

SAN MATEO COUNTY NARCOTICS TASK FORCE

Single Audit Report

For the Fiscal Year Ended June 30, 2006

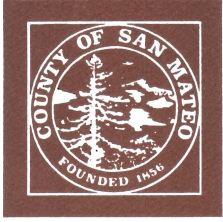
SAN MATEO COUNTY NARCOTICS TASK FORCE

June 30, 2006

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Office of Controller



TOM HUENING
CONTROLLER

COUNTY OF SAN MATEO

555 COUNTY CENTER, 4TH FLOOR • REDWOOD CITY • CALIFORNIA 94063

ROBERT G. ADLER
ASSISTANT CONTROLLER

KANCHAN K. CHARAN
DEPUTY CONTROLLER

TELEPHONE: (650) 363-4777

FAX: (650) 363-7888

www.co.sanmateo.ca.us/controller/

Independent Auditor's Report on Schedule of Expenditures of Federal Awards

To the Board of Directors
San Mateo County Narcotics Task Force

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Mateo County Narcotics Task Force (the NTF) as of and for the year ended June 30, 2006, which collectively comprise the NTF's basic financial statements. These financial statements are the responsibility of the NTF's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NTF's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the NTF's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the NTF. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

County of San Mateo Controller

Redwood City, California
December 20, 2006

San Mateo County Narcotics Task Force
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2006

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number (CFDA)</u>	<u>Federal Expenditures</u>	<u>Pass-Through Entity Number</u>
U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY			
Pass-Through Program, Northern California High Intensity Drug Trafficking Area			
High Intensity Drug Trafficking Area	07	\$ 42,418	I5PSFP501Z
High Intensity Drug Trafficking Area	07	<u>48,436</u>	I6PSFP501Z
TOTAL U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY		<u>90,854</u>	
U.S. DEPARTMENT OF JUSTICE			
Direct Programs:			
Organized Crime Drug Enforcement Task Force-State and Local Overtime	16	97,523	n/a
Federally Forfeited Property	16	<u>142,640</u>	n/a
Sub-Total of Direct Programs		<u>240,163</u>	
Pass-Through Program, San Mateo County Sheriff's Office:			
Drug Enforcement Administrative Grant	16	30,591	n/a
Pass-Through Program, State of California Office of Emergency Services:			
Anti-Drug Abuse Enforcement Program	16.738	<u>293,630</u>	DC 05160410
Sub-Total of Pass-Through Programs		<u>324,221</u>	
TOTAL U.S. DEPARTMENT OF JUSTICE		<u>564,384</u>	
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 655,238</u>	

See notes to the schedule of expenditures of federal awards.

San Mateo County
Narcotics Task Force
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

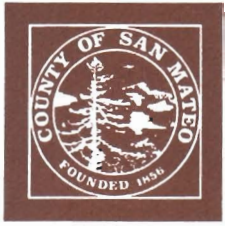
Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the San Mateo County Narcotics Task Force and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Subrecipients

For fiscal year ended June 30, 2006, no funds reported on the Schedule of Expenditures of Federal Awards were passed-through to subrecipient entities.

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www.co.sanmateo.ca.us/controller/

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*

To the Board of Directors
San Mateo County Narcotics Task Force

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Mateo County Narcotics Task Force (the NTF) as of and for the year ended June 30, 2006, which collectively comprise the NTF's basic financial statements and have issued our report thereon dated December 20, 2006. 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 NTF's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

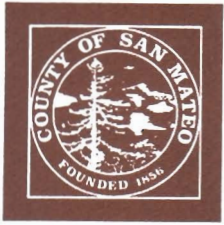
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NTF's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

County of San Mateo Controller

County of San Mateo, California
December 20, 2006



**TOM HUENING
CONTROLLER**

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

To the Board of Directors
San Mateo County Narcotics Task Force

Compliance

We have audited the compliance of the San Mateo County Narcotics Task Force with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The San Mateo County Narcotics Task Force's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the San Mateo County Narcotics Task Force's management. Our responsibility is to express an opinion on the San Mateo County Narcotics Task Force's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the San Mateo County Narcotics Task Force's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the San Mateo County Narcotics Task Force's compliance with those requirements.

In our opinion, the San Mateo County Narcotics Task Force complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2006-01.

Internal Control Over Compliance

The management of the San Mateo County Narcotics Task Force is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

In planning and performing our audit, we considered the San Mateo County Narcotics Task Force's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

County of San Mateo Controller

County of San Mateo, California
December 20, 2006

San Mateo County
Narcotics Task Force
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2006

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the San Mateo County Narcotics Task Force.
2. No reportable conditions relating to the audit of the financial statements are reported in the 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*.
3. During the audit, no material weaknesses were identified in the internal control over financial reporting.
4. No instances of noncompliance material to the financial statements of the San Mateo County Narcotics Task Force were disclosed during the audit.
5. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
6. During the audit, no material weaknesses were identified in the internal control over major programs.
7. The auditor's report on compliance for the major federal award programs for the San Mateo County Narcotics Task Force expresses an unqualified opinion.
8. There is one audit finding relative to the major federal award programs for the San Mateo County Narcotics Task Force that is required to be reported in accordance with section 510(a) of Circular A-133.
9. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
16.738	Anti-Drug Abuse Enforcement Program
7	High Intensity Drug Trafficking Area

10. The threshold for distinguishing Types A and B programs was \$300,000.
11. San Mateo County Narcotics Task Force was determined to be a high-risk auditee.

San Mateo County
Narcotics Task Force
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2006

FINDINGS – FINANCIAL STATEMENTS AUDIT – REPORTABLE CONDITIONS

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding 2006-01 **U.S. Office of National Drug Control Policy**
High Intensity Drug Trafficking Area, CFDA number 07
Special Conditions

Criteria

In accordance with the HIDTA Program Policy and Budget Guidance for the High Intensity Drug Trafficking Area (HIDTA) program, overtime payments made to an individual law enforcement personnel cannot exceed a maximum of twenty-five percent of the federal GS-12 step 1 level pay scale for Federal Law Enforcement Officers. The overtime cap is applied to a twelve-month period of either the federal or parent agency’s fiscal year or any other twelve-month period selected by the parent agency. This audit applied the period of NTF’s fiscal year (July 1, 2005 to June 30, 2006). Accordingly, the maximum overtime payment an individual can receive during that twelve-month period from the HIDTA and Organized Crime Drug Enforcement Task Force (OCDETF) Programs combined was \$15,144.

In addition, a Memorandum dated October 1, 2004 issued jointly by the Office of National Drug Control Policy and Office of the Deputy Attorney General extends the maximum overtime payments to include “...all funding sources, including from agencies within the Department of the Treasury and the Department of Justice, and from the OCDETF and HIDTA Programs.”

We understand the above referenced Memorandum was not intended to apply to Federal grant funds administered by individual state single source agencies, which would include the NTF’s Anti-Drug Abuse Enforcement Program. However, no written guidance has been issued to clarify or amend this Memorandum’s intent.

Condition

During our testing of compliance with the overtime payment restrictions, we noted four officers were paid in excess of the maximum allowed. While the NTF does monitor overtime payments to officers funded with OCDETF and HIDTA funds, in accordance with the HIDTA Program requirements, they do not track the total payments funded with Department of Justice funds as required by the Memorandum.

Effect

By not keeping track and verifying all payments with Department of Justice funds, the overtime payments to each individual officer could be over the maximum, and thus, the program may not be in compliance with the HIDTA program requirements.

Below is a summary of the audit finding:

	Number	Dollars
Population	24	\$342,741
Sample	11	132,387
Not in Compliance	4	16,763
Questioned Costs		16,763
Total Office of National Drug Control Policy		\$16,763

Finding 2006-01 (Continued)

Recommendation

We recommend that the NTF extend their current monitoring of overtime to include all payments funded by the Department of Justice. Further, as mentioned in the Management Response below, the NTF should obtain a written exemption, in respect to the aggregate overtime cap, for their Federal grant funds administered by individual state single source agencies, specifically the Anti-Drug Abuse Enforcement Program.

Management Response

As an active participant in the Northern California High Intensity Drug Trafficking Area (NCHIDTA) and the Organized Crime Drug Enforcement Task Force (OCDETF) programs, the San Mateo County Narcotics Task Force (SMCNTF) has been diligent in complying with all known overtime restrictions associated with the programs. The overtime hours used within both programs is strictly monitored on a monthly basis by a Fiscal Specialist and the Commander of the SMCNTF. To my knowledge, the SMCNTF has never been out of compliance with the overtime restrictions set forth by HIDTA and/or OCDETF. To the contrary, during a recent inspection conducted by outside inspectors from the Office of National Drug Control Policy (ONDCP) the SMCNTF was commended for the detailed accounting and monitoring of the combined overtime hours between HIDTA and OCDETF.

Prior to FY 06-07 the funds received from the Drug Enforcement Administration's (DEA) Domestic Cannabis Eradication / Suppression Program (DCSP) were not included in the SMCNTF's monthly analysis of "federally funded overtime." After attending an OCDETF Coordinator meeting the Commander for the SMCNTF learned overtime funding from the DEA DCSP Program should be included in "overtime cap" defined as: 25% of the salary of federal law enforcement officer classified as GS-12 step 1. It should be noted the final figure associated with this formula adjusts yearly to correspond with any change in a GS-12 step 1 salary.

Beginning FY 06-07 the SMCNTF included the DEA DCSP overtime into the monitoring spreadsheet of federally funded overtime.

Since FY 03-04 the SMCNTF has participated in the State of California Governor's Office of Emergency Services (OES) Anti-Drug Abuse (ADA) Enforcement Program. The ADA Enforcement Program is funded through the Federal Department of Justice - Bureau of Justice Assistance (BJA). The BJA appropriates the funding level for all 50 states for the Edward Byrne Memorial Justice Assistance Grant. Each year the State of California receives an allocation; i.e. FY 07-08 \$21,876,819 of which \$13,291,487 is allocated for the ADA Enforcement Program. Each county is then allocated a portion of the ADA Enforcement Program funds for the purpose of funding specific programs/projects.

All correspondence associated with the Byrne Grant is conducted through the California's OES, including the Grant Recipient Handbook, application, grant award, and all program/project outcomes. Even the reimbursement check for expenses incurred in association with the grant program is from the State of California. In my review of the ADA Request for Application (RFA) and section 2171.61 (overtime) of the Grant Recipient Handbook there are no restrictions or limit to the amount of overtime earned by an individual officer. And, there is no mention of other programs like OCDETF or HIDTA.

Based on all aspects of the Byrne Grant being administered by the state OES, past and present Commanders have been completely unaware the funding associated with this grant program would be considered "federal monies" and included in the salary restrictions associated with the Department of Justice, HIDTA, and OCDETF.

Finding 2006-01 (Continued)

Referenced in the Auditor's findings is a letter issued jointly from ONDCP and the Office of the Attorney General. The letter is dated October 1st, 2004 and is co-authored by Catherine M. O'Neil, Associate Deputy Attorney General and Joseph Keefe, Assistant Deputy Director of State and Local Affairs for ONDCP. The Auditor quotes a portion of the letter as it references "all funding sources" to be included in determining the overtime cap for state and local officers.

In an effort to clarify the above described memorandum, Ronald Brooks, Director of the Northern California HIDTA contacted Mr. Keefe to ascertain if Byrne Grant funding would be inclusive of his statement "all funding sources, including agencies within the Department of the Treasury and the Department of Justice, and from the OCDETF and HIDTA Programs." Mr. Keefe explained the guidance provided in the memorandum was specific to Department of Justice funds through the OCDETF, HIDTA programs, and other direct federal programs such as DEA DCSP funds. **Mr. Keefe further explained the overtime cap is not statutory or in legislation and should not preclude state and local agencies in using Byrne Grant funding above the overtime cap imposed by OCDETF and HIDTA.**

In further discussions, Mr. Keefe told Director Brooks the only reference on the issue of creating a cap on overtime from separate federal funding sources is the memorandum issued by he and Ms. O'Neil. To reiterate, Mr. Keefe said at the time they created the policy it was never their intention for the overtime cap to apply to the Byrne Justice Assistance Grants (JAG) or other federal grant funds that are administered by individual state single source agencies (SSA).

Mr. Keefe told Director Brooks in order to prevent any further misunderstanding on the topic of the overtime restriction policy; he would be willing to approve a written exemption for the San Mateo County Narcotic Task Force. Director Brooks informed me he agrees with Mr. Keefe's assessment that the overtime cap does not apply to Byrne JAG funds and he will prepare a memorandum for submission to Mr. Keefe requesting that the San Mateo County Narcotics Task Force be excluded by official exemption from having Byrne JAG funds apply to the aggregate overtime cap.