

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 HUMAN ASSISTANCE



Audit Committee Submittal Date: 12/15/2022

SUMMARY

Background

This fiscal monitoring Agreed-Up On Procedures was requested by Department of Human Assistance (DHA) as Volunteers of America Northern California and Northern Nevada, Inc. (VOA) was assessed as one of the high risk subrecipients based on DHA's 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-Up On Procedures engagement for the following Programs:

- Adolfo Transitional Housing Program for Former Foster Youth:
 - DHA-VOA-20-20 for the period from July 1, 2019 to June 30, 2020
- Mather Community Campus:
 - DHA-VOA-25-20 for the period from July 1, 2019 to December 31, 2019
- Subsidized Employment (Wage Reimbursement):
 - DHA-VOA-27-20 for the period from July 1, 2019 to June 30, 2020
 - DHA-VOA-27-21 for the period from July 1, 2020 to June 30, 2021
- Emergency Shelter for Families
 - DHA-VOA-31-20 for the period from July 1, 2019 to June 30, 2020
 - DHA-VOA-31-21 for the period from July 1, 2020 to June 30, 2021
- Transitional Housing Program for Families Experiencing Homelessness
 - DHA-VOA-32-20 for the period from July 1, 2019 to June 30, 2020
- Flexible Housing Pool (FHP) Property Related and Tenant Services (PRTS)
 - DHA-PRTS-VOA-33-20 for the period from July 1, 2019 to June 30, 2020
 - DHA-PRTS-VOA-33-21 for the period from July 1, 2020 to June 30, 2021

Audit Objective

To assist DHA in assessing VOA's financial condition and compliance with the agreements between DHA 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

November 9, 2022

Ethan Dye, Director
Department of Human Assistance
1825 Bell Street, Suite 200
Sacramento, CA 95825

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

Dear Mr. Dye:

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:

- Adolfo Transitional Housing Program for Former Foster Youth:
 - DHA-VOA-20-20 for the period from July 1, 2019 to June 30, 2020
- Mather Community Campus:
 - DHA-VOA-25-20 for the period from July 1, 2019 to December 31, 2019
- Subsidized Employment:
 - DHA-VOA-27-20 for the period from July 1, 2019 to June 30, 2020
 - DHA-VOA-27-21 for the period from July 1, 2020 to June 30, 2021
- Emergency Shelter for Families
 - DHA-VOA-31-20 for the period from July 1, 2019 to June 30, 2020
 - DHA-VOA-31-21 for the period from July 1, 2020 to June 30, 2021
- Transitional Housing Program for Families Experiencing Homelessness
 - DHA-VOA-32-20 for the period from July 1, 2019 to June 30, 2020
- Flexible Housing Pool (FHP) Property Related and Tenant Services (PRTS)
 - DHA-PRTS-VOA-33-20 for the period from July 1, 2019 to June 30, 2020
 - DHA-PRTS-VOA-33-21 for the period from July 1, 2020 to June 30, 2021

This agreed-upon procedures engagement was conducted to assist the Department of Human Assistance (DHA) to assess VOA's financial condition and compliance with the Agreements.

DHA's management is responsible for monitoring VOA's compliance with the Agreements' requirements. The sufficiency of the procedures is solely the responsibility of DHA's 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 on page 1 of this report and is not intended to pertain to any other agreements of DHA 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 May and September for all program under review for each contract year.

We selected and tested samples of total 30 clients/units for fee for service contracts and 30 expense transactions for cost reimbursement contracts from VOA's invoice claims.

Result: We noted unsupported client service/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 for the sample months indicated in Item 3 on page 2 of this report.

Result: We noted differences from VOA's invoice claims to its general ledger and financial records for Transitional Housing Program for Families Experiencing Homelessness. 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 on page 2 of this report to identify any issues related to cost allocations.

Result: We noted inappropriate allocation of VOA's personnel expenses. 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 of this report 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 Disallowed and Projected Questioned Costs*, 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.

DHA's 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 DHA's management responses to the findings and, accordingly, we do not express an opinion on the responses to the findings.

Ethan Dye, Director
November 9, 2022
Page 4

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 DHA's 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 Disallowed and Projected Questioned Costs*
- ATT 3 – *Current Findings and Recommendations.*

County of Sacramento
 Department of Human Assistance (DHA)
 Volunteers of America Northern California and Northern Nevada, Inc. (VOA)
 Adolfo Transitional Housing Program for Former Foster Youth
 Fiscal Monitoring Agreed-Upon Procedures
 Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Projected Questioned

For the period July 1, 2019 to June 30, 2020

Budget Categories	Approved Budget	A Total Claimed Amount	B Amount Tested	C Disallowed ¹ Costs	D = C/B Error ² Rate
Personnel Expenses					
Salaries	\$ 865,202.00	865,202.00	18,643.92		
Benefits	268,213.00	253,584.30	6,728.17	1,942.23	
Total Personnel Expense	1,133,415.00	1,118,786.30	25,372.09	1,942.23	
Direct Participant Assistance Expenses					
Scattered Site Rent for Participants	101,566.00	97,881.06	1,443.00		
Utilities	74,478.00	74,478.00			
Program and Workshop Supplies	4,883.00	4,590.38			
Participant Incentives	29,900.00	29,552.02	2,050.00		
Participant Workshops	29,500.00	21,000.00			
Counseling	31,050.00	24,360.00			
Participant Activities	2,200.00	2,200.00	297.00		
Miscellaneous	10,000.00	10,000.00			
Client Furniture	11,504.00	9,160.61			
Client Household Supplies	5,500.00	3,029.59			
Transportation	7,000.00	6,124.92			
Employment Readiness	2,500.00	1,815.68			
Client Educational Supplies	2,500.00	2,405.46			
Program Incentives	4,275.00	4,275.01			
Food and Beverage Vouchers	8,500.00	7,190.00	152.48		
Outreach	2,500.00	1,527.08	430.49		
Total Direct Participant Assistance Expense	327,856.00	299,589.81	4,372.97		
Support Expenses					
Staff Training / Travel	3,655.00	3,655.00			
Participant Background Checks	2,100.00	1,975.15			
Facilities	60,350.00	60,350.00			
Equipment Expense	6,700.00	5,554.56			
General Office	8,775.00	8,775.00			
Telephone	26,200.00	25,241.39	769.28		
Insurance	13,190.00	12,843.95			
Equipment Rental/Maintenance	3,532.00	3,208.81			
Staff Mileage / Vehicle Expense	12,000.00	11,029.90			
Monthly Vehicle Lease Expense	9,525.00	9,524.40			
Printing	3,200.00	3,200.00			
Other Professional Fees	600.00	300.00			
Total Support Expense	149,827.00	145,658.16	769.28		
Indirect Expenses	227,487.00	220,841.64	15,887.97		
Total Expense	\$ 1,838,585.00	1,784,875.91	46,402.31	1,942.23	
				Projected Questioned Costs² \$ 83,700.71	7.65%

¹ Disallowed Costs represents unsupported expenses from our sample expense testing. See Finding #3 at ATT 3 - *Current Findings and Recommendations* for the detail.

² Since we did not note any exceptions from our testing of non-personnel expenses, we calculated our sample testing error rate for personnel expenses only and applied the error rate to the entire personnel expense population to project Questioned Costs with the assumption that the same average error rate applied to the entire personnel expense population $((\$1,118,786.30 - \$25,372.09) \times (\$1,942.23/\$25,372.09) = \$83,700.71)$.

County of Sacramento
 Department of Human Assistance (DHA)
 Volunteers of America Northern California and Northern Nevada, Inc. (VOA)
 Mather Community Campus
 Fiscal Monitoring Agreed-Upon Procedures
 Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Projected Questioned

For the Period July 1, 2019 to December 31, 2019

Budget Categories	Approved Budget	A Total Claimed Amount	B Amount Tested	C Disallowed ¹ Costs	D = C/B Error ² Rate
Personnel Expenses					
Employment Training Salaries	\$ 482,781.00	412,107.07	17,367.33		
Employment Training Benefits	135,177.00	122,230.94	8,322.94	4,148.24	
Total Personnel Expense	617,958.00	534,338.01	25,690.27	4,148.24	
Employee Training Administrative Expenses					
Cleaning, Linen, and Laundry Supplies	15,000.00	15,000.00	1,081.58		
Utilities	100,000.00	99,905.34	2,695.66		
Facilities/Maintenance	9,389.50	9,389.50			
Total Employee Training Administrative Expenses	124,389.50	124,294.84	3,777.24		
Total Expense	\$ 742,347.50	\$ 658,632.85	\$ 29,467.51	\$ 4,148.24	
			Projected Questioned Costs²	\$ 82,131.99	16.15%

¹ Disallowed Costs represents unsupported expenses from our sample expense testing. See Finding #3 at ATT 3 - *Current Findings and Recommendations* for the detail.

² Since we did not note any exceptions from our testing of non-personnel expenses, we calculated our sample testing error rate for personnel expenses only and applied the error rate to the entire personnel expense population to project Questioned Costs with the assumption that the same average error rate applied to the entire personnel expense population $((\$534,338.01 - \$25,690.27) \times (\$4,148.24/\$25,690.27) = \$82,131.99)$.

County of Sacramento
 Department of Human Assistance (DHA)
 Volunteers of America Northern California and Northern Nevada, Inc. (VOA)
 Subsidized Employment
 Fiscal Monitoring Agreed-Upon Procedures
 Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Projected Questioned

For the period July 1, 2019 to June 30, 2020

Budget Categories	Approved Budget	A Total Claimed Amount	B Amount Tested	C Disallowed ¹ Costs	D = C/B Error ² Rate
Program Personnel Expenses	333,165.00	299,011.88	6,374.40	1,524.76	
Participant wage Expenses	557,613.00	521,679.72	2,200.00		
Admin Program Expenses					
Professional Fees	1,000.00				
Program Supplies	12,000.00	1,831.97			
Equipment and Furnishings	4,835.00	140.71			
Staff Training/Conference	5,775.00				
Mileage & Travel	9,572.00	3,837.40			
Utilities	4,500.00	2,556.80			
Telephone & Internet	10,500.00	5,604.70			
Insurance	1,695.00	252.56			
Equipment Main and Rental	1,900.00	1,463.74			
Printing	2,000.00	415.12			
Outreach	4,500.00	2,654.03			
Facilities	4,000.00	1,118.35			
Total Admin Program Expenses	62,277.00	19,875.38			
Administrative Personnel Expenses	162,170.00	162,167.39	2,443.73	107.11	
Total Expense	\$ 1,115,225.00	\$ 1,002,734.37	\$ 11,018.13	\$ 1,631.87	
			Projected Questioned Costs²	\$ 83,713.28	18.51%

¹ Disallowed Costs represents unsupported expenses from our sample expense testing. See Finding #3 at ATT 3 - *Current Findings and Recommendations* for the detail.

² Since we did not note any exceptions from our testing of non-personnel expenses, we calculated our sample testing error rate for personnel expenses only and applied the error rate to the entire personnel expense population to project Questioned Costs with the assumption that the same average error rate applied to the entire personnel expense population $((\$299,011.88 + \$162,167.39 - \$6,374.40 - \$2,443.73) \times (\$1,524.76 + \$107.11) / (\$6,374.40 + \$2,443.73) = \$83,713.28$.

County of Sacramento
 Department of Human Assistance (DHA)
 Volunteers of America Northern California and Northern Nevada, Inc. (VOA)
 Subsidized Employment
 Fiscal Monitoring Agreed-Upon Procedures
 Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Projected Questioned

For the period July 1, 2020 to June 30, 2021

Budget Categories	Approved Budget	A Total Claimed Amount	B Amount Tested	C Disallowed ¹ Costs	D = C/B Error ² Rate
Direct Personnel Expenses	297,585.00	159,563.97	3,253.60	397.94	
Participant wage Expenses	425,000.00	295,586.63	3,300.00		
Admin Program Expenses					
Program Supplies	3,050.00	1,072.64			
Staff Training/Conference	4,000.00	-			
Equipment and Furnishings	3,000.00	345.67			
Mileage & Travel	8,050.00	1,559.62			
Utilities	7,664.00	1,990.97			
Facilities	5,800.00	791.60			
Telephone /Internet	10,500.00	4,519.57	117.71		
Insurance	1,678.00	79.58			
Equipment Maintenance & Rental	1,900.00	1,531.54			
Printing	2,000.00	716.45			
Outreach	2,500.00	-			
Total Admin Program Expenses	50,142.00	12,607.64	117.71		
Indirect Costs (10% Di Minimis)²	77,273.00	46,376.30	236.43		
Total Expense	\$ 850,000.00	\$ 514,134.54	\$ 6,907.74	\$ 397.94	12.23%
			Projected Questioned Costs²	\$ 19,117.95	

¹ Disallowed Costs represents unsupported expenses from our sample expense testing. See Finding #3 at ATT 3 - *Current Findings and Recommendations* for the detail.

² Per contract, VOA was allowed to claim 10% Di Minimis Indirect costs beginning this contract year.

³

Since we did not note any exceptions from our testing of non-personnel expenses, we calculated our sample testing error rate for personnel expenses only and applied the error rate to the entire personnel expense population to project Questioned Costs with the assumption that the same average error rate applied to the entire personnel expense population ($\$159,563.97 - \$3,253.60 \times (\$397.94/\$3,253.60) = \$19,117.95$).

County of Sacramento
 Department of Human Assistance (DHA)
 Volunteers of America Northern California and Northern Nevada, Inc. (VOA)
 Emergency Shelter for Families
 Fiscal Monitoring Agreed-Upon Procedures
 Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Projected Questioned

Contract/Budget Period	Contract Budget	A Total Amount Claimed	B Total Amount Tested	C Disallowed ¹ Costs Per Testing	D = C/B Error Rate
DHA-VOA-31-20					
From July 1, 2019 to June 30, 2020	\$ 798,835.80	798,835.79	133,139.30	<u>4,365.22</u>	3.28%
				<u>\$ 21,826.10</u>	
					Projected Questioned Costs ((A-B) x D) ²
DHA-VOA-31-21					
From July 1, 2020 to June 30, 2021	\$ 798,835.80	798,835.80	133,504.60	<u>12,365.59</u>	9.26%
				<u>\$ 61,624.94</u>	
					Projected Questioned Costs ((A-B) x D) ²

¹ Disallowed Costs represents unsupported expenses from our sample expense testing. See Finding #3 at ATT 3 - *Current Findings and Recommendations* for the detail.

² 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.

County of Sacramento
 Department of Human Assistance (DHA)
 Volunteers of America Northern California and Northern Nevada, Inc. (VOA)
 Transitional Housing Program for Families Experiencing Homelessness
 Fiscal Monitoring Agreed-Upon Procedures
 Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Projected Questioned

For the period July 1, 2019 to June 30, 2020

Budget Categories	Approved Budget	A Total Claimed Amount	B Amount Tested	C Disallowed ¹ Costs	D = C/B Error ² Rate
Personnel Expenses					
Salaries	\$ 411,294.00	329,795.74	4,679.05	1,221.55	
Benefits	127,501.00	91,480.68	2,547.41	871.37	
Total Personnel Expense	538,795.00	421,276.42	7,226.46	2,092.92	
Direct Services/Support Expenses					
Program Supplies	3,274.00	85.56			
Office Supplies/Printing	2,548.00	2,548.00			
Direct Client Assistance	1,700.00	288.89			
Transportation/Vehicle Expense	2,286.44	2,286.44			
Telephone	6,087.50	6,086.16			
Utilities	40,871.00	40,871.00			
Facility/Maintenance	19,176.06	19,176.06			
Insurance (Liability & Auto)	9,041.00	7,408.19	607.52		
Equipment Expense	3,969.00	3,969.00			
Furniture	3,250.00				
Program Professional Services	600.00	495.15			
Total Direct Participant Assistance Expense	92,803.00	83,214.45	607.52		
Indirect Expenses	89,182.00	71,234.11	5,512.71		
Total Expense	\$ 720,780.00	\$ 575,724.98	\$ 13,346.69	\$ 2,092.92	
Projected Questioned Costs²				\$ 119,916.73	28.96%

¹ Disallowed Costs represents unsupported expenses from our sample expense testing. The \$2,092.92 disallowed costs included \$602.63 disallowed costs noted during our sample testing and \$1,490.29 difference between invoice claims and VOA's general ledger. See Finding #2 and 3 at ATT 3 - *Current Findings and Recommendations* for the detail.

² Since we did not note any exceptions from our testing of non-personnel expenses, we calculated our sample testing error rate for personnel expenses only and applied the error rate to the entire personnel expense population to project Questioned Costs with the assumption that the same average error rate applied to the entire personnel expense population $((\$421,276.42 - \$7,226.46) \times (\$2,092.92/\$7,226.46) = \$119,916.73)$.

County of Sacramento
 Department of Human Assistance (DHA)
 Volunteers of America Northern California and Northern Nevada, Inc. (VOA)
 Flexible Housing Pool Property Related and Tenant Services
 Fiscal Monitoring Agreed-Upon Procedures
 Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Projected Questioned

Contract/Budget Period	Contract Budget	A Total Amount Claimed	B Total Amount Tested	C Disallowed ¹ Costs Per Testing	D = C/B Error Rate
DHA-VOA-33-20 From July 1, 2019 to June 30, 2020	\$7,382,500.00	3,896,450.30	31,626.74	<u>22.17</u>	0.07%
				<u>\$ 2,709.20</u>	
Projected Questioned Costs ((A-B) x D)²					
DHA-VOA-33-21 From July 1, 2020 to June 30, 2021	\$ 3,104,433.00	2,702,652.88	31,626.74	<u> </u>	0.00%

¹ Disallowed Costs Per Testing represents unsupported client services claimed for reimbursement. See Finding # 3 at ATT 3 - *Current Findings and Recommendations* for the detail.

² 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.

County of Sacramento
 Department of Human Assistance (DHA)
 Volunteers of America Northern California and Northern Nevada, Inc. (VOA)
 Fiscal Monitoring Agreed-Upon Procedures
 Summary of Disallowed and Projected Questioned Costs

Program/Period	Disallowed Costs Per Testing	Projected Questioned Costs
<u>Adolfo Transitional Housing Program for Former Foster Youth¹</u>		
July 1, 2019 to June 30, 2020	<u>\$ 1,942.23</u>	<u>83,700.71</u>
<u>Mather Community Campus¹</u>		
July 1, 2019 to December 31, 2019	<u>\$ 4,148.24</u>	<u>82,131.99</u>
<u>Subsidized Employment¹</u>		
July 1, 2019 to June 30, 2020	\$ 1,631.87	83,713.28
July 1, 2020 to June 30, 2021	397.94	19,117.95
Total Subsidized Employment	<u>\$ 2,029.81</u>	<u>102,831.23</u>
<u>Emergency Shelter for Families²</u>		
July 1, 2019 to June 30, 2020	\$ 4,365.22	21,826.10
July 1, 2020 to June 30, 2021	12,365.59	61,624.94
Total Emergency Shelter for Families	<u>\$ 16,730.81</u>	<u>83,451.04</u>
<u>Transitional Housing Program for Families Experiencing Homelessness¹</u>		
July 1, 2019 to June 30, 2020	<u>\$ 2,092.92</u>	<u>119,916.73</u>
<u>Flexible Housing Pool Property Related and Tenant Services²</u>		
July 1, 2019 to June 30, 2020	\$ 22.17	2,709.20
July 1, 2020 to June 30, 2021		
Total Flexible Housing Pool Property Related and Tenant Services	<u>\$ 22.17</u>	<u>2,709.20</u>
Grand Total	<u><u>\$ 26,966.18</u></u>	<u><u>474,740.90</u></u>
Total for Cost Reimbursement Contracts	\$ 10,213.20	388,580.66
Total for Fee for Services Contracts	16,752.98	86,160.24
Grand total	<u><u>\$ 26,966.18</u></u>	<u><u>474,740.90</u></u>

¹ Cost Reimbursement Contract

² Fee for Services Contracts

County of Sacramento
Department of Human Assistance (DHA)
Volunteers of America Northern California and Northern Nevada, Inc. (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 Human Assistance (DHA) resulting in noncompliance of the Agreements between VOA and DHA (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.

DHA's Management Response

DHA concurs with Department of Finance's (DOF) recommendations. VOA did not provide comment to DHA regarding the internal controls recommendation.

2. GENERAL LEDGER

Condition

We reviewed reconciliations between VOA's invoice claims and general ledger for all cost reimbursement contracts for sample months of May and September of each contract year. Based on our review, we noted differences between invoice claims and general ledger in the amount of \$1,221.55 and \$268.74 for salary and benefit expenses, respectively, for Transitional Housing Program for Families Experiencing Homelessness for the period July 1, 2019 to June 30, 2020.

County of Sacramento
Department of Human Assistance (DHA)
Volunteers of America Northern California and Northern Nevada, Inc. (VOA)
Fiscal Monitoring Agreed-Upon Procedures
Current Findings and Recommendations

The differences represented salary and benefit expenses claimed as direct personnel costs, but recorded under VOA's agencywide administrative cost pool account for one of VOA's employees. The amounts recorded under VOA's agencywide administrative cost pool account were reallocated as indirect costs to each program. Therefore, we consider the amount claimed as direct personnel costs identified above as disallowed costs.

Criteria

The same costs allocated as indirect costs should not be claimed as direct costs.

Effect

VOA made duplicate expense claims by claiming expenses as direct costs and also allocating the same expenses as indirect costs resulting in disallowed costs in the amount of \$1,490.29 (\$1,221.55 + \$268.74). This amount is included in the total disallowed costs in the amount of \$26,966.18 as identified in the Finding #3.

Recommendation

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

VOA should not claim the same costs allocated and claimed as indirect costs as direct costs.

Also, see recommendation for Finding #3.

DHA's Management Response

DHA concurs with DOF's recommendations and will work with VOA to resolve any disallowed and questioned expenditures identified during DOF's testing for the respective periods. VOA does not have any current contracts with DHA for the Transitional Housing for Families Experiencing Homelessness Program. VOA provided a response to DHA, claiming that the individual identified provided a direct role in the program.

3. CLAIMS SUBMISSION AND COST ALLOCATIONS

Condition

We selected and tested samples of total 30 clients/units for fee for service contracts and 30 expense transactions for cost reimbursement contracts from VOA's invoice claims and noted unsupported client services/expenses as follows:

County of Sacramento
 Department of Human Assistance (DHA)
 Volunteers of America Northern California and Northern Nevada, Inc. (VOA)
 Fiscal Monitoring Agreed-Upon Procedures
 Current Findings and Recommendations

- Estimated, not actual benefit expenses were recorded in VOA's general ledger and claimed to DHA for reimbursement. 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 in VOA's general ledger. As a result, we noted over claimed of benefit expenses as follows:
 - Adolfo Transitional Housing Program for Former Foster Youth: \$1,942.23 for the period July 1, 2019 to June 30, 2020.
 - Mather Community Campus Program: \$4,148.24 for the Period July 1, 2019 to December 31, 2019.
 - Subsidized Employment Program: \$1,524.76 for program personnel and \$107.11 for administrative personnel for the period July 1, 2019 to June 30, 2020 and \$397.74 for program personnel for the period July 1, 2020 to June 30, 2021.
 - Transitional Housing Program for Families Experiencing Homelessness: \$602.63 for the period July 1, 2019 to June 30, 2020
 - Flexible Housing Pool Property Related and Tenant Services: \$22.17
- For Emergency Shelter for Families Program, VOA was reimbursed for number of family night units served and/or once a referral has been made at fixed rate up to total of 20 families per night. We tested September and May invoice claims for each contract year and noted VOA claimed budgeted, not actual, number of family units served resulting in over claims in the amount of \$4,365.22 (40 family night units without occupancy or referral) and \$12,365.59 (113 family night units without occupancy or referral) for the contract period ended June 30, 2020 and 2021, respectively.

Based on inquires to VOA and DHA staff, there was a verbal communication between VOA and DHA that VOA may claim budgeted amounts rather than actual amounts for the Emergency Shelter for Families Program. However, the agreements for the Emergency Shelter for Families Program requires VOA to claim actual amounts.

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

Based on the disallowed costs identified above, we projected questioned costs using the following methods:

- For cost reimbursement contracts, since we did not note any exceptions from our testing of non-personnel expenses, we calculated our sample testing error rate for personnel expenses only and applied the error rate to the entire personnel expense

County of Sacramento
Department of Human Assistance (DHA)
Volunteers of America Northern California and Northern Nevada, Inc. (VOA)
Fiscal Monitoring Agreed-Upon Procedures
Current Findings and Recommendations

population with the assumption that the same average error rate applied to the entire personnel expense population. Total projected questioned costs for cost reimbursement contracts is \$388,580.66 (\$83,700.71 + \$82,131.99 + \$102,831.23 + \$119,916.73).

- For fee for services contracts, we applied our sample testing error rate to the entire population with the assumption that the same average error rate applied to the entire population. Total projected questioned costs for fee for services contracts is \$86,160.64 (\$83,451.04 + \$2,709.20).

Based on our calculation described above, we noted total disallowed costs in the amount of \$26,966.18, which includes the \$1,490.29 disallowed costs noted in Finding #2, and total projected questioned costs in the amount of \$474,740.90.

See the details at ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Disallowed, and Projected Questioned*, and ATT 2 – *Summary of Disallowed and Projected Questioned Costs*.

Criteria

In accordance with the Agreements, “[VOA] shall maintain, for four years following termination of this Agreement, full and complete documentation of all services and expenditures associated with services activities covered under this Agreement”.

Actual, not estimate, expenses/service units should be claimed for reimbursement.

Per the Agreements for Emergency Shelter for Families Program, Exhibit C, “[VOA] shall be reimbursed, monthly, at a pre-determined rate of \$109.43 per family per night to serve a total of 20 families per night. [VOA] shall be paid this rate for each eligible family per night of stay and/or once a referral has been made.” Also, per Exhibit A, “Families eligible for shelter will be referred to [VOA] by the COUNTY through an electronic referral system. Once the referral has been made, [VOA] will be eligible to claim that family for that night even if that family fails to show up. [VOA] shall inform the COUNTY the following business day and request another referral.”

Effect

VOA submitted unsupported and/or inaccurate invoice claims to DHA resulting in over claiming of expenses/service units; therefore, VOA was not in compliance with the Agreements.

County of Sacramento
Department of Human Assistance (DHA)
Volunteers of America Northern California and Northern Nevada, Inc. (VOA)
Fiscal Monitoring Agreed-Upon Procedures
Current Findings and Recommendations

Recommendation

We recommend DHA 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/service units 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.

Furthermore, any changes to the Agreements should be documented in writing and signed by both VOA and DHA, and approved by the Sacramento County Board of Supervisors if required.

DHA's Management Response

DHA concurs with DOF's recommendations and will work with VOA to resolve any disallowed and questioned expenditures identified during DOF's testing for the respective periods. VOA does not have any current contracts with DHA for the Transitional Housing for Families Experiencing Homelessness, Adolfo Transitional Housing for Former Foster Youth, and Mather Community Campus programs. VOA provided a response to DHA, noting the following: VOA expressed concerns with the disallowed benefits, the projected questioned costs of the benefits and with the interpretation of the Emergency Shelter contract.

In regard to the Emergency Shelter Contract:

With the increased need to have accessible shelter beds available for the growing number of those experiencing homelessness at any time, the department decided that the way to make that happen was to secure the space already available to DHA. DHA staff understood that in order to secure the space, there would also need to be VOA staff available to provide services.

DHA acknowledges the administrative error regarding the direction provided to VOA to claim budgeted amounts rather than actual amounts for the Emergency Shelter contract. DHA also acknowledges that the contract was not amended to reflect a verbal agreement made by the parties and will take steps to ensure contracts reflect agreements made during and after contract negotiations. DHA has updated the contract language for the current fiscal year 2022/23 contract to a cost reimbursement arrangement.