><u>\$ (25,199)</u></u>

The accompanying notes are an integral part of these financial statements

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Alternative Payment Program - Child Care Development Fund
Project No.: 37-2001-00-5
Contract No.: CRET-5033

Statement of Claims
Fiscal Year 2007-2008

Program Expenditures:

Administrative and support services costs	<u>\$ 955,011</u>	
Total Expenditures		\$ 955,011

Program Funds Received:

State of California	937,840	
Other: Interest earned on State advances	<u>12,040</u>	
Total Funds Received		<u>949,880</u>
Program Funds Due to the County (Due to the State)		<u><u>\$ 5,131</u></u>

The accompanying notes are an integral part of these financial statements

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Alternative Payment Program - Child Care Development Fund
Project No.: 37-2001-00-7
Contract No.: CDRT-7033

Statement of Claims
Fiscal Year 2007-2008

Program Expenditures:

Administrative and support services costs	<u>\$ 960,256</u>	
Total Expenditures		\$ 960,256

Program Funds Received:

State of California	241,196	
Other: Interest earned on State advances	<u>4,540</u>	
Total Funds Received		<u>245,736</u>
Program Funds Due to the County (Due to the State)		<u><u>\$ 714,520</u></u>

The accompanying notes are an integral part of these financial statements

AUDITED FINAL FISCAL REPORT
for Alternative Payment or Family Child Care Home Programs

Agency Name: County of San Diego Health and Human Services Agency Vendor No. 2337

Fiscal Year End: June 30, 2008 Contract No. CAPP-7057

Independent Auditor's Name: Moss, Levy & Hartzheim, LLP

SECTION I - REVENUE	EDP NO.	Column A	Column B	Column C
		CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME				
Child Care Food/National School Lunch Program	302	\$ -	\$ -	\$ -
Restricted income for operating costs	306			
Cal Learn Program	308			
Maintenance of Effort	339	105,332		105,332
Other:	312			
SUBTOTAL	311	105,332		105,332
TRANSFER FROM RESERVE FUND	310			
FAMILY FEES FOR CERTIFIED CHILDREN	329	191,273		191,273
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS				
	349	96,831		96,831
NON-RESTRICTED INCOME				
Parent fees for noncertified children	356			
Other:	362			
TOTAL REVENUE	390	\$ 393,436	\$ -	\$ 393,436
SECTION II - EXPENSES				
REIMBURSABLE EXPENSES				
<i>Direct Payments to Providers</i>	401	\$ 4,192,051	\$ -	\$ 4,192,051
1000 Certificated Salaries	402			
2000 Classified Salaries	404	298,574		298,574
3000 Employee Benefits	406	176,858		176,858
4000 Books and Supplies	408	3,044		3,044
5000 Services and Other Operating Expenses	412	44,764		44,764
6100/6200 Other Approved Capital Outlay	413			
6400 New Equipment (<i>program-related</i>)	414			
6500 Equipment Replacement (<i>program-related</i>)	416			
Depreciation or Use Allowance	439			
Start-Up Expenses (service level exemption)	447			
Indirect Costs -- Rate: 8.00%	459	38,035		38,035
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable capital outlay	479			
Other:	489			
TOTAL EXPENSES	490	\$ 4,753,326	\$ -	\$ 4,753,326
TOTAL ADMINISTRATIVE COST (<i>included above</i>)	690	\$ 92,410	\$ -	\$ 92,410
DAYS OF OPERATION	169	255		255

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

AUDITED FINAL FISCAL REPORT
for Alternative Payment or Family Child Care Home Programs

Agency Name: County of San Diego Health and Human Services Agency Vendor No. 2337
 Fiscal Year End: June 30, 2008 Contract No. C2AP-7051
 Independent Auditor's Name: Moss, Levy & Hartzheim, LLP

SECTION I - REVENUE	EDP NO.	Column A	Column B	Column C
		CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME				
Child Care Food/National School Lunch Program	302	\$ -	\$ -	\$ -
Restricted income for operating costs	306			
Cal Learn Program	308			
Maintenance of Effort	339			
Other:	312			
SUBTOTAL	311			
TRANSFER FROM RESERVE FUND	310			
FAMILY FEES FOR CERTIFIED CHILDREN	329	166,214		166,214
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	349	59,128		59,128
NON-RESTRICTED INCOME				
Parent fees for noncertified children	356			
Other:	362			
TOTAL REVENUE	390	\$ 225,342	\$ -	\$ 225,342
SECTION II - EXPENSES				
REIMBURSABLE EXPENSES				
<i>Direct Payments to Providers</i>	401	\$ 6,703,882	\$ -	\$ 6,703,882
1000 Certificated Salaries	402			
2000 Classified Salaries	404	663,574		663,574
3000 Employee Benefits	406	392,712		392,712
4000 Books and Supplies	408	6,957		6,957
5000 Services and Other Operating Expenses	412	97,441		97,441
6100/6200 Other Approved Capital Outlay	413			
6400 New Equipment (<i>program-related</i>)	414			
6500 Equipment Replacement (<i>program-related</i>)	416			
Depreciation or Use Allowance	439			
Start-Up Expenses (service level exemption)	447			
Indirect Costs -- Rate: 8.00%	459	84,503		84,503
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable capital outlay	479			
Other:	489			
TOTAL EXPENSES	490	\$ 7,949,069	\$ -	\$ 7,949,069
TOTAL ADMINISTRATIVE COST (<i>included above</i>)	690	\$ 204,629	\$ -	\$ 204,629
DAYS OF OPERATION	169	255		255

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

AUDITED FINAL FISCAL REPORT
for Alternative Payment or Family Child Care Home Programs

Agency Name: County of San Diego Health and Human Services Agency Vendor No. 2337

Fiscal Year End: June 30, 2008 Contract No. C3AP-7052

Independent Auditor's Name: Moss, Levy & Hartzheim, LLP

SECTION I - REVENUE	EDP NO.	Column A	Column B	Column C
		CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME				
Child Care Food/National School Lunch Program	302	\$ -	\$ -	\$ -
Restricted income for operating costs	306			
Cal Learn Program	308			
Maintenance of Effort	339			
Other:	312			
SUBTOTAL	311			
TRANSFER FROM RESERVE FUND	310			
FAMILY FEES FOR CERTIFIED CHILDREN	329	267,892		267,892
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	349	22,084		22,084
NON-RESTRICTED INCOME				
Parent fees for noncertified children	356			
Other:	362			
TOTAL REVENUE	390	\$ 289,976	\$ -	\$ 289,976
SECTION II - EXPENSES				
REIMBURSABLE EXPENSES				
<i>Direct Payments to Providers</i>	401	\$ 4,636,550	\$ -	\$ 4,636,550
1000 Certificated Salaries	402			
2000 Classified Salaries	404	365,826		365,826
3000 Employee Benefits	406	216,745		216,745
4000 Books and Supplies	408	3,704		3,704
5000 Services and Other Operating Expenses	412	53,431		53,431
6100/6200 Other Approved Capital Outlay	413			
6400 New Equipment (<i>program-related</i>)	414			
6500 Equipment Replacement (<i>program-related</i>)	416			
Depreciation or Use Allowance	439			
Start-Up Expenses (service level exemption)	447			
Indirect Costs -- Rate: 8.00%	459	46,606		46,606
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable capital outlay	479			
Other:	489			
TOTAL EXPENSES	490	\$ 5,322,862	\$ -	\$ 5,322,862
TOTAL ADMINISTRATIVE COST (<i>included above</i>)	690	\$ 113,119	\$ -	\$ 113,119
DAYS OF OPERATION	169	255		255

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

**AUDITED FINAL REVENUE AND EXPENDITURE REPORT
for Support Contracts**

Agency Name: County of San Diego Health and Human Services Agency Vendor No. 2001

Fiscal Year End: June 30, 2008 Contract No. CLPC-7035

Independent Auditor's Name: Moss, Levy & Hartzheim, LLP

SECTION I - REVENUE	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME			
Child Care Food/National School Lunch Program	\$ -	\$ -	\$ -
Cal Learn Program			
Restricted income for operating costs			
Maintenance of Effort	21,750		21,750
Other (specify):			
Subtotal Restricted Program Income	21,750		21,750
FAMILY FEES FOR CERTIFIED CHILDREN			
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	8,253		8,253
NON-RESTRICTED INCOME			
Parent fees for noncertified children			
Other (specify):			
Subtotal Revenue for Current Fiscal Year	30,003		30,003
Revenue Earned in Prior Years			
TOTAL REVENUE	\$ 30,003	\$ -	\$ 30,003

SECTION II - EXPENDITURES

REIMBURSABLE			
1000 Certificated Salaries	\$ -	\$ -	\$ -
2000 Classified Salaries			
3000 Employee Benefits			
4000 Books and Supplies			
5000 Services and Other Operating Expenses	143,701		143,701
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Start-Up Expenses (service level exemption)			
Indirect Costs -- Rate:			
NONREIMBURSABLE EXPENSES			
6100-6500 Nonreimbursable capital outlay			
Other nonreimbursable expenses (specify):			
Subtotal Expenses for Current Fiscal Year	143,701		143,701
Expenses Incurred in Prior Years			
TOTAL EXPENSES	\$ 143,701	\$ -	\$ 143,701
TOTAL ADMINISTRATIVE COST (included in section II above)	\$ 113	\$ -	\$ 113

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

**AUDITED FINAL REVENUE AND EXPENDITURE REPORT
for Support Contracts**

Agency Name: County of San Diego Health and Human Services Agency Vendor No. 2001

Fiscal Year End: June 30, 2008 Contract No. CRET-5033

Independent Auditor's Name: Moss, Levy & Hartzheim, LLP

	COLUMN A	COLUMN B	COLUMN C
SECTION I - REVENUE	CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME			
Child Care Food/National School Lunch Program	\$ -	\$ -	\$ -
Cal Learn Program			
Restricted income for operating costs			
Maintenance of Effort			
Other (specify):			
Subtotal Restricted Program Income			
FAMILY FEES FOR CERTIFIED CHILDREN			
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	12,040		12,040
NON-RESTRICTED INCOME			
Parent fees for noncertified children			
Other (specify):			
Subtotal Revenue for Current Fiscal Year	12,040		12,040
Revenue Earned in Prior Years	18,936		18,936
TOTAL REVENUE	\$ 30,976	\$ -	\$ 30,976

SECTION II - EXPENDITURES

REIMBURSABLE			
1000 Certificated Salaries	\$ -	\$ -	\$ -
2000 Classified Salaries	17,724		17,724
3000 Employee Benefits	9,541		9,541
4000 Books and Supplies			
5000 Services and Other Operating Expenses	927,746		927,746
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Start-Up Expenses (service level exemption)			
Indirect Costs -- Rate:			
NONREIMBURSABLE EXPENSES			
6100-6500 Nonreimbursable capital outlay			
Other nonreimbursable expenses (specify):			
Subtotal Expenses for Current Fiscal Year	955,011		955,011
* Expenses Incurred in Prior Years	778,052		778,052
TOTAL EXPENSES	\$ 1,733,063	\$ -	\$ 1,733,063
TOTAL ADMINISTRATIVE COST (included in section II above)	\$ 4,682	\$ -	\$ 4,682

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

**AUDITED FINAL REVENUE AND EXPENDITURE REPORT
for Support Contracts**

Agency Name: County of San Diego Health and Human Services Agency Vendor No. 2001
 Fiscal Year End: June 30, 2008 Contract No. CDRT-7033
 Independent Auditor's Name: Moss, Levy & Hartzheim, LLP

SECTION I - REVENUE	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME			
Child Care Food/National School Lunch Program	\$ -	\$ -	\$ -
Cal Learn Program			
Restricted income for operating costs			
Maintenance of Effort			
Other (specify):			
Subtotal Restricted Program Income			
FAMILY FEES FOR CERTIFIED CHILDREN			
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	4,540		4,540
NON-RESTRICTED INCOME			
Parent fees for noncertified children			
Other (specify):			
Subtotal Revenue for Current Fiscal Year	4,540		4,540
Revenue Earned in Prior Years			
TOTAL REVENUE	\$ 4,540	\$ -	\$ 4,540

SECTION II - EXPENDITURES

REIMBURSABLE			
1000 Certificated Salaries	\$ -	\$ -	\$ -
2000 Classified Salaries			
3000 Employee Benefits			
4000 Books and Supplies			
5000 Services and Other Operating Expenses	960,256		960,256
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Start-Up Expenses (service level exemption)			
Indirect Costs -- Rate:			
NONREIMBURSABLE EXPENSES			
6100-6500 Nonreimbursable capital outlay			
Other nonreimbursable expenses (specify):			
Subtotal Expenses for Current Fiscal Year	960,256		960,256
* Expenses Incurred in Prior Years			
TOTAL EXPENSES	\$ 960,256	\$ -	\$ 960,256
TOTAL ADMINISTRATIVE COST (included in section II above)	\$ -	\$ -	\$ -

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Notes to Financial Statements
June 30, 2008

Note 1 Summary of Significant Accounting Policies

A. Reporting Entity

The County of San Diego is a political subdivision of the State of California (State) and is governed by an elected Board of Supervisors. As such, it can exercise the powers specified by the Constitution and Statutes of the State. The Health and Human Services Agency is a department within the County of San Diego and operates the California State Department of Education Child Development Programs within the County.

The accompanying financial statement presentations relate to the County of San Diego Health and Human Services Agency operations and include only selected data that is required to be reported to the California State Department of Education, pursuant to Contract Nos. CAPP-7057, C2AP-7051, C3AP-7052, CRET-5033, CDRT-7033, and CLPC-7035. In accordance with criteria adopted by the Governmental Accounting Standards Board (GASB), the entire operation of the County of San Diego Health and Human Services Agency is included in the County of San Diego's Comprehensive Annual Financial Report.

B. General Program Information

The County of San Diego Health and Human Services Agency administered the following California State Department of Education Child Development Programs during the fiscal year ended June 30, 2008: County California Work Opportunity and Responsibility to Kids (CalWorks) Stage 2, Child Care and Development Block Grant (CCDBG), CalWorks Stage 3, Local Child Care Planning Council, Child Care Staff Retention Program, and Child Care Staff Retention/Training Program.

The County CalWorks Stage 2 and Stage 3 programs fund the childcare costs of low income families with parents who are CalWorks recipients or former recipients and who are either employed, seeking employment, receiving employment-related training, or incapacitated. Children who have reached their thirteenth birthday are ineligible for subsidized services except that children with exceptional needs and severely disabled children may be served to age twenty-one.

The CCDBG Program funds the childcare costs of children from low income families who are receiving protection services through the local county welfare department or who are identified by a legal, medical, social service, or emergency shelter as suffering from or at risk of abuse, neglect, or exploitation.

The State General Fund program funds the childcare costs of families who are recipients of public assistance, or are homeless or low income, and children who are receiving protection services through the local county welfare department or who are identified by a legal, medical, social service agency, or emergency shelter

HEALTH AND HUMAN SERVICES AGENCY

Notes to Financial Statements
June 30, 2008

Note 1 Summary of Significant Accounting Policies (Continued)

B. General Program Information (Continued)

as suffering from or at risk of abuse, neglect, or exploitation. The parents of families receiving this aid have to be either employed, seeking employment, participating in employment related training, homeless and seeking permanent housing, or incapacitated.

The Local Child Care Planning Council was established to develop a comprehensive long range plan for a broad spectrum of childcare and development services. Items that may be addressed by the council include the expansion of care for all children with childcare and development needs within the County and the development of strategies and mechanisms for upgrading the quality of care.

The Child Care Staff Retention Program (CRET-5033) and the Child Care Staff Retention/Training Program (CDRT-7033) were established to retain qualified child care employees, who work directly with children who receive subsidized care, in State subsidized, center-based programs. The CRET-5033 is a multiple year contract which started in June 1, 2006 and was completed in June 30, 2008. The funding for the CDRT-7033 was made available concurrently with the funding for CRET-5033. The funding for the CDRT-7033 was only available from July 1, 2007 through June 30, 2008.

C. Basis of Presentation

The Statement of Claims and Final Fiscal Reports, Final Revenue and Expenditure Reports, Schedule of Activities, and Schedule of Administrative Costs were prepared from the accounts and transactions of the County. The statements summarize revenues, expenditures, and matching funds recorded by the County for the fiscal year ended June 30, 2008 and follow the formats prescribed by the California State Department of Education.

D. Method of Accounting

Prior to July 1, 2000, the County used the modified accrual basis of accounting for the Statement of Claims and Final Fiscal Reports, Final Revenue and Expenditure Reports, Schedule of Activities, and Schedule of Administrative Costs. The Program began to utilize the accrual basis of accounting in fiscal year ended June 30, 2001. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

Note 2 Direct Service Expenditures

Direct service expenditures represent direct payments to eligible families or childcare providers plus other direct service costs classified in the Audit Guide. Direct service expenditures also include costs offset by parent fees paid directly to providers. Service providers' costs financed by direct payments from parents are not included in expenditures reported monthly or quarterly to the State. See Note 7 for a summary of parent fee amounts.

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Notes to Financial Statements
June 30, 2008

Note 3 Administrative Expenditures and Support Costs

Costs related to the administration of the child development programs, other than direct service expenditures, are reported as administrative expenditures on the Statement of Claims. The administrative expenditures consist of administrative and support services costs. For the fiscal year ended June 30, 2008, such costs consisted of the following:

	<u>Administrative</u>	<u>Support</u>	<u>Total</u>
CAPP-7057			
Salaries and benefits	\$ 51,459	\$ 423,973	\$ 475,432
Indirect costs	38,035		38,035
Books and supplies		3,044	3,044
Services and other operating expenses		41,848	41,848
Audit fee	2,916		2,916
Total	<u>\$ 92,410</u>	<u>\$ 468,865</u>	<u>\$ 561,275</u>
C2AP-7051			
Salaries and benefits	\$ 114,954	\$ 941,332	\$ 1,056,286
Indirect costs	84,503		84,503
Books and supplies		6,957	6,957
Services and other operating expenses		92,269	92,269
Audit fee	5,172		5,172
Total	<u>\$ 204,629</u>	<u>\$ 1,040,558</u>	<u>\$ 1,245,187</u>
C3AP-7052			
Salaries and benefits	\$ 63,356	\$ 519,215	\$ 582,571
Indirect costs	46,606		46,606
Books and supplies		3,704	3,704
Services and other operating expenses		50,274	50,274
Audit fee	3,157		3,157
Total	<u>\$ 113,119</u>	<u>\$ 573,193</u>	<u>\$ 686,312</u>
CLPC-7035			
Services and other operating expenses	\$ -	\$ 143,588	\$ 143,588
Audit fee	113		113
Total	<u>\$ 113</u>	<u>\$ 143,588</u>	<u>\$ 143,701</u>

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Notes to Financial Statements
June 30, 2008

Note 3 Administrative Expenditures and Support Costs (Continued)

	<u>Administrative</u>	<u>Support</u>	<u>Total</u>
CRET-5033			
Salaries and benefits	\$ 4,090	\$ 23,175	\$ 27,265
Services and other operating expenses		927,154	927,154
Audit fee	592		592
Total	<u>\$ 4,682</u>	<u>\$ 950,329</u>	<u>\$ 955,011</u>
CDRT-7033			
Services and other operating expenses	\$ -	\$ 960,256	\$ 960,256
Total	<u>\$ -</u>	<u>\$ 960,256</u>	<u>\$ 960,256</u>

Note 4 Maintenance of Effort (MOE) Requirement

California State Department of Education regulations require counties to maintain a funding level of effort for the Child Development Programs commensurate with Fiscal Year 1970/1971 levels.

The County satisfied its Maintenance of Effort (MOE) requirement of \$105,332. The amount retained by the County's Child Development Programs was \$0. The amount spent on administrative and support costs was \$561,275. There were also expenditures of \$4,192,051 spent on direct service expenditures.

For the State General Fund CDP Program, administration and support services totaled \$561,275 and direct service expenditures totaled \$4,192,051 which were more than 100% of the required MOE. Actual administration and support services costs of \$455,943 and direct service expenditures of \$4,192,051 reported on line 10b of the Audited Final Reimbursement for the State General Fund CAP Program, Contract No. CAPP-7057, Project Number 37-2337-00-7, does not reflect the \$105,332 in administration and support costs due to exclusion by operation of formula at line 4 for the project and contract.

The County also satisfied its Maintenance of Effort (MOE) requirement of \$21,750 for contract number CLPC-7035. The amount retained by the County's Child Development Programs was \$0. The amount spent on administrative and support costs was \$143,701 which is more than 100% of the required MOE.

Note 5 Interest Earned on State Advances

Interest was calculated, based on County cash investment yields applied to amounts advanced from the State that were outstanding during the period. Amounts earned by the County were retained and reported in accordance with the Contract Funding Terms and Conditions, which are recorded in the County's General Fund. Interest earned must be used for Child Development Program expenditures.

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Notes to Financial Statements
June 30, 2008

Note 6 Fiscal Year Reimbursable Earnings

Fiscal year reimbursable earnings are the lesser of the contract amount or total expenditures incurred during the fiscal year in the provision of child care and development services for subsidized children, reduced by disallowed costs and restricted income.

Note 7 Parent Fees

Fees totaling \$625,379 were paid by parents directly to providers as follows:

CAPP-7057	\$	191,273
C2AP-7051		166,214
C3AP-7052		267,892
		267,892
Total	\$	625,379

Note 8 Amount Due to/(from) the State

The amount of program funds due to the State:

CAPP-7057	\$	(401,182)
C2AP-7051		731,358
C3AP-7052		(5,863)
CLPC-7035		25,199
CRET-5033		(5,131)
CDRT-7033		(714,520)
		(714,520)
Total	\$	(370,139)

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**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2008

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Contract Number	Federal and State Expenditures
Passed through the California Department of Education			
Child Development Division Alternative Payment	N/A	CAPP-7057	\$ 4,753,326
Child Care and Development Fund (CalWorks Stage 2)	N/A	C2AP-7051	7,949,069
Child Care and Development Fund (CalWorks Stage 3-Timing Out)	N/A	C3AP-7052	<u>5,322,862</u>
Total			<u>18,025,257</u>
Other Programs:			
Child Development Division			
Local Child Care Planning and Development Council	N/A	CLPC-7035	143,701
CC Salary/Retention Incentive	N/A	CRET-5033	955,011
CC Staff Retention/Training Incentive	N/A	CDRT-7033	<u>960,256</u>
Total Other Programs			<u>2,058,968</u>
Total			<u>\$ 20,084,225</u>

Notes: Maintenance of Effort of \$21,750 was received from the County of San Diego and expended on the Local Planning Council Program in accordance with the County and Child Development Division.

Maintenance of Effort funds of \$105,332 were received from the County of San Diego and expended on the Alternative Payment Program in accordance with County and Child Development Division.

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Combining Schedule of Activities
Fiscal Year 2007-2008

	CAPP-7057	C2AP-7051	C3AP-7052
<u>Support, Revenues, and Gains</u>			
<u>Support</u>			
Maintenance of effort	\$ 105,332	\$ -	\$ -
Total Support	105,332		
<u>Revenue</u>			
State apportionments	3,958,708	8,455,085	5,027,023
Parent fees	191,273	166,214	267,892
Interest earned on State advances	96,831	59,128	22,084
Total Revenues	4,246,812	8,680,427	5,316,999
Total Support, Revenues, and Gains	4,352,144	8,680,427	5,316,999
<u>Expenses</u>			
Classified Salaries:			
Office personnel	298,574	663,574	365,826
Employee benefits	176,858	392,712	216,745
Books	3,044	6,957	3,704
Provider payments	4,192,051	6,703,882	4,636,550
Legal, audit, and accounting	2,916	5,172	3,157
Other expenses	41,848	92,269	50,274
Indirect costs	38,035	84,503	46,606
Total Expenses	4,753,326	7,949,069	5,322,862
Excess (deficiency) of support, revenue, gains, and expenses	\$ (401,182)	\$ 731,358	\$ (5,863)

<u>CLPC-7035</u>	<u>CRET-5033</u>	<u>CDRT-7033</u>	<u>Totals</u>
\$ 21,750	\$ -	\$ -	\$ 127,082
<u>21,750</u>			<u>127,082</u>
138,897	937,840	241,196	18,758,749
8,253	12,040	4,540	625,379
<u>147,150</u>	<u>949,880</u>	<u>245,736</u>	<u>19,587,004</u>
<u>168,900</u>	<u>949,880</u>	<u>245,736</u>	<u>19,714,086</u>
	17,724		1,345,698
	9,541		795,856
			13,705
			15,532,483
113	592		11,950
143,588	927,154	960,256	2,215,389
			169,144
<u>143,701</u>	<u>955,011</u>	<u>960,256</u>	<u>20,084,225</u>
<u>\$ 25,199</u>	<u>\$ (5,131)</u>	<u>\$ (714,520)</u>	<u>\$ (370,139)</u>

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Combining Schedule of Administrative Costs
Fiscal Year 2007-2008

	<u>CAPP-7057</u>	<u>C2AP-7051</u>	<u>C3AP-7052</u>
Prior, Multi-Year Contracts	\$ -	\$ -	\$ -
Current Year:			
Administrative salaries	33,050	73,785	40,650
Employee benefits	18,409	41,169	22,706
Audit and legal	2,916	5,172	3,157
Indirect costs	<u>38,035</u>	<u>84,503</u>	<u>46,606</u>
Total Administrative Costs	<u>\$ 92,410</u>	<u>\$ 204,629</u>	<u>\$ 113,119</u>

<u>CLPC-7035</u>	<u>CRET-5033</u>	<u>CDRT-7033</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -
	2,659		150,144
	1,431		83,715
113	592		11,950
			169,144
<u>\$ 113</u>	<u>\$ 4,682</u>	<u>\$ -</u>	<u>\$ 414,953</u>



MOSS, LEVY & HARTZHEIM LLP

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**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***

Health and Human Services Agency
County of San Diego
San Diego, California

We have audited the accompanying Statements of Claims and Final Fiscal Reports, Final Revenue and Expenditure Reports, Schedule of Activities, and Schedule of Administrative Costs of the County of San Diego Health and Human Services Agency (County) for the California State Department of Education Child Development Program (Project Nos. 37-2337-00-7, 37-2001-00-7, and 37-2001-00-5, and Contract Nos. C2AP-7051, C3AP-7052, CAPP-7057, CRET-5033, CDRT-7033, and CLPC-7035) as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated November 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's Statements of Claims and Final Fiscal Reports, Final Revenue and Expenditure Reports, Schedule of Activities, and Schedule of Administrative Costs that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting (2008-1 to 2008-3). We did not audit the County's responses and accordingly, we express no opinion on them.

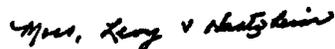
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance

As part of obtaining reasonable assurance about whether the County's Statements of Claims and Final Fiscal Reports, Final Revenue and Expenditure Reports, Schedule of Activities, and Schedule of Administrative Costs 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item (2008-4). We did not audit the County's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the County, management, and the California State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.



Moss, Levy & Hartzheim, LLP
Beverly Hills, California
November 7, 2008

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2008

Section 1 – Summary of Audit Results

Financial Statements

1. The Independent Auditor’s Report on the Statements of Claims and Final Fiscal Reports, Final Revenue and Expenditure Reports, Schedule of Activities, and Schedule of Administrative Costs of the County of San Diego Health and Human Services Agency (County) for the California State Department of Education Child Development Program (Project Nos. 37-2337-00-7, 37-2001-00-7, and 37-2001-00-5, and Contract Nos. C2AP-7051, C3AP-7052, CAPP-7057, CRET-5033, CDRT-7033, and CLPC-7035) expressed an unqualified opinion.
2. Internal control over financial reporting:
 - a. No material weaknesses identified
 - b. Reportable conditions identified-See Findings 2008-1 to 2008-3
3. Compliance:
 - a. One reportable instance of noncompliance identified as Finding 2008-4

Section 2 – Financial Statement Findings

2008-1 Finding – Service Providers time calculations were incorrectly calculated:

During our review of client files, we noted that for three out of twenty-eight clients, the time calculation for the hours/days worked by the respective service providers were not calculated correctly. Two of the service providers were over paid (\$16.68 and \$9.00) and one service provider was under paid (\$29.64). This resulted in the net underpayment of \$3.96.

Effect:

The County over/under paid for services that were provided by the three service providers.

Recommendation:

We recommend that the Agency’s staff review all payment calculations to verify that the service providers (caretakers) are being paid the correct amount.

Management’s Response:

The County agrees with the finding.

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2008

Section 2 – Financial Statement Findings (Continued)

2008-2 Finding – Payment calculation was incorrectly calculated:

During our review of client files, we noted that for five out of twenty-eight clients, the payment calculations for services provided by the respective service providers were not calculated correctly. For four of the service providers, the incorrect payment rate was used which resulted in an overpayment of \$23.00, an underpayment of \$77.85, an overpayment of \$4.67, and an underpayment of \$3.12. For the fifth service provider, there was a mathematical error which caused the service provider to be underpaid by \$3.86. This resulted in a net underpayment of \$57.16.

Effect:

The County over/under paid for services that were provided by the five service providers.

Recommendation:

We recommend that the Agency's staff review all payment calculations to verify that the service providers are being paid the correct amount.

Management's Response:

The County agrees with the finding.

2008-3 Finding – Family fees were calculated incorrectly:

During our review of client files, we noted that five out of twenty-eight family fees were calculated incorrectly.

For two of the family fee calculations, the client's income calculation was incorrectly calculated which resulted in an incorrect family fee being assessed. This resulted in an overpayment of \$207.00 by the Agency and an underpayment of \$50.00.

For one of the family fee calculations, there was insufficient documentation to verify the countable income and so we can not determine if the family fee being assessed is correct.

For one of the family fee calculations, one of the clients was not being charged a family fee even though the client should have been assessed a fee. This resulted in an overpayment of \$67.50.

For one of the family fee calculations, one of the client's family fee calculation was based on the incorrect number of days worked which resulted in an underpayment of \$8.00.

Effect:

The County assessed incorrect family fees which resulted in the County over/under paying the respective service providers with State funds.

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2008

Section 2 – Financial Statement Findings (Continued)

2008-3 Finding – Family fees were calculated incorrectly (Continued):

Recommendation:

We recommend that the Agency ensure that all family fee and family income calculations are calculated correctly and are reviewed for accuracy by authorized personnel.

Management's Response:

The County agrees with the finding.

Section 3 – Compliance Findings and Questioned Costs

2008-4 Finding – Allocation of Payroll:

During the test of the payroll system for the CAPP-7057, C2AP-7051, and C3AP-7052 contracts, we noted that the time allocation to the three contracts was incorrectly calculated. Subsequent to our finding, the Agency investigated the discrepancy and determined that it was over charging payroll expenditures to the three contracts. The Agency has made corrections to the payroll expenditure allocation for the three contracts for the 2007/08 year.

Questioned Cost:

Not applicable – subsequently corrected by Agency.

Effect:

The payroll expenditures were not being properly allocated to the different contracts.

Recommendation:

We recommend that the Agency review the allocation of the payroll expenditures to ensure that the correct amounts are being allocated to each of the three contracts.

Management's Response:

The Health and Human Services Agency agrees with the recommendation. The Agency has corrected the fiscal year 07-08 claims, as noted above, and is using the corrected methodology for FY 08-09 claims.

**COUNTY OF SAN DIEGO
HEALTH AND HUMAN SERVICES AGENCY**

Status of Prior Year Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2008

Section 2 – Financial Statement Findings

2007-1 Finding – The amount of days that the service providers (caretakers) were paid for were incorrectly calculated.

During our review of client files, we noted that for two (2) out of 23 clients, the respective service providers (caretakers) were underpaid for services that they provided. The two service providers (caretakers) were underpaid by 0.2 of a week (1day).

Effect:

The County underpaid for services that were provided by the two (2) service providers (caretakers).

Recommendation:

We recommend that the Agency's staff review all payment calculations to verify that the service providers (caretakers) are being paid the correct amount.

Status:

Not implemented – See finding 2008-1

Section 3 – Compliance Findings and Questioned Costs

No Findings