

COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION – INTERNAL AUDIT UNIT

INTERNAL AUDIT REPORT
DEPARTMENT OF HEALTH SERVICES
FIRST 5 SACRAMENTO COMMISSION
AGREEMENT

PERFORMANCE AUDIT

FOR THE PERIOD JULY 1, 2020
THROUGH JUNE 30, 2021



Audit Committee Submittal Date: 01/24/2022

SUMMARY

Background

The First 5 Sacramento Commission (Commission) has a contractual agreement (Agreement) with the County of Sacramento (County) Department of Health Services (DHS), Women, Infants, and Children (WIC) Program (Program) Community Lactation Assistance Project (Project), to provide breastfeeding supportive services to children ages 5 and under residing in the County. The Agreement requires an audit of the Project each fiscal year. Accordingly, DHS requested the County of Sacramento, Department of Finance to perform the performance audit for the Project.

Audit Objective

The audit was conducted to examine the Project costs and verify these costs were in compliance with the Agreement and related internal controls for the period July 1, 2020 through June 30, 2021.

Summary

Based on our audit, Project costs complied with the Agreement for the period July 1, 2020 through June 30, 2021. Also, DHS has adequate internal controls to ensure Project costs are in compliance with the Agreement.

Department of Finance

Ben Lamera
Director



Auditor-Controller Division

Joyce Renison
Assistant Auditor-Controller

County of Sacramento

December 22, 2021

Chevon Kothari, Director
Department of Health Services
7001-A East Parkway, Suite 1100
Sacramento, CA 95823

Dear Ms. Kothari:

We have audited the County of Sacramento Department of Health Services' (DHS) Women, Infants, and Children (WIC) Program Community Lactation Assistance Project (Project) funded by First 5 Sacramento Commission's (Commission) contractual agreement (Agreement) for the period July 1, 2020 through June 30, 2021, Contract Number 7201500-19/21-085R.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was conducted to examine Project costs and verify that these costs were in compliance with the Agreement and related internal controls for the period July 1, 2020 through June 30, 2021.

DHS' management is responsible for design, implementation, and maintenance of effective internal control to ensure the Project's compliance with the Agreement. This report is applicable solely to the Project and Agreement referred above and is not intended to pertain to any of DHS' other operations, procedures, or compliance with laws and regulations.

The scope of our audit includes all financial transactions for the Project for the period July 1, 2020 through June 30, 2021.

The audit methodology utilized to conduct the performance audit included:

1. Understandability of the Agreement – We evaluated the Agreement to understand the Agreement's financial compliance requirement.

2. Operations – We inquired the Project’s staff and management and inspected the Project’s organizational chart to identify any conflict of interest and non-compliance with the Agreement.
3. Internal Control – We evaluated DHS’ internal control over the Project. We also obtained the Project’s written internal control policies and procedures for purchasing, vendor payments, payroll, and claim submission. We compared the policies and procedures to the results of our procedure numbers 5, 6, 7, and 8.
4. Cost Allocation – We obtained the Project’s written cost allocation policy, procedures, and methodology including the cost allocation worksheets and supporting data. We compared the policy, procedure, and methodology to the results of our procedure numbers 6, 7, and 8.
5. Claim Submission – We inspected and recalculated all claim submissions to the Commission. We traced the claims to DHS’ general ledgers and budgets approved by the Commission. We also confirmed DHS’ record of claim receipts to the Commission’s payment records.
6. Payroll Expenditures – We obtained the payroll expenditure ledger detail for the Project. We selected and tested three (3) salary and benefits expenditure transactions from the selected one (1) employee at fourth quarter of the period and tested for compliance with the Agreement and applicable laws and regulations. The selected sample size is \$12,552 of \$13,059 (96%) for the project’s personnel expenditures in the fourth quarter of the period. Total project personnel expenses claimed for the period was \$64,025.

We recalculated the samples based on payroll registers, timesheets, activity reports, and DHS’ cost allocation methodology. We traced these transactions to the claim submission and recalculate the related benefit claims.

7. Non-Payroll Expenditures – We obtained expenditure ledger detail for the Project and randomly selected a sample of 25 non-payroll expenditure transactions from the Project and tested for compliance with the Agreement and applicable laws and regulations. The sample included a variety of expenditures such as mileage reimbursements, training costs, and supplies. We tested a total of \$5,485 out of \$17,503 (31%) of project operating costs. We traced them to the supporting documentation such as vendor invoices, receipts, journal entries, and DHS’ cost allocation calculation.

We also recalculated indirect costs and tested for compliance with the Agreement, applicable laws, and regulations. Total indirect costs tested was \$982 out \$6,340 (15%) total indirect costs claimed for the period. We recalculated indirect costs based on DHS' cost allocation methodology and Commission's indirect cost policy.

8. Subcontractor Monitoring – Project did not have any subcontractors. As such, we did not perform any procedures to test subcontractor monitoring. However, the Project had contracted International Board Certified Lactation Consultants (IBCLC) to provide lactation services. Accordingly, we obtained expenditure ledger details for lactation consultants and selected and tested six (6) lactation consultants from a selected quarter.

We selected 25 lactation consultant expenditures from the fourth quarter and tested for compliance with the Agreement, applicable laws, and regulations. The selected sample size was \$47,086 of \$96,017 (49%) for the project's lactation consultant expenditures in the fourth quarter of the period. Total lactation consultant expenditures claimed for the period was \$296,030.

9. Status and progress reports – We confirmed that all Project's quarterly status and progress reports were submitted on time to the Commission.

In connection with this audit, there are certain disclosures that are necessary pursuant to *Generally Accepted Government Auditing Standards*.

As required by various statutes within the California Government Code, County Auditor-Controllers or Directors of Finance are mandated to perform certain accounting, auditing, and financial reporting functions. These activities, in themselves, necessarily impair *Generally Accepted Government Auditing Standards'* independence standards. Specifically, auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant/material to the subject matter of the audit.

Although the Director of Finance is statutorily obligated to maintain the accounts of departments, districts, or funds that are held in the County Treasury, the staff that has the responsibility to perform audits within the Auditor-Controller Division has no other responsibility of the accounts and records being audited including approval or posting of financial transactions that would therefore enable the reader of this report to rely on the information contained herein.

Based on our audit, the Project costs complied with the Agreement for the period July 1, 2020 through June 30, 2021. Also, DHS has adequate internal controls to ensure the Project costs are in compliance with the Agreement. We did not identify any non-compliance with the Agreement. See Attachment I, *Schedule of Approved Budget, Expenditures Claimed, and Amount Tested*.

Chevon Kothari, Director
December 22, 2021
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This report is intended solely for the information and use of Sacramento County Board of Supervisors, those charged with governance, Sacramento County Executives, Sacramento County Audit Committee, DHS' management, and the Commission, and is not intended to be, and should not be, used by anyone other than those specified parties. However, this restriction is not intended to limit distribution of this report, which is a matter of public record.

Sincerely,

BEN LAMERA
DIRECTOR OF FINANCE

By: Hong Lun (Andy) Yu, C.P.A.
Audit Manager



Ross McCarthy on behalf of Andy Yu

Enclosure:

Attachment I, *Schedule of Approved Budget, Expenditures Claimed, and Amount Tested*

County of Sacramento
 Department of Health Services (DHS)
 First 5 Sacramento Commission Agreement
 Performance Audit
 Schedule of Approved Budget, Expenditures Claimed, and Amount Tested
 Women, Infants, and Children (WIC) Program
 Community Lactation Assistance Project (Project)
 For the Period July 1, 2020 through June 30, 2021

<u>Project Costs</u>	<u>Approved Budget</u>	<u>Expenditures Claimed</u>	<u>Amount Tested</u>
Personnel Costs	\$ 63,591	64,025 (1)	12,552
Lactation Consultants	293,175	296,030 (1)	47,086
Project Operating Costs	20,532	17,503	5,485
Indirect Costs	<u>8,412</u>	<u>6,340</u>	<u>982</u>
Total Costs	<u>\$ 385,710</u>	<u>383,898</u>	<u>66,105</u>

(1) Line item expenditures claimed are over the approved line item budget. However, First 5 Sacramento Commission approved these line item expenditures as these expenditures did not exceed 10% of the line item budgets and total expenditures claimed do not exceed total approved budget.

See Auditor's Report