

# COUNTY OF SACRAMENTO

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

## **INTERNAL AUDIT REPORT**

### **VOLUNTEERS OF AMERICA NORTHERN CALIFORNIA AND NORTHERN NEVADA, INC. FISCAL MONITORING AGREED-UPON PROCEDURES**

**DEPARTMENT OF HEALTH SERVICES**



**Audit Committee Submittal Date: 12/15/2022**

## **SUMMARY**

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### **Background**

This fiscal monitoring Agreed-Upon Procedures was requested by Department of Health Services (DHS) as Volunteers of America Northern California and Northern Nevada, Inc. (VOA) was assessed as one of the high risk subrecipients based on DHS' subrecipient risk assessment.

VOA is a not-for-profit agency, providing social services within Northern California and Northern Nevada area under a charter from Volunteers of America, Inc. (National), a national religious not-for-profit corporation. Internal Audit Unit performed this Agreed-Upon Procedures engagement for a Behavior Health Program contract for the period July 1, 2019 to June 30, 2021 and a Public Health Program contract for the period April 1, 2020 to June 30, 2021.

### **Audit Objective**

To assist DHS in assessing VOA's financial condition and compliance with the agreements between DHS and VOA, and to verify that monthly invoices submitted by VOA are accurate and reasonable.

### **Summary**

Based on our agreed-upon procedures performed, we noted exceptions in the areas of VOA's internal controls, claim submission, general ledger, and cost allocations.

Department of Finance  
Ben Lamera, Director  
Joyce Renison, Deputy Director



Auditor-Controller Division  
Mark Aspesi  
Assistant Auditor-Controller

## County of Sacramento

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November 21, 2022

Timothy Lutz, Director  
Department of Health Services  
County of Sacramento  
7001-A East Parkway, Suite 1100  
Sacramento, California 95823

### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Dear Mr. Lutz:

We have performed the procedures, enumerated below, which were requested and agreed to by your department regarding Volunteers of America Northern California and Northern Nevada, Inc. (VOA)'s fiscal compliance as outlined in the contractual agreements (Agreements) listed below:

- Behavioral Health:
  - 7206000-20-038 for the period from July 1, 2019 to June 30, 2020
  - 7206000-21-038 for the period from July 1, 2020 to June 30, 2021
  
- Public Health:
  - 7207500-20/23-359 for the period from April 1, 2020 to June 30, 2021

This agreed-upon procedures engagement was conducted to assist the Department of Health Services (DHS) to assess VOA's financial condition and compliance with the above Agreements.

DHS' management is responsible for monitoring VOA's compliance with the Agreements' requirements. The sufficiency of the procedures is solely the responsibility of DHS' management. Consequently, we make no representation regarding the sufficiency of the procedures described on pages 2 and 3 of this report either for the purpose for which this report has been requested or for any other purposes. This report is applicable solely to the Agreements referred above and is not intended to pertain to any other agreements of DHS or VOA.

The procedures performed and our findings were as follows:

1. Internal Controls - We reviewed VOA's written internal control policies and procedures including purchasing, vendor payments, payroll, claim submissions, cost allocations, general ledger, and financial report preparation. We also reviewed VOA's written procedures for clients' admission and release, program eligibility verification, and services provided for its programs listed in the Agreements.

Result: We noted an exception from our review of VOA's internal controls. See ATT 3 – *Current Findings and Recommendations*.

2. Financial Statements - We inspected VOA's financial audit reports for years ended June 30, 2020 and 2021 to identify any concerns or issues that may require your attention.

Result: We did not note any exceptions as a result of this procedure.

3. Claim Submissions - We inspected VOA's monthly invoice claims for months indicated below:

- 7206000-20-038: March 2020 and May 2020
- 7206000-21-038: November 2020 and June 2021
- 7207500-20/23-359: November 2020 and March 2021

We haphazardly selected and tested 30 clients/units total from Behavior Health Program (Fee for Service Reimbursement) and all expense transactions (total 22 transactions) from Public Health Program (Cost Reimbursement) from the selected months as applicable.

Result: We noted unsupported client services and expense claims. See ATT 3 – *Current Findings and Recommendations*.

4. General Ledger - We traced VOA's invoice claims to its general ledger and financial records.

Result: We noted differences from VOA's invoice claims to its general ledger and financial records. See ATT 3 – *Current Findings and Recommendations*.

5. Cost Allocations - We reviewed VOA's cost allocation policies and procedures and tested the transactions listed in Item 3 above to identify any issues related to cost allocations.

Result: We noted inappropriate allocation of VOA's benefit costs. See ATT 3 – *Current Findings and Recommendations*.

6. Funding Sources - We inspected VOA's general ledger and invoice claims for the months indicated in item 3 on page 2 to identify any inappropriate or duplicated charges.

Result: We did not note any exceptions as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with the standards for attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to, and did not perform an audit or examination, or review, the objectives of which would be the expression of an opinion or conclusion, respectively, on VOA's financial statements or schedules, or internal controls, or compliance with the Agreements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.


The projected questioned costs, presented in ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Projected Questioned*, ATT 2 – *Summary of Amounts Over/(Under) Claimed, Disallowed and Projected Questioned*, ATT 3 – *Current Findings and Recommendations*, are extrapolated based on our testing with the assumption that the same average error rate applied to each invoice in the population for the entire period of this agreed-upon procedures. Had we tested additional invoices, disallowed costs may increase.

DHS' management responses to the findings identified during our engagement are described in ATT 3 – *Current Findings and Recommendations*. We did not perform procedures to validate DHS' management responses to the findings and, accordingly, we do not express an opinion on the responses to the findings.

This report is intended solely for the use of the Sacramento County Board of Supervisors, those charged with governance, Sacramento County Audit Committee, Sacramento County Executive, and DHS' management. It is not intended to be, and should not be, used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

BEN LAMERA  
DIRECTOR OF FINANCE

  
By: Hong Lun (Andy) Yu, CPA  
Chief of Audits

Enclosures:

- ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Projected Questioned*
- ATT 2 – *Summary of Amounts Over/(Under) Claimed, Disallowed and Projected Questioned*
- ATT 3 – *Current Findings and Recommendations*

County of Sacramento  
 Department of Health Services (DHS)  
 Volunteers of America Northern California and Northern Nevada, Inc. (VOA) - Behavioral Health  
 Fiscal Monitoring Agreed-Upon Procedures  
 Schedule of Amounts Budgeted, Claimed, Tested, Disallowed, and Projected Questioned  
 For the Period July 1, 2019 to June 30, 2021

Contract/Budget Period	Contract Budget	A Total Claimed Amount	B Total Amount Tested	C Disallowed <sup>1</sup> Costs Per Testing	D = C/B Error Rate
<b>7206000-20-038</b>					
From July 1, 2019 to June 30, 2020	\$ 2,534,238.00	1,298,352.72	31,066.00	<u>1,310.00</u>	4.22%
				<u>\$ 53,439.31</u>	
<b>7206000-21-038</b>					
From July 1, 2020 to June 30, 2021	\$ 2,430,314.00	1,352,424.99	21,283.94	<u>18.00</u>	0.08%
				<u>\$ 1,125.76</u>	

<sup>1</sup> Disallowed Costs Per Testing represents unsupported client services claimed for reimbursement. See Finding # 3 at ATT 3 - *Current Findings and Recommendations* for details.

<sup>2</sup> We applied our sample testing error rate to the entire population to project Questioned Costs with the assumption that the same average error rate applied to the entire population.

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 Schedule of Amounts Budgeted, Claimed, Tested, Disallowed, and Projected Questioned

Budget Categories	A Total Claimed Amount	B Amount Per VOA's General Ledger	A-B Over Claimed Amount	A-B Under Claimed Amount	C Total Amount Tested	D Disallowed <sup>3</sup> Costs Per Testing	E = D/C  Error Rate
<b>Ryan White HIV/AIDS Program (Part A) - For the Period March 1, 2020 to June 30, 2021</b>							
<b>Other Costs</b>							
Housing Assistance and Housing Services	\$ 5,827.36						
Emergency Financial Assistance	1,433.00						
<b>Total Other Costs</b>	<b>7,260.36</b>	<b>7,260.36</b>					
Indirect Costs @ 10% <sup>1</sup>	726.05	2,350.65					
<b>Total Costs</b>	<b>\$ 7,986.41</b>	<b>9,611.01</b>			<b>3,256.56</b>	<b>1,004.42</b>	<b>30.84%</b>
<b>Projected Questioned Costs ((A-C) x E)<sup>5</sup></b>						<b>\$ 1,458.83</b>	

**Ryan White HIV Care Program (Part B) - For the Period April 1, 2020 to June 30, 2021**

<b>Personnel Expenses</b>							
<b>Salaries</b>							
Program Director	\$ 3,463.26						
Case Manager	828.91						
<b>Total Salaries</b>	<b>4,292.17</b>	<b>3,911.58</b>	<b>380.59</b>				
Benefits (33%) <sup>2</sup>	247.62	2,169.63		(1,043.20)			
<b>Total Personnel Expenses</b>	<b>4,539.79</b>	<b>6,081.21</b>	<b>380.59</b>	<b>(1,043.20)</b>			
<b>Other Expenses</b>							
Housing Assistance and Housing Services, including emergency housing	5,784.50	6,124.82		(340.32)			
<b>Total Other Expenses</b>	<b>\$ 5,784.50</b>	<b>6,124.82</b>		<b>(340.32)</b>			
<b>Total Expenses</b>	<b>\$ 10,324.29</b>	<b>12,206.03</b>	<b>380.59</b>	<b>(1,383.52)</b>	<b>2,560.13</b>	<b>46.86</b>	<b>1.83%</b>
<b>Projected Questioned Costs ((A-C) x E)<sup>5</sup></b>						<b>\$ 142.11</b>	

<sup>1</sup> Claimable indirect costs are limited to 10% of total direct program costs.

<sup>2</sup> Claimable benefits are limited to 33% of total salaries.

<sup>3</sup> Disallowed Costs Per Testing represents erroneous expense claims. See Finding #3 at ATT 3 - *Current Findings and Recommendations* for the detail.

<sup>4</sup> Total budget for this contract is \$42,797.30. Ryan White HIV/AIDS Program (Part A) was funded by HIV Emergency Relief Project Grants by United States Department of Health and Human Services (US DHHS) for the period March 1, 2020 to February 28, 2022 (\$21,126). Ryan White HIV Care Program (Part B) is funded by HIV Formula Grant by US DHHS for the period April 1, 2020 to March 31, 2024 (\$21,671.30).

<sup>5</sup> We applied our sample testing error rate to the entire population to project Questioned Costs with the assumption that the same average error rate applied to the entire population.

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 Fiscal Monitoring Agreed-Upon Procedures  
 Summary of Amounts Over/(Under) Claimed, Disallowed, and Projected Questioned

Program/Period	Over Claimed Amount	Under Claimed Amount	Disallowed Costs Per Testing	Projected Questioned Costs
<u>Behavioral Health</u>				
July 1, 2019 to June 30, 2020	\$		1,310.00	53,439.31
July 1, 2020 to June 30, 2021			18.00	1,125.76
<b>Total Behavioral Health</b>	<b>\$</b>		<b>1,328.00</b>	<b>54,565.07</b>
<u>Public Health - Ryan White HIV/AIDS Program (Part A)</u>				
March 1, 2020 to June 30, 2021	\$		1,004.42	1,458.83
<u>Public Health - Ryan White HIV Care Program (Part B)</u>				
April 1, 2020 to June 30, 2021	380.59	(1,383.52)	46.86	142.11
<b>Total Public Health</b>	<b>\$ 380.59</b>	<b>(1,383.52)</b>	<b>1,051.28</b>	<b>1,600.94</b>
<b>Grand Total</b>	<b>\$ 380.59</b>	<b>(1,383.52)</b>	<b>2,379.28</b>	<b>56,166.01</b>

1 Over/(Under) Claimed Amounts represents differences between amounts claimed and amounts per VOA's general ledger. We consider the over claimed amounts noted above as disallowed costs. Therefore, the **total disallowed** cost is calculated to be **\$2,759.87** (\$380.59 + \$2,379.28). See Finding #3 at ATT 3 - *Findings and Recommendations* for details.



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Department of Health Services (DHS)  
Volunteers of America (VOA)  
Fiscal Monitoring Agreed-Upon Procedures  
Current Findings and Recommendations

## 1. INTERNAL CONTROLS

### Condition

Volunteers of America Northern California and Northern Nevada, Inc. (VOA)'s written internal control policies and procedures related to invoice claiming and financial reporting process were not followed by its staff. Accordingly, during our review of VOA's invoice claims and general ledger, we noted several invoice claiming issues as described in Finding #2 and 3.

### Criteria

VOA's management should ensure that its policies and procedures related to invoice claiming and financial reporting process are followed by its staff.

### Effect

By not following its internal control policies and procedures over invoice claiming and financial reporting process, VOA submitted inaccurate invoice claims to Department of Health Services (DHS) resulting in noncompliance of agreements between VOA and DHS (Agreements).

### Recommendation

We recommend VOA's management ensure that its policies and procedures related to invoice claiming and financial reporting process are followed by its staff. We also recommend that VOA's management regularly review and update the policies and procedures to strengthen its internal controls over invoice claiming and financial reporting.

Also, see Recommendations at Finding #2 and 3.

### DHS' Management Response

DHS agrees with the recommendation provided by the Department of Finance (DOF). No comment was received by VOA regarding this recommendation.

## 2. GENERAL LEDGER

### Condition

During our review of reconciliation between VOA's invoice claims and general ledger for Public Health Program Part B, for the entire contract period we noted differences in amounts per invoice claims and general ledger, resulting in an over claim in the amount of \$380.59 for salary expenses and under claims in the amounts of

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\$1,043.20 and \$340.32 for benefit expenses and Housing Assistance, and Housing Services expenses, respectively.

We consider the \$380.59 over claimed amount described above as disallowed costs.

See the detail at ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Disallowed, and Projected Questioned*, and ATT 2 – *Summary of Amounts Over/(Under) Claimed, Disallowed and Projected Questioned*.

Criteria

All expenses claimed for reimbursement should be supported by Contractor (VOA)'s financial records. Also, see criteria for Finding #3.

Effect

VOA's invoice claims to DHS were not adequately supported by its financial records resulting in over/(under) claim; therefore, VOA was not in compliance with the Agreements.

Recommendation

VOA should reconcile invoice claims to its financial records prior to submitting its claims to DHS to ensure that all expenses claimed for reimbursement are adequately supported by its financial records.

Also, see Recommendations at Finding #1 and 3.

DHS' Management Response

VOA did not address the findings on General Ledger regarding salaries. DHS agrees with the recommendation and will monitor adequate supporting documentation during invoice review. Regarding benefits, please note response in Finding and Recommendations #3.

### 3. CLAIMS SUBMISSION AND COST ALLOCATIONS

Condition

During our testing of VOA's invoice claims, we noted erroneous/unsupported client services/expenses reported in the invoice claims as follows:

- Behavioral Health Program for the period July 1, 2019 to June 30, 2021: VOA was reimbursed for Behavioral Health Program on a fee for service basis. Two (2) of 30 sample client service units tested were not supported by adequate documentation

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resulting in over claims in the amount of \$1,310.00 and \$18.00 for the contract years ended June 30, 2020 and 2021, respectively.

- Public Health Program for the period March 1, 2020 to June 30, 2021: Public Health Program was funded by two different federal funding sources [Ryan White HIV/AIDS Program (Part A) and Ryan White HIV Care Program (Part B)] and separately invoiced to DHS. VOA was reimbursed for these programs on a cost reimbursement basis. Three (3) of 22 sample expense transactions tested were erroneously reported in the invoice claims as follows:
  - Two (2) expense transactions were disputed and never been paid to the vendor after claiming them to DHS for reimbursement. However, these charges were not corrected during subsequent invoice claiming nor refunded to DHS.
  - Estimated, not actual, benefit expenses were recorded in VOA's general ledger and claimed to DHS. We also noted that for some employees who worked for more than one program, benefit expenses were not proportionally allocated based on actual hours worked for each program, but based on budget availability in VOA's general ledger.

The above described errors resulted in over claim in the amount of \$1,004.42 and \$46.86 for Part A and Part B, respectively.

We consider the over claimed amounts described above as disallowed costs.

Based on the disallowed costs identified above, we projected questioned costs by applying the sample testing error rate to the entire population with the assumption that the same average error rate applied to the entire population.

Based on our calculation, total projected questioned costs is \$56,166.01 and total disallowed costs including the over claim amount noted in Finding #2 is \$2,759.87(\$380.59 + \$2,379.28).

See the details at ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Disallowed, and Projected Questioned* and ATT 2 – *Summary of Amounts Over/(Under) Claimed, Disallowed and Projected Questioned*.

Criteria

In accordance with the Agreements, Section XX D, "[VOA] shall maintain, for four years following termination of this Agreement, full and complete documentation of all

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*services and expenditures associated with services activities covered under this Agreement”.*

For cost reimbursement contracts, actual, not estimate, expenses should be claimed.

Effect

VOA submitted unsupported and/or inaccurate invoice claims to DHS resulting in over/(under) claim; therefore, VOA was not in compliance with the Agreements.

Recommendation

We recommend DHS contact VOA to develop an arrangement to resolve the over claiming issues.

VOA should claim actual, not estimate expenses, and maintain the adequate supporting documentation for all expenses/services claimed. In addition, VOA should allocate benefit expenses proportionally based on actual hours worked for each program for those employees who work for more than one program.

Also, see Recommendations at Finding #1.

DHS' Management Response

DHS agrees with the recommendation provided by DOF and will work with VOA to ensure accuracy in claiming while also maintaining adequate supporting documentation. This will be monitored through monthly invoice reviews by the DHS contract monitors and County claims processing teams.