

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
February 13, 2013
“*Communications Received and Filed*” Item

To: Board of Supervisors
From: Department of Finance
Subject: DHHS First 5 Sacramento Commission Contracts Audited Financial Schedules
And Other Reports For July 1, 2011 To June 30, 2012
Supervisory District: All
Contact: Ben Lamera, Assistant Auditor-Controller, 874-7450

RECOMMENDATION

Receive and file the attached audit report, *DHHS First 5 Sacramento Commission Contracts Audited Financial Schedules And Other Reports For July 1, 2011 To June 30, 2012*

Respectively submitted,

Julie Valverde
Director of Finance

Attachment 1, Letter to Board
Attachment 2, DHHS First 5 Sacramento Commission Contracts Audited Financial Schedules
and Other Reports for July 1, 2011 to June 30, 2012

Internal Services
Department of Finance
Auditor-Controller Division

Ben Lamera,
Assistant Auditor-Controller



County of Sacramento

Bradley J. Hudson,
County Executive

David Villanueva,
Chief Deputy County Executive

Julie Valverde,
Director of Finance

January 14, 2013

Sacramento County Board of Supervisors
700 H Street, Suite 2450
Sacramento, CA 95814

We have audited the Schedule of Status of Cash and Accounts Receivable of the County of Sacramento, Department of Health and Human Services (DHHS), First 5 Sacramento Commission contracts, HEARTS for Kids program, Contract Number 09/10-HA-136; Birth & Beyond Support program, Contract Number 10/11-EP-152; Nurse Family Partnership (NFP) program, Contract Number 10/11-EP-151(A3); Smile Keepers Dental Health program, Contract Number 10/11-DD-148; and Women, Infants, and Children (WIC) program – Community Lactation Assistance Enhancement (CLAE) project, Contract Number 10/11-IN-141-A01, and the related Schedules of Approved Budget, Expenditures Claimed, Questioned Costs, and Audited Costs, for the period from July 1, 2011 to June 30, 2012, and have issued our report thereon dated January 14, 2013. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 15, 2012, our responsibility, as described by professional standards, is to express an opinion about whether the financial schedules prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial schedules does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial schedules are free of material misstatement. As part of our audit, we considered the internal control of DHHS. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed test of DHHS' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing as stated in our engagement letter dated August 15, 2012.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. DHHS follows Sacramento County accounting policies which are described in County of Sacramento annual comprehensive financial report. No new accounting policies were adopted and the application of existing policies was not changed during the program period July 1, 2011 to June 30, 2012. We noted no transactions entered into by DHHS during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial schedules in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial schedules prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial schedules and because of the possibility that future events affecting them may differ significantly from those expected. We did not note any accounting estimates that are particularly sensitive and required your special attention.

The disclosures in the financial schedules are neutral, consistent, and clear. We did not note any financial schedule disclosures that are particularly sensitive to financial schedule users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial schedules taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction,

that could be significant to the financial schedules or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letters dated January 14, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Sacramento County Board of Supervisors and management of DHHS and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

JULIE VALVERDE
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu
Audit Manager



COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE

AUDITOR - CONTROLLER

**County of Sacramento
Department of Health and Human Services
First 5 Sacramento Commission Contracts
Audited Financial Schedules and Other Reports
For the Period July 1, 2011 to June 30, 2012**

County of Sacramento
Department of Health and Human Services
First 5 Sacramento Commission Contracts
Audited Financial Schedules and Other Reports
For the Period July 1, 2011 to June 30, 2012

Audit Staff:

Hong Lun (Andy) Yu	Audit Manager
Tae-Young Weiler	Senior Auditor

County of Sacramento
Department of Health and Human Services
First 5 Sacramento Commission Contracts
Audited Financial Schedules and Other Reports
For the Period from July 1, 2011 to June 30, 2012

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Internal Services
Department of Finance
Auditor-Controller Division



Ben Lamera,
Assistant Auditor-Controller

County of Sacramento

Bradley J. Hudson,
County Executive

David Villanueva,
Chief Deputy County Executive

Julie Valverde,
Director of Finance

January 14, 2013

Sherri Z. Heller, Director
Department of Health and Human Services
7001-A East Parkway, Suite 1100
Sacramento, CA 95823

AUDITOR'S REPORT

We have audited the accompanying Schedule of Status of Cash and Accounts Receivable of the County of Sacramento, Department of Health and Human Services (DHHS), First 5 Sacramento Commission (the Commission) contracts, HEARTS for Kids program, Contract Number 09/10-HA-136; Birth & Beyond Support program, Contract Number 10/11-EP-152; Nurse Family Partnership (NFP) program, Contract Number 10/11-EP-151(A3); Smile Keepers Dental Health program, Contract Number 10/11-DD-148; and Women, Infants, and Children (WIC) program – Community Lactation Assistance Enhancement (CLAE) project, Contract Number 10/11-IN-141-A01, and the related Schedules of Approved Budget, Expenditures Claimed, and Audited Costs, for the period from July 1, 2011 to June 30, 2012, as listed in the table of contents. These schedules are the responsibility of DHHS's management. Our responsibility is to express an opinion on these Schedules 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 Schedules are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe our audit provides a reasonable basis for our opinion.

In connection with the audit contained herein, there are certain disclosures that are necessary pursuant to paragraphs 3.22 through 3.24 of *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 *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 obligated by statute to maintain the accounts of departments, districts, or funds that are contained within the County Treasury, we believe the following safeguard and division of responsibility exist. 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 the approval or posting of financial transactions that would therefore enable the reader of this report to rely on the information contained herein.

In our opinion, except for the disclosure for paragraphs 3.22 through 3.24 of *Government Auditing Standards* as noted above, the schedules referred to above present fairly, in all material respects, the funds and costs incurred under the County of Sacramento, DHHS, the Commission contracts, HEARTS for Kids program; Birth & Beyond Support program; NFP program; Smile Keepers Dental Health program; and WIC – CLAE project, for the contract period from July 1, 2011 to June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 14, 2013, on our consideration of the Sacramento County, DHHS’s internal control structure over financial reporting and our tests of its compliance with provisions of laws, regulations, contracts, grants agreements and other matters. 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.

Sincerely,

JULIE VALVERDE
DIRECTOR OF FINANCE



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

County of Sacramento
 Department of Health and Human Services
 First 5 Sacramento Commission Contracts
 Schedule of Status of Cash and Accounts Receivable
 HEARTS for Kids; Birth & Beyond Support; NFP; and Smile Keepers Dental Health Programs,
 and WIC - CLAE Project
 For the Period from July 1, 2011 to June 30, 2012

	HEARTS for Kids	Birth & Beyond Support	NFP	Smile Keepers Dental Health	WIC - CLAE
Cash received					
First 5 Commission Local Fund	\$ 61,357	182,952	866,342 701,186	206,749	714,647
Total cash available	61,357	182,952	1,567,528	206,749	714,647
Due from First 5 Sacramento Commission	31,264	56,886	18,750	138,513	41,968
Total program funds available	92,621	239,838	1,586,278	345,262	756,615
Total disbursements	92,621	239,838	1,586,278	345,262	756,615
Questioned Costs	\$				

The accompanying notes are an integral part of this schedule.

County of Sacramento
 Department of Health and Human Services
 First 5 Sacramento Commission Contracts
 Schedule of Approved Budget,
 Expenditures Claimed, and Audited Costs
 HEARTS for Kids Program
 For the Period from July 1, 2011 to June 30, 2012

	Budget	Expenditures Claimed	Audited Costs
Costs			
Program Costs	\$ 307,901	88,333	88,333
Administrative Costs ¹	10,000	4,288	4,288
Indirect Costs	31,790		
	\$ 349,691	92,621	92,621
Total Costs	\$ 349,691	92,621	92,621
Funding			
First 5 Sacramento Commission	\$ 349,691	92,621	92,621
	\$ 349,691	92,621	92,621
Total Funds	\$ 349,691	92,621	92,621

¹ Non-Indirect Costs

The accompanying notes are an integral part of this schedule.

County of Sacramento
 Department of Health and Human Services
 First 5 Sacramento Commission Contracts
 Schedule of Approved Budget,
 Expenditures Claimed, and Audited Costs
 Birth & Beyond Support Program
 For the Period from July 1, 2011 to June 30, 2012

	Budget	Expenditures Claimed	Audited Costs
Costs			
Program Costs	\$ 242,803	236,824	236,824
Administrative Costs ¹	3,014	3,014	3,014
	<u>\$ 245,817</u>	<u>239,838</u>	<u>239,838</u>
Total Costs	<u>\$ 245,817</u>	<u>239,838</u>	<u>239,838</u>
Funding			
First 5 Sacramento Commission	\$ 245,817	239,838	239,838
	<u>\$ 245,817</u>	<u>239,838</u>	<u>239,838</u>
Total Funds	<u>\$ 245,817</u>	<u>239,838</u>	<u>239,838</u>

¹ Non-Indirect Costs

The accompanying notes are an integral part of this schedule.

County of Sacramento
 Department of Health and Human Services
 First 5 Sacramento Commission Contracts
 Schedule of Approved Budget,
 Expenditures Claimed, and Audited Costs
 Nurse Family Partnership (NFP) Program
 For the Period from July 1, 2011 to March 31, 2012

	Budget	Expenditures Claimed	Audited Costs
Costs			
Program Costs	\$ 1,439,550	1,317,509	1,317,509
Administrative Costs ¹	148,558	136,725	136,725
Indirect Costs	148,915	132,044	132,044
	\$ 1,737,023	1,586,278	1,586,278
Funding			
First 5 Sacramento Commission	\$ 991,105	885,092	885,092
Local Fund	745,918	701,186	701,186
	\$ 1,737,023	1,586,278	1,586,278

¹ Non-Indirect Costs

The accompanying notes are an integral part of this schedule.

County of Sacramento
 Department of Health and Human Services
 First 5 Sacramento Commission Contracts
 Schedule of Approved Budget,
 Expenditures Claimed, and Audited Costs
 Smile Keepers Dental Health Program
 For the Period from July 1, 2011 to June 30, 2012

	Budget	Expenditures Claimed	Audited Costs
Costs			
Program Costs	\$ 261,402	259,556	259,556
Administrative Costs ¹	64,239	61,357	61,357
Indirect Costs	24,359	24,349	24,349
	\$ 350,000	345,262	345,262
Total Costs	\$ 350,000	345,262	345,262
Funding			
First 5 Sacramento Commission	\$ 350,000	345,262	345,262
	\$ 350,000	345,262	345,262
Total Funds	\$ 350,000	345,262	345,262

¹ Non-Indirect Costs

The accompanying notes are an integral part of this schedule.

County of Sacramento
 Department of Health and Human Services
 First 5 Sacramento Commission Contracts
 Schedule of Approved Budget,
 Expenditures Claimed, and Audited Costs
 WIC - CLAE Project
 For the Period from July 1, 2011 to June 30, 2012

	Budget	Expenditures Claimed	Audited Costs
Costs			
Program Costs	\$ 771,946	718,429	718,429
Administrative Costs ¹	13,500	10,007	10,007
Indirect Costs	30,649	28,179	28,179
	\$ 816,095	756,615	756,615
Total Costs	\$ 816,095	756,615	756,615
Funding			
First 5 Sacramento Commission	\$ 816,095	756,615	756,615
	\$ 816,095	756,615	756,615
Total Funds	\$ 816,095	756,615	756,615

¹ Non-Indirect Costs

The accompanying notes are an integral part of this schedule.

County of Sacramento
Department of Health and Human Services
First 5 Sacramento Commission Contracts
Notes to the Financial Schedules
For the Period from July 1, 2011 to June 30, 2012

NOTE 1 – PROGRAM DESCRIPTIONS

HEARTS for Kids

Department of Health and Human Services (DHHS) Child Protective Services (CPS) Division entered into an agreement with the First 5 Sacramento Commission (the Commission) to administer the HEARTS for Kids program which provides a comprehensive menu of services for children ages 0-5 who are placed in protective custody. The agreement commenced on May 1, 2010, and ended on June 30, 2012. The agreement was adopted by resolution No. 2010-0209 on April 6, 2010, by the Sacramento County Board of Supervisors. Subsequently, the agreement was renewed for additional three years from July 1, 2012 through June 30, 2015.

Birth & Beyond Support Program

DHHS CPS Division entered into an agreement with the Commission to provide service coordination, quality assurance, training, and technical assistance, in conjunction with the Child Abuse Prevention Council, the fiscal agent for Family Support Collaborative (FSC) which is comprised of seven community-based, non-profit agencies. The FSC serves as the lead organization for the Family Resource Center's Effective Parenting Initiative, Home Visitation Initiative, and Crisis Intervention Services programs. The agreement commenced on July 1, 2010, and will end on June 30, 2013. The agreement was adopted by resolution No. 2010-0410 on June 1, 2010, by the Sacramento County Board of Supervisors.

Nurse Family Partnership (NFP) Program

DHHS Public Health (PH) Division entered into an agreement with the Commission to administer the NFP program to provide home visitation services, effective parenting education and learning activities to low-income, first-time mothers and their families. The term of agreement was from July 1, 2010 through June 30, 2011. The agreement was adopted by resolution No. 2010-0679 on September 14, 2010, by the Sacramento County Board of Supervisors authorizing DHHS to execute the agreement retroactively. On August 9, 2011, the Board of Supervisors approved resolution No. 2011-0597 extending the term of agreement through December 31, 2011, and authorizing the Director of DHHS to amend the agreement to perform everything necessary to carry out the purpose of the program including the extension of term of agreement. Subsequently, DHHS extended the term of agreement through March 31, 2012.

County of Sacramento
Department of Health and Human Services
First 5 Sacramento Commission Contracts
Notes to the Financial Schedules
For the Period from July 1, 2011 to June 30, 2012

Smile Keepers Dental Health Program

DHHS Public Health (PH) Division entered into an agreement with the Commission to fund Smile Keepers Dental Health program for the period from July 1, 2010 to June 30, 2013. The program provides dental exam, fluoride varnishes and referrals to children at preschools throughout Sacramento County. The agreement was adopted by resolution No. 2010-0632 on August 24, 2010, by the Sacramento County Board of Supervisors authorizing DHHS to execute the agreement retroactively.

Women, Infant, and Children (WIC) – Community Lactation Assistance Enhancement (CLAE) Project

DHHS entered into an agreement with the Commission to fund CLAE project for the period from July 1, 2010 to June 30, 2013, to provide multiple methods to support and encourage mothers to breastfeed exclusively at six months and at one year after delivery. The agreement was adopted by resolution No. 2010-0350 on May 18, 2010, by the Sacramento County Board of Supervisors.

NOTE 2 – ACCOUNTS AND RECORDS

DHHS receives funds from the Commission via journal vouchers. Separate fund centers are maintained within the financial records of DHHS for each program.

NOTE 3 – DUE FROM FIRST 5 COMMISSION

HEARTS for Kids program's \$31,264 due from the Commission at June 30, 2012, represents the difference of \$61,357 cash received from the Commission and \$92,621 expenditures for the program.

Birth & Beyond Support program's \$56,886 due from the Commission at June 30, 2012, represents the difference of \$182,952 cash received from the Commission and \$239,838 expenditures for the program.

NFP program's \$18,750 due from the Commission at June 30, 2012, represents the difference of \$866,342 cash received from the Commission and \$885,092 expenditures claimed to the Commission for the program.

County of Sacramento
Department of Health and Human Services
First 5 Sacramento Commission Contracts
Notes to the Financial Schedules
For the Period from July 1, 2011 to June 30, 2012

Smile Keepers Dental Health program's \$138,513 due from the Commission at June 30, 2012, represents the difference of \$206,749 cash received from the Commission and \$345,262 expenditures for the program.

WIC – CLAE project's \$41,968 due from the Commission at June 30, 2012, represents the difference of \$714,647 cash received from the Commission and \$756,615 expenditures for the project.

NOTE 4 – LOCAL FUND

Although contractually not required, DHHS provided the local funds in the amounts of \$698,637 for NFP program.

NOTE 5 – EXPENDITURES CLAIMED

DHHS received approval from the Commission to claim annual audit costs subsequent to the completion of the annual audit. Accordingly, expenditures claimed presented in the financial schedules contained the accrued audit costs and costs that have been submitted to the Commission.

OTHER REPORTS

Internal Services
Department of Finance
Auditor-Controller Division



Bradley J. Hudson,
County Executive

David Villanueva,
Chief Deputy County Executive

Ben Lamera,
Assistant Auditor-Controller

Julie Valverde,
Director of Finance

County of Sacramento

January 14, 2013

Sherri Z. Heller, Director
Department of Health and Human Services
7001-A East Parkway, Suite 1100
Sacramento, CA 95823

AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL SCHEDULES PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the accompanying financial schedules of the County of Sacramento, Department of Health and Human Services (DHHS), First 5 Sacramento Commission contracts, HEARTS for Kids program, Contract Number 09/10-HA-136; Birth & Beyond Support program, Contract Number 10/11-EP-152; Nurse Family Partnership (NFP) program, Contract Number 10/11-EP-151(A3); Smile Keepers Dental Health program, Contract Number 10/11-DD-148; and Women, Infants, and Children (WIC) program – Community Lactation Assistance Enhancement (CLAE) project, Contract Number 10/11-IN-141-A01, for the period from July 1, 2011 to June 30, 2012, and have issued our report thereon dated January 14, 2013. 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 DHHS's internal control over financial reporting as the basis for designing our auditing procedures for the purpose of expressing our opinion on the financial schedules, but not for the purpose of expressing an opinion on the effectiveness of DHHS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of DHHS's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable

possibility that a material misstatement of the DHHS's financial schedules will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and recommendations, Findings #1 and 2 on page 16, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DHHS's financial schedules are free of material misstatements, we performed tests of DHHS's 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 report 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings as Finding #3 on page 17.

The DHHS's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendation. We did not audit the DHHS's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the County of Sacramento, DHHS's management and the First 5 Sacramento Commission. This report is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

JULIE VALVERDE
DIRECTOR OF FINANCE



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

County of Sacramento
Department of Health and Human Services
First 5 Sacramento Commission Contracts
Current Status of Prior Period Audit Findings
For the Period from July 1, 2011 to June 30, 2012

PRIOR PRIOD AUDIT FINDINGS

1. PERSONNEL SERVICE EXPENDITURE ALLOCATION

During our time study review of County of Sacramento, Department of Health and Human Services (DHHS) for Women, Infant, and Children (WIC) – Community Lactation Assistance Enhancement (CLAE) Project, we noted that employees' leave hours for those employees who worked for more than one program were not appropriately allocated proportionally between different programs. As such, salary and benefit amounts allocated and claimed to the First 5 Sacramento Commission (the Commission) were improper. However, this improper allocation did not result in overall salary and benefit expenditure over-claim to the Commission.

Recommendation

DHHS should allocate employees' leave hours for those employees who work for more than one program proportionally between different programs based on time study.

Management Response

DHHS concurs with this audit finding. Fiscal staff will continue to make effort to thoroughly review time study allocation and ensure that personnel costs are properly allocated to programs.

Current Status

DHHS implemented our recommendation to use time study to allocate employees' leave hours. However, we noted deficiencies in claiming personnel costs. See current Finding #1 and 2 on page 16.

2. TERMINAL VACATION PAYOUT EXPENDITURE

We noted that WIC-CLAE project's personnel service expenditures claimed to the Commission included one employee's terminal vacation payout in amount of \$11,200. Based on our analysis of the employee's payroll history, it appears that \$9,101 (315 hours) of the terminal vacation payout was not accrued from the WIC-CLAE project. Both DHHS's contract agreement with the Commission and the Commission's fiscal policy do not have specific guidelines for this terminal vacation payout issue. Accordingly, we were not able to determine whether the \$9,101 of the \$11,200 terminal vacation payout should be claimed to WIC-CLAE.

County of Sacramento
Department of Health and Human Services
First 5 Sacramento Commission Contracts
Current Status of Prior Period Audit Findings
For the Period from July 1, 2011 to June 30, 2012

Recommendation

We consider the \$9,101 portion of the terminal vacation payout as questioned cost. DHHS should contact the Commission to resolve this issue. In addition, DHHS should consider including specific rules and procedures about terminal leave balances in the future agreements with the Commission.

Management Response

As a result of DHHS program staff discussion of the finding with the Commission staff, the Commission has decided to not allow First 5 funds to pay for questioned cost of \$9,101. DHHS will reimburse disallowed amount to the Commission.

Current Status

DHHS implemented our recommendation. The questioned cost in the amount of \$9,101 was paid back to the Commission.

County of Sacramento
Department of Health and Human Services
First 5 Sacramento Commission Contracts
Schedule of Audit Findings
For the Period from July 1, 2011 to June 30, 2012

CURRENT PERIOD AUDIT FINDINGS

1. OVERSIGHT ON RECONCILIATION OF GENERAL LEDGER AND INVOICE CLAIMING

During our review of Department of Health and Human Services (DHHS)' general ledger and invoice claiming, we noted that Women, Infants, and Children (WIC) program – Community Lactation Assistance Enhancement (CLAE) project's benefit expenditure in the amount of \$802 was over-claimed. We further noted that WIC-CLAE project's travel expenditure in the amount of \$967 and indirect expenditures in the amount of \$1,344 were under-claimed. It appeared that these errors occurred due to oversight in the invoice claiming process by staff and management.

Subsequent to our audit field work, DHHS included over-claimed benefit of \$802 as a credit and under-claimed indirect costs of \$1,344 as an additional claim in the supplemental invoice claim which was approved by the Commission. As such, no questioned cost for WIC-CLAE project was shown on the Schedule of Status of Cash and Accounts Receivable and Schedule of Approved Budget, Expenditures Claimed, and Audited Costs of this report.

Recommendation

We recommend DHHS ensure the accuracy of invoice claiming by properly implementing internal control policies and procedures.

Management Response

DHHS agrees with the oversight in the invoice claiming. DHHS staff will continue to thoroughly review the claims and ensure actual expenditures are claimed appropriately.

2. OVERSIGHT ON PERSONNEL SERVICE EXPENDITURE ALLOCATION

During our personnel cost review, we noted that the personnel cost allocation percentage used for invoice claiming was different from our recalculated allocation percentage based on time study for Nurse Family Partnership (NFP) and Smile Keepers Dental Health program. Time study is done on a continuous basis for employees with certain positions; however, when the allocation percentage was calculated to be used for invoice claiming, some of the time studies were mistakenly excluded from the allocation calculation data. These errors resulted in an over-claim in the amount of \$217 for Smile Keepers Dental Health program but did not result in an over-claim for NFP program.

County of Sacramento
Department of Health and Human Services
First 5 Sacramento Commission Contracts
Schedule of Audit Findings
For the Period from July 1, 2011 to June 30, 2012

Subsequent to our audit field work, DHHS contacted the Commission to resolve this issue and included \$217 as a credit in the supplemental invoice which was approved by the Commission. As such, no questioned cost for Smile Keepers Dental Health program was shown on the Schedule of Status of Cash and Accounts Receivable and Schedule of Approved Budget, Expenditures Claimed, and Audited Costs of this report.

Recommendation

DHHS should ensure the accuracy of personnel cost allocation percentage calculation used for invoice claiming by providing adequate training and supervision.

Management Response

DHHS concurs with this audit finding. Fiscal staff will continue with efforts to thoroughly review time study allocations to ensure accuracy of personnel cost allocation percentages used for invoice claiming.

3. EQUIPMENT LISTING

According to the Commission's policies and procedures manual 2011-003, a current equipment listing should be maintained for equipment cost exceeding \$500 and having useful life of more than one year. At a minimum, the equipment listing should include the purchase date and the location of the equipment.

During our review of equipment, we noted that equipment expenditures were claimed for WIC-CLAE project. Although information about the claimed equipment expenditures such as purchase date, equipment description, identification (serial number, SIN number, etc.), amount and location was available, a formal equipment listing was not maintained. Also the equipment was not properly tagged.

Recommendation

We recommend DHHS maintain a formal equipment listing for the equipment cost exceeding \$500 and having useful life of more than one year. At a minimum, the equipment listing should include the purchase date and the location of the equipment to comply with the Commission's policies and procedures. We also recommend DHHS properly tag the equipment so that the equipment could be easily tracked and identified for the program specific purposes.

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Management Response

DHHS concurs with this audit finding. A formal equipment listing has been created for purchases exceeding \$500 and having a life-span of more than one year. The WIC-CLAE will maintain and update the listing for any subsequent purchases for the current and future contract periods. Additionally, any equipment purchased using WIC-CLAE funds will be properly tagged and easily identifiable.