

# COUNTY OF SACRAMENTO

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

**INTERNAL AUDIT REPORT**

**CONTRACTOR AND SUBRECIPIENT  
CONTRACT PROGRAM  
RISK ASSESSMENT AUDIT**

**DEPARTMENT OF CHILD, FAMILY AND  
ADULT SERVICES**



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

## SUMMARY

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### Background

County of Sacramento Department of Child, Family and Adult Services (DCFAS) includes the Divisions of Administration, Child Protective Services (CPS) and Senior and Adult Services (SAS). DCFAS's mission is to deliver protective services and supports to the Sacramento community; maximize and direct resources toward creative strategies and programs that increase access to services for children, families and adults, prevent problems, improve safety and well-being; and seek close working relationships among staff, government offices, system partners and community-based organizations.

Sacramento Countywide Risk Assessment Study assessed DCFAS's Contractor and Subrecipient Contract Award process as a high-risk area for the Sacramento County operation. Accordingly, we conducted this performance audit to assess DCFAS's contractor and subrecipient contract award process.

DCFAS had 127, 74 and 60 executed contract agreements with contractors and subrecipients in fiscal years (FY) 2018-19, 2019-20 and 2020-21, respectively. Contract agreements for FY 2018-19 totaled \$12,229,526, FY 2019-20 totaled \$13,068,892 and FY 2020-21 totaled \$16,242,050.

### Audit Objective

To assess and identify key processes and controls of DCFAS's Contractor and Subrecipient Contract Award Process, and design tests to verify that key controls are in place and functioning as intended for contracts awarded for the period from July 1, 2018 through June 30, 2021.

We reviewed documents related to contractors and subrecipients pre-award contract progress for proper recording and consistency with contract terms, required by Title 2 Code of Federal Regulations (2 CFR Part 200) - *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (a.k.a. Uniform Guidance).

We also reviewed the contract award process for compliance with County of Sacramento's Contracts Manual.

### Summary

Based on our audit, except for several exceptions reported, we are not aware of other exceptions regarding to DCFAS's internal controls related to managing Contractor and Subrecipient Contract Award Process for contracts awarded for the period from July 1, 2018 through June 30, 2021.



## County of Sacramento

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October 20, 2022

Michelle Callejas, Director  
Department of Child, Family and Adult Services  
County of Sacramento  
9750 Business Park Drive, Suite 220  
Sacramento, CA 95827

The Sacramento Countywide Risk Assessment Study assessed the Department of Child, Family and Adult Services (DCFAS) management of the County of Sacramento's Contractor and Subrecipient Contract Award process as a high-risk area. Accordingly, we have audited DCFAS's internal controls related to managing Contractor and Subrecipient Contract Award Process for the period from July 1, 2018 through June 30, 2021.

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 objective.

The objectives of the audit are to assess DCFAS's activities with regard to contractor and subrecipient monitoring and review DCFAS's internal controls surrounding contracts with contractors and subrecipients pre-award and the contract progress, including communication and monitoring.

Management is responsible for the design, implementation, and maintenance of effective internal controls to ensure compliance with Federal and State regulatory requirements, all applicable laws and regulations and contractual agreements.

The scope of our audit will include DCFAS's internal control activities and processes for the contractor and subrecipient contract process for contracts awarded from July 1, 2018 to June 30, 2021.

The audit methodology utilized to conduct this performance audit included:

### Internal Control Review

- We conducted a preliminary survey of the internal control environment and identified key processes and controls for DCFAS's contractor and subrecipient contract process, including processes and controls for contract award process, invoice payment/claim submission, monitoring and complying with the Sacramento County Contract Policy.

Ms. Michelle Callejas, Director  
Department of Child, Family and Adult Services  
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Document Review:

- We reviewed Sacramento County Contract Policy.
- We reviewed DCFAS's written policies and procedures surrounding pre-award of contracts selection process.
- We reviewed DCFAS's written policies and procedures surrounding contractor and subrecipient contract reimbursement, program monitoring, and fiscal monitoring.
- We reviewed other documents related to contractor and subrecipient pre-award and the contract progress for proper recording and purpose consistent with contract terms, and Title 2 Code of Federal Regulations (2 CFR Part 200) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (a.k.a. Uniform Guidance)*.
- We reviewed DCFAS's annual risk assessment of its contractors and subrecipients.
- We reviewed DCFAS's fiscal and program monitoring reports.
- We followed-up on DCFAS's corrective action plans based on results of program and fiscal monitoring reports.

Testing:

- We tested risk assessment scoring for 12 contracts for reasonableness and compliance with DCFAS risk assessment plan.
- We tested 30 contractor and subrecipient contracts for compliance with Uniform Grant Guidelines (for Federal awards), and applicable laws, regulations, and statutes.
- We tested 30 contractor and subrecipient contracts' compliance with the Sacramento County Contract Policy.
- We tested DCFAS's invoice claims and payments for 15 contracts with contractors and subrecipients for compliance with the respective contracts, completeness, reasonableness, and the use of proper accounting methods.
- We tested DCFAS's program and fiscal monitoring for 30 contractors and subrecipients to ensure controls are in place and functioning as intended.

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.

Ms. Michelle Callejas, Director  
Department of Child, Family and Adult Services  
October 20, 2022

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, we believe that 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.

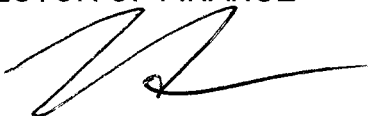
Based on our audit, except for several exceptions reported in the ATT 1 - *Schedule of Findings and Recommendations*, we are not aware of other exceptions regarding to DCFAS’s internal controls related to managing the Contractor and Subrecipient Contract Award Process for contracts awarded for the period from July 1, 2018 through June 30, 2021.

DCFAS’s management responses to the recommendations identified during our engagement are described in ATT 1 - *Schedule of Findings and Recommendations*. We did not perform procedures to validate DCFAS’s management responses to the recommendations and, accordingly, we do not express opinions on the responses to the recommendations.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, those charged with governance, Sacramento County Audit Committee, Sacramento County Executive, and DCFAS’s management, and should not be used for any other purpose. It 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,

BEN LAMERA  
DIRECTOR OF FINANCE



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

ATT 1 – *Schedule of Findings and Recommendations*

County of Sacramento  
 Department of Child, Family and Adult Services (DCFAS)  
 Risk Assessment – Contractor/Subrecipient Management  
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## 1. AWARD PROCESS

We reviewed Department of Child, Family and Adult Services' (DCFAS) award process for 30 contracts (15 contractors and 15 subrecipients). For contractor contracts, four (4) contracts required a competitive selection process, 10 required an Exception to Competitive Bidding (ETB) process, and one (1) contract did not require either competitive selection or ETB process. For the subrecipient contracts, seven (7) required a competitive selection process, six (6) required an ETB process, and two (2) did not require either competitive selection or ETB process.

We noted several issues that we documented in details at Finding #1a) through 1d).

### a) **COMPETITIVE PROCUREMENT PROCESS – CONTRACTOR CONTRACTS**

#### Condition

We requested for the application packets for four (4) contractor contracts where competitive selection process were required for procurement. DCFAS provided the released applications for Requests for Proposal (RFP) and Requests for Letter of Intent or Interest (LOI) and Statement of Qualifications (SOQ) that dated back to Fiscal Year (FY) 2015-16 and earlier for contracts #1 - #4. Submitted application packets (initial bids) were not reviewed as documents from FY 2015-16 and earlier were not available for review. See Table 1A below for a summary of the four (4) contractor contracts that were tested and our review outcome. We noted all four (4) contractor contracts did not comply with competitive selection requirement.

**Table 1A: Test of Competitive Procurement Process for Contractor Contracts**

Contract No.	Fiscal Year	Contract Amount	Process	Initial Award Period	Allowable Term(s)	Review Outcome
1	2018-19	\$ 200,000	RFP/LOI	FY 2013-14 to FY 2014-15	Two (2) fiscal years.	NC
2	2019-20	200,000	RFP/LOI	FY 2013-14 to FY 2014-15	Same as contract #1.	NC
3	2020-21	500,000	LO/SOQ	None listed on bid.	No end date.	NC
4	2020-21	300,000	LO/SOQ	None listed on bid.	No end date.	NC
<b>Total</b>		<b>\$ 1,200,000</b>				

NC - Non-Compliant

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For contracts #1 and #2, DCFAS executed contracts with same contractor in both FY 2018-19 and FY 2019-20 without reissuing RFP or other competitive procurement process. This contractor responded to RFP issued by DCFAS' previous department, Department of Health and Human Services (DHHS), for the initial bid released in FY 2013-14 for funding over a two-year period (\$175,000 available in FY 2013-14 and \$200,000 available in FY 2014-15). DHHS awarded the contract to this contractor in FY 2013-14 and DCFAS continued contracting with this same contractor in FY 2018-19 and FY 2019-20. (**Note:** Prior to March 18, 2018, DCFAS was a part of DHHS. Sacramento County Board of Supervisors abolished DHHS and established DCFAS on March 18, 2018.)

DCFAS indicated that for LOI/SOQ there were no end dates and applicants were not required to re-submit an application for future contract awards.

- For contract #3, DCFAS executed one (1) contractor contract using LOI/SOQ issued in FY 2014-15. Contractor also had been awarded the same contract for services as a subrecipient in FY 2019-20, see contract #5 at Finding #1b).
- For contract #4, DCFAS executed one (1) contractor contract using LOI/SOQ issued in FY 2015-16. Contractor also had been awarded the same contract for services as a subrecipient in FY 2018-19 and FY 2019-20, see contracts #6 and #7 at Finding #1b).

#### Criteria

Per Sacramento County Contracts Manual Chapter 1 Section 1.01 part (3) *“...a competitive selection process is always the preferred method to select County vendors and contractors.”*

Per SCC 2.56.230, *“Except as authorized by Section 2.56.250, all purchases by the purchasing agent shall be made pursuant to competitive proposals, and shall be let to the party who makes the best proposals as defined in Section 2.56.240.”* SCC 2.56.240 noted, *“Awards shall be determined by and be based upon the best proposal, which in the discretion of the purchasing agent is the proposal which most adequately meets the needs of the County, officer, department, or using agency at the lowest price.”*

#### Effect

DCFAS did not comply with Sacramento County Contracts Manual Procedures and SCC 2.56.230. Executing contracts with a contractor over multiple years without re-

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issuing RFP does not ensure that DCFAS is getting the most qualified service provider at the best value.

Executing contracts with a contractor without re-issuing LOI/SOQ over an extended period may prevent DCFAS from identifying other potential providers since the release of the initial bid. Re-issuance of LOI/SOQ allows DCFAS to determine the extent of available contractors to provide the desired services.

Recommendation

DCFAS should re-issue RFP and LOI/SOQ for contracts listed in Table 1A if DCFAS plans to continue awarding contracts to these contractors to ensure that it meets the competitive procurement requirement as documented in the Sacramento County Contracts Manual and SCC 2.56.230.

DCFAS also should review and identify all other contracts with contractors under its management that were executed through bidding processes initiated by DHHS and have those contractors go through the competitive bidding process for the next contract award, if applicable.

DCFAS Management Response

DCFAS is in the process of reviewing those contracts listed in Table 1A as well as all currently active contracts. A schedule is being developed to conduct bidding processes for all services that have not been re-procured within the last five fiscal years. Once developed, the schedule will be implemented as part of the Contract Unit's bidding process cycle.

**b) COMPETITIVE PROCUREMENT PROCESS – SUBRECIPIENT CONTRACTS**

Condition

We requested the application packets for seven (7) subrecipient contracts where competitive selection process were required. DCFAS provided the released applications for Requests for Applications (RFA), RFP, and LOI/SOQ that dated back to FY 2017-18 and earlier for contracts #1 - #7. Submitted application packets were not reviewed for all bids as most documents from FY 2015-16 and earlier were not available for review. See Table 1B on the next page for a summary of the seven (7) subrecipient contracts that were tested and our review outcome. We noted non-compliance with competitive selection requirement for four (4) subrecipient contracts tested.



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**Table 1B: Test of Competitive Procurement Process for Subrecipient Contracts**

Contract No.	Fiscal Year(s)	Contract Amount	Process	Initial Award Period	Allowable Term(s)	Renewed or Extended Year(s)	Years in Contract	Review Outcome
1	2019-20	\$ 600,000	RFA	FY 2014-15 to FY 2018-19	Five (5) fiscal years with option to renew for an additional five (5) fiscal years. Total of 10 fiscal years allowable.	1	6	C
2	2018-19	650,000	RFA	FY 2014-15 to FY 2018-19	Five (5) fiscal years with option to renew for an additional five (5) fiscal years. Total of 10 fiscal years allowable.	0	5	C
3	2020-21 2021-22	2,000,000	RFP	FY 2017-18 to FY 2019-20	Three (3) year term with option to extend up to six (6) additional fiscal years. Total of 9 fiscal years allowable.	2	5	C
4	2018-19 2019-20 2020-21	582,435	RFP	FY 2010-11 to FY 2014-15	Five (5) year term with option to exte	6	11	NC
5	2019-20	500,000	LOI/SOQ	None listed on bid.	No end date.	NA	NA	NC
6	2018-19	300,000	LOI/SOQ	None listed on bid.	No end date.	NA	NA	NC
7	2019-20	300,000	LOI/SOQ	None listed on bid.	No end date.	NA	NA	NC
<b>Total</b>		<b>\$4,932,435</b>						

All subrecipient contracts listed above included Federal funds in contract amount.

NA - Not Applicable.  
 C - Compliant  
 NC - Non-Compliant

Although renewals and extensions of contracts were allowable based on how DHHS drafted the bidding application for contracts #1 - #3, continuing to execute contracts with the same subrecipients without reissuing RFA/RFP over an extended period may not be the best practice for conducting a full and open award process. Based on review of renewal/extension periods listed in the bidding applications, some contracts could potentially be awarded to the same subrecipient for nine (9) to 10 years without going through a competitive selection process, which contradicts Sacramento County Contracts Manual Procedures.

Based on a review of applications for RFA and RFP for four (4) of seven (7) subrecipient contracts tested, we noted that contract #4 was extended an additional year over the allowable five (5) year term. Resolution No. 2010-0316 noted that the contract term may be extended annually through June 30, 2020. The extension of contract #4 beyond allowable term resulted in non-compliance with the competitive selection process requirement.

For the remaining three (3) of seven (7) subrecipient contracts tested, contracts # 5 - #7 executed through a LOI/SOQ process, we noted continual execution of contracts using same LOI/SOQ resulted in non-compliance with competitive selection process requirements.

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- For contract #5, DCFAS executed one (1) subrecipient contract using LOI/SOQ issued in FY 2014-15. Subrecipient had also been awarded the same contract for services as a contractor in FY 2020-21, see contract #3 at Finding #1a). In total, two contracts (as a contractor and as a subrecipient) were awarded to one entity over two (2) fiscal years through LOI/SOQ issued in FY 2014-15.
- For contracts #6 and #7, DCFAS executed two (2) subrecipient contracts with same subrecipient in FY 2018-19 and FY 2019-20 using LOI/SOQ issued in FY 2015-16. Subrecipient also had been awarded the same contract for services as a contractor in FY 2020-21, see contract #4 at Finding #1a). In total, three contracts (one (1) as a contractor and two (2) as a subrecipient) were awarded to another entity over three (3) fiscal years through LOI/SOQ issued in FY 2015-16.

#### Criteria

Per Sacramento County Contracts Manual Chapter 1 Section 1.01 part (3) *“...a competitive selection process is always the preferred method to select County vendors and contractors.”*

Per SCC 2.56.230, *“Except as authorized by Section 2.56.250, all purchases by the purchasing agent shall be made pursuant to competitive proposals, and shall be let to the party who makes the best proposals as defined in Section 2.56.240.”* SCC 2.56.240 noted, *“Awards shall be determined by and be based upon the best proposal, which in the discretion of the purchasing agent is the proposal which most adequately meets the needs of the County, officer, department, or using agency at the lowest price.”*

Uniform Guidance, Section 200.319 (a) states in pertinent part, *“All procurement transactions must be conducted in a manner providing full and open competition...”*

#### Effect

DCFAS did not comply with Sacramento County Contracts Manual Procedures, SCC 2.56.230 and the Uniform Guidance. Executing contracts with a subrecipient without re-issuing RFP when the allowable term for renewal ended did not ensure that DCFAS is getting the most qualified service provider at the best value.

Executing contracts with a subrecipient without re-issuing LOI/SOQ over an extended period may prevent DCFAS from identifying other potential providers since the release of the initial bid. Re-issuance of LOI/SOQ allows DCFAS to determine the extent of available subrecipients to provide the desired services.

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Recommendation

DCFAS should ensure that the contract award period does not exceed the allowable term for renewal and extension.

DCFAS also should re-issue RFP for contract #4 and LOI/SOQ for contracts #5 - #7 of Table 1B on page 4 if DCFAS plans to continue awarding contracts to these subrecipients to ensure that it meets the competitive procurement requirement as documented in the Sacramento County Contracts Manual, SCC 2.56.230 and the Uniform Guidance.

In addition, DCFAS should review and identify all other contracts with subrecipients under its management that were executed through bidding processes initiated by DHHS and have those subrecipients go through the competitive bidding process for the next contract award, if applicable.

DCFAS Management Response

DCFAS is in the process of reviewing all currently active contracts. A schedule is being developed to conduct bidding processes for all services that have not been re-procured within the last five fiscal years. Once developed, the schedule will be implemented as part of the Contract Unit's bidding process cycle.

**c) EXCEPTIONS TO COMPETITIVE BIDDING – CONTRACTOR CONTRACTS**

Condition

We noted that six (6) of 10 executed contractor contracts through ETB process (total \$7,655,822) did not have an exception to bid form completed and signed by the contracting authority. See Table 2A on the next page. Contract #5 is a memorandum of understanding (MOU) agreement between contractor and the County. DCFAS indicated that per County Counsel, competitive selection process is not required for the execution of MOU agreement. However, DCFAS did not provide documentation for ETB process or exemption per County Counsel. For the remaining five (5) contracts without supporting documentations, DCFAS indicated that five (5) ETB forms were prepared but not signed. One (1) of 10 contracts without ETB forms included \$105,300 of Federal funds awarded.

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**Table 2A: Test of Contractor Contracts Executed Through ETB Process**

Contract No.	Contract Amount	Federal Funds	Form Not Completed	DCFAS Comments	Review Outcome
1	\$ 190,467				C
2	1,546,704				C
3	150,000				C
4	285,165	213,874			C
5	320,000		√	No ETB form.	NC
6	159,478		√	ETB form not signed.	NC
7	1,546,704		√	ETB form not signed.	NC
8	1,546,704		√	ETB form not signed.	NC
9	1,700,000		√	ETB form not signed.	NC
10	210,600	105,300	√	ETB form not signed.	NC
<b>Total</b>	<b>\$ 7,655,822</b>	<b>319,174</b>	<b>5,483,486</b>		

**C - Compliant**

**NC - Non-Compliant**

Criteria

Sacramento County Contracts Manual noted that *“the County charter requires a competitive selection process when the County considers contracting for services that have ever been provided by a County civil servant. Except as defined in Sacramento County Code 2.56.250, if a competitive process is not used, a clearly articulated exception to bid form must be completed and signed by the contracting authority.”*

Section 10.03 Exceptions to Bidding documented in the Sacramento County Contracts Manual noted that *“to provide maximum transparency, in circumstances where an exception to bidding is pursued, the department seeking such a contract must complete an exception to bid form and once reviewed by the Department Head and approved by the Purchasing Agent (or designee), it shall be a public record and part of the file with the contract.”*

In accordance with Section 200.320 (b) of the Uniform Guidance, *“When the value of the procurement for property or services under a Federal financial assistance award exceeds the simplified acquisition threshold, or a lower threshold established by a non-Federal entity, formal procurement methods are required. Formal procurement methods require following documented procedures.”* The County’s established threshold is contract amount over \$100,000.

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Effect

Contracts executed without a competitive selection process or exception to competitive bidding process may result in the County offering a contract to a contractor that may not be the best value or most qualified.

Executed contracts that did not go through competitive selection process and had no exception to bid forms resulted in non-compliance with Sacramento County Contracts Manual Procedures and SCC 2.56.250. If the public has any questions regarding the County's award process, there would be no documentation to support the use of an exception to competitive bidding process in place of competitive selection process.

Executed contracts over \$100,000 with Federal funds that did not go through a competitive selection process or exception to competitive bidding process resulted in non-compliance with the Uniform Guidance.

Recommendation

DCFAS should ensure all contracts with contractors are awarded through a competitive selection process if that is required. If not required, an exception to bid form should be documented for any contracts not awarded through competitive selection process to provide maximum transparency of its award process and to comply with Sacramento County Contracts Manual Procedures and the Uniform Guidance.

DCFAS Management Response

DCFAS will ensure that contracted services are awarded through a selection process, when determined either necessary or the desirable method to procure services.

Following the discovery that some contracts where an Exception To Bid (ETB) form was required but not completed or in some cases not signed, the DCFAS Contracts Unit implemented a new process requirement wherein any contract that requires an ETB form be completed, is not executed until an ETB is signed by the Department and the County's Purchasing Agent. As part of documenting this requirement has been completed, an internal routing coversheet that accompanies all contracts includes a prompt that indicates whether an ETB is required and has been completed and on file with the Department. Also as part of this process when the contract is routing for review and approval, the approving Manager confirms that an ETB form has been completed and signed and on file in the appropriate electronic file.

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**d) EXCEPTIONS TO COMPETITIVE BIDDING – SUBRECIPIENT CONTRACTS**

Condition

We noted that four (4) of six (6) executed contracts through ETB process (total \$16,340,578) did not have an exception to bid form completed and signed by the contracting authority. See Table 2B below. DCFAS noted that contract #3 is pass-through funds for the COVID-19 pandemic. ETB process is allowed per SCC 2.56.250 (C). However, no ETB form documented. For the remaining three (3) contracts without supporting documentations, DCFAS indicated that one (1) ETB form could not be located and two (2) ETB forms were prepared but not signed. Three (3) of six (6) contracts without ETB forms included \$5,905,026 of Federal funds in awarded contracts.

**Table 2B: Test of Subrecipient Contracts Executed Through ETB Process**

<b>Contract No.</b>	<b>Contract Amount</b>	<b>Federal Funds</b>	<b>Form Not Completed</b>	<b>DCFAS Comments</b>	<b>Review Outcome</b>
1	\$ 134,000	67,000			C
2	1,302,242	206,192			C
3	3,465,000	3,465,000	√	No ETB form.	NC
4	5,000,000	2,242,592	√	ETB form not found.	NC
5	5,000,000		√	ETB form not signed.	NC
6	1,439,336	197,434	√	ETB form not signed.	NC
<b>Total</b>	<b>\$16,340,578</b>	<b>6,178,218</b>	<b>14,904,336</b>		

**C - Compliant**

**NC - Non-Compliant**

Criteria

Sacramento County Contracts Manual noted that *“the County charter requires a competitive selection process when the County considers contracting for services that have ever been provided by a County civil servant. Except as defined in Sacramento County Code 2.56.250, if a competitive process is not used, a clearly articulated exception to bid form must be completed and signed by the contracting authority.”*

Section 10.03 Exceptions to Bidding documented in the Sacramento County Contracts Manual noted that *“to provide maximum transparency, in circumstances where an exception to bidding is pursued, the department seeking such a contract must complete an exception to bid form and once reviewed by the Department Head and*

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*approved by the Purchasing Agent (or designee), it shall be a public record and part of the file with the contract.”*

In accordance with Section 200.320 (b) of the Uniform Guidance, “*When the value of the procurement for property or services under a Federal financial assistance award exceeds the simplified acquisition threshold, or a lower threshold established by a non-Federal entity, formal procurement methods are required. Formal procurement methods require following documented procedures.*” The County’s established threshold is contract amount over \$100,000.

#### Effect

Contracts executed without a competitive selection process or exception to competitive bidding process may result in the County offering a contract to a subrecipient that may not be the best value or most qualified.

Executed contracts that did not go through competitive selection process and had no exception to bid forms resulted in non-compliance with Sacramento County Contracts Manual Procedures and SCC 2.56.250. If the public has any questions regarding the County’s award process, there would be no documentation to support the use of an exception to competitive bidding process in place of competitive selection process.

Executed contracts over \$100,000 with Federal funds that did not go through a competitive selection process or exception to competitive bidding process resulted in non-compliance with the Uniform Guidance.

#### Recommendation

DCFAS should ensure all contracts with subrecipients are awarded through a competitive selection process if required. If not required, an exception to bid form should be documented for any contracts not awarded through competitive selection process to provide maximum transparency of its award process and to comply with Sacramento County Contracts Manual Procedures and the Uniform Guidance.

#### DCFAS Management Response

As described in response to 1.c), DCFAS will ensure that contracted services are awarded through a competitive selection process, when deemed either necessary or the desirable method to procure services

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## 2. CONTRACT ADMINISTRATION

### a) RISK ASSESSMENT – NO SCORE ASSIGNED

#### Condition

For the 30 contracts selected for review, we noted that one (1) contract with a contractor did not have a risk assessment score assigned in FY 2020-21. This contractor had a risk score of low risk assigned for risk assessments performed in FY 2019-20 and FY 2021-22. Based on inquiry with DCFAS, a risk score had not been assigned to this contractor due to an oversight.

#### Criteria

Per DCFAS Risk Assessment Plan, each contract is assigned risk scores based on DCFAS' risk assessment matrix. Based on the total risk assessment score for each contract, DCFAS determine the level of risk and determine level of monitoring required for each contract.

#### Effect

Without risk assessment scoring, the level of risk and level of monitoring required for this contractor could not be determined. In order to monitor a contract adequately, DCFAS needs to determine the risk level and apply appropriate monitoring procedures to address any known issues with a contractor/subrecipient based on assessed risks.

#### Recommendation

We recommend a secondary review of risk scoring for contractor and subrecipient with executed contract for services to ensure that a proper risk score is assigned.

#### DCFAS Management Response

Although 7801000-20-432 had no risk scored, that same provider has another contract with DCFAS, 7801000-20-016, with a risk score. Since 7801000-20-016 for that same provider had a risk score, the same fiscal monitoring would have been completed for that one provider for both contracts. Currently, the risk assessment is now based on contractor and subrecipient and not per contract number, therefore, we should not have this issue on future risk assessments.

We agree with the recommendation and will have a secondary review of risk scoring for contractor and subrecipient.



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**b) RISK ASSESSMENT – SCORING**

Condition

We selected a total sample of 12 contracts with three (3) contractors/subrecipients to review DCFAS' risk assessment scoring method to determine if risk scores and levels assigned were appropriate. We noted issues with three (3) contracts, where the assigned risk scores were incorrect.

- One (1) contract with a subrecipient received an incorrect score assigned based on our review of the submission date for audited financial statements. As a result of additional points, risk score and risk level changed, this contract should have been monitored with the medium level procedures in FY 2019-20 instead of low risk procedures only.
- Two (2) contracts for the same contractor (different contract periods) received incorrect scores assigned based on our review of the Federal expenditures per audited financial statements for both years. As a result of additional points, the risk score for first contract changed; however, the risk level did not change. For the second contract, the additional points to the assigned risk score resulted in a change to the risk score and risk level. The second contract should have been monitored with the medium level procedures in FY 2020-21 instead of low risk procedures only.

Criteria

DCFAS' Risk Assessment Plan noted a risk assessment matrix was used to evaluate overall risk for each contract agreement for contractor/subrecipient. This risk assessment matrix included five (5) factors that DCFAS assigned points to base on their evaluation. Points scored for each of the five (5) factors totaled to the overall risk score, which determines the risk level required for monitoring.

Uniform Guidance, Section 200.332 (b) required DCFAS to *“Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring...”*

Uniform Guidance, Section 200.332 (c) further noted that depending on evaluation DCFAS may *“Consider imposing specific subaward conditions upon a subrecipient if appropriate as described in Section 200.208.”* This may include requiring additional detailed financial reports or project monitoring.

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Effect

Incorrect risk scores may impact procedures used by DCFAS to monitor its contractors or subrecipients.

Recommendation

We recommend a secondary review of risk scoring for contractor and subrecipient with executed contract for services to ensure that an appropriate risk score is assigned.

DCFAS Management Response

This Risk Assessment was a new process for DCFAS staff and therefore, there was a learning curve. We will provide the proper training to help ensure the risk assessment is completed as accurately as possible on future risk assessments. If we need assistance, we will reach out to other departments. We agree with the recommendation and a secondary review of risk scoring for contractor and subrecipient will be completed.

**3. INVOICE CLAIMS REVIEW**Condition

A sample of 15 invoice claims were selected for review. Documented on Table 3 is a summary of nine (9) invoice claims with issues noted following the review of invoice claim form, supporting documentations, and invoice claim tracking summary (Excel file).

**Table 3: Summary of Invoice Claims Reviewed with Issues Identified**

Contract No.	Invoice Month/Year	Issues Identified
1	June 2020	Contract number not listed on invoice claim form.
2	June 2020	Contract number not listed on invoice claim form. Variance between claim and supporting documentation. Invoice Claim Tracking Summary not prepared.
3	June 2021	Incorrect contract number on invoice claim form. Prior year number listed.
4	June 2020	Overpayment of claim amount.
5	June 2020	Invoice Claim Tracking Summary not updated.
6	June 2021	Invoice Claim Tracking Summary not updated.
7	June 2019	Invoice Claim Tracking Summary not prepared.
8	June 2021	Invoice Claim Tracking Summary not updated.
9	June 2020	Invoice Claim Tracking Summary not prepared.

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In reviewing invoice claim forms, we noted two (2) had missing agreement numbers and one (1) had an incorrect agreement number (prior year agreement number documented) on claim forms submitted to DCFAS. Based on review of communications documenting the approval process by DCFAS' Contracts Unit and Fiscal Services, DCFAS processed and recorded claims to the corresponding contracts. However, DCFAS did not make a note of missing and incorrect contract numbers on the invoice claim forms as part of their review process.

In reviewing supporting documentations, we noted a variance between amounts listed on the invoice claim form and supporting documentations on a contract and overpayment on another contract. See below for specific details.

### Variance between Claim and Supporting Documentation

We noted that contract #2's (listed in Table 3 on page 13) supporting documentation provided by the contractor did not agree with amounts reported on the invoice claim form. Refer to Table 4 below. The amounts listed under estimated invoice claim, final calculated invoice claim and final invoice claim on Table 4 were taken from the invoice claim form submitted to DCFAS. DCFAS staff indicated that two payments were made to contractor for a total of \$16,822 (\$14,471 + \$2,351). In comparing the contractor reported final calculated invoice claim amount to amount reported on supporting documentation, we noted a total variance of \$4,014. We inquired with DCFAS to determine how the supporting documentation from contractor substantiate the final invoice claimed amount for May through June 2020 and final calculated invoice claimed amount. DCFAS indicated that the program planner did not know why the supporting documentation did not agree or support the amount listed on the invoice claim form. In this instance, it is not clear if DCFAS underpaid contractor, if contractor is over claiming, or if contractor made an error on invoice claim form submitted to DCFAS. Based on requests for payment information, it does not appear that DCFAS overpaid contractor.

**Table 4: Invoice Claim Review for Contract #2 of Table 3**

	Submitted by Contractor			Column D	Column E
	Column A	Column B	Column C		
		Column A + C	Column B - A		Column B - D
	Estimated Invoice Claim May/June 2020	Final Calculated Invoice Claim May/June 2020	Final Invoice Claim May/June 2020	Supporting Documentation	Variance
Personnel Salary and Fringe Benefits	\$ 7,636	7,864	228	7,677	187
Instruction/Operating Expenses	3,050	12,998	9,948	11,509	1,489
<b>Total Direct Costs</b>	<b>10,686</b>	<b>20,862</b>	<b>10,176</b>	<b>19,186</b>	<b>1,676</b>
Indirect Costs	3,785	10,431	6,646	8,093	2,338
<b>Total with Indirect</b>	<b>\$ 14,471</b>	<b>31,293</b>	<b>16,822</b>	<b>27,279</b>	<b>4,014</b>

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**Overpayment of Claim Amount**

We noted that DCFAS received estimated invoice claim in the amount of \$9,030 for contract #4 of Table 3 on page 13 and did not have records of the actual (final) claim. Contractors and subrecipients are required to submit an estimated invoice claim by June 1 and an actual (final) invoice claim by July 15. We inquired with DCFAS to determine if DCFAS received actual (final) claim from this subrecipient. DCFAS indicated that there were no actual invoice claim received. However, DCFAS received a list of medical clearance exams performed for that month. Based on the listing, actual invoice claims should be \$7,525 (25 exams x \$301). We noted potential over claimed amount of \$1,505 (\$9,030 - \$7,525) between estimated invoice claim and actual invoice claim. We confirmed with DCFAS that subrecipient was overpaid for this invoice claim and no refund requested.

In reviewing invoice claim tracking summary, we noted that DCFAS did not prepare summary files for three (3) of 15 contracts under review and three (3) of 15 contracts did not have summary files updated with claim amounts based on final (actual) invoice claim. Summary files documented estimated invoice claim amounts for these contracts only. The invoice claim tracking summary is an Excel file prepared by DCFAS and is used to track invoice claims received and review/approval by contract monitor, administrative service officer, and DCFAS Fiscal Services for claims payment.

Criteria

Based on DCFAS' Contracts Invoice Process, contract monitor has to review and approve invoice and supporting documents before forwarding to contracts unit for them to forward to the Administrative Service Officer (ASO) II for review and approval prior to sending invoice claim forms and supporting documents to DCFAS Fiscal Services for payments.

As part of the review process, DCFAS staff should identify missing or incorrect contract agreement numbers on submitted claim forms. In addition, DCFAS staff should review invoice claim forms and supporting documents to ensure that claim information were accurate and adequately supported.

DCFAS' year-end invoice claim process required the subrecipient to submit an estimated invoice claim in June 2020 and then provide an actual (final) invoice claim in July 2020. As part of its review process, DCFAS staff should confirm that subrecipient submitted an actual (final) invoice claim and then reconcile claims paid based on estimated invoice to actual (final) invoice.

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DCFAS' contracts invoice process required its staff to input invoice details into invoice claim tracking summary sheet and update to reflect all information after invoice claim has been reviewed and approved for payment by contract monitor and administrative service officer.

Effect

Incorrect and missing agreement numbers on invoice claim forms submitted to DCFAS for contracts #1 - 3 of Table 3 on page 13 resulted in non-compliance with the terms of these Agreements. This can lead to potential claims against the wrong Agreements if DCFAS had not correctly identified the agreement numbers when processing these invoices.

Without adequately reviewing documents provided to substantiate amounts on invoice claim form, DCFAS may make claim payments to contractors/subrecipients that may not be based on actual expenses.

DCFAS not reconciling estimated and actual invoice claims resulted in non-compliance with the Agreement and an overpayment of \$1,505 to one (1) subrecipient.

Issues noted from review of invoice claim tracking summary files resulted in non-compliance with DCFAS contracts invoice process. Additionally, missing invoice claim tracking summary files and files that were not updated resulted in inaccurate invoice claims record keeping.

Recommendation

DCFAS should ensure that contractor/subrecipients' invoice claims include required information before processing claim payments. As part of its review process, DCFAS should note an incorrect contract number and add missing contract number on the invoice claim form for record keeping purposes. Additionally, DCFAS should notify contractor/subrecipient so that the staff preparing invoice claim form for submission can correct or include required information for accuracy.

DCFAS should review supporting documents provided by contractor to substantiate amounts reported on invoice claim to DCFAS for accurate payments.

DCFAS should review and reconcile any payment differences between estimated invoice claims and actual (final) invoice claims. For overpayments, DCFAS should follow up with subrecipient/contractor for repayment.

DCFAS should ensure that invoice claim tracking summary files are prepared and updated to reflect current information.

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DCFAS Management Response

Around March 2022, DCFAS has started a new invoice review process where a checklist is completed by Fiscal staff with the issues identified on Finding Number 3. We are also requiring, at a minimum, the detailed general ledger be submitted along with the invoice claim. If the invoice claim does not agree to the expenses in the detail general ledger, Fiscal staff will contact the Provider and ask why there is a difference and request for updated documents until all documents are in agreement prior to payment.

DCFAS has also implemented a different year end invoice payment process where we are only paying 50% of estimated invoices to ensure there are minimal overpayment of invoices and submission of final invoices. If there is an overpayment, Fiscal staff will send an invoice requesting for the overpayment be returned to us.

**4. PROGRAM MONITORING REPORTS**

Condition

For program monitoring, we requested reports prepared by DCFAS for 30 contracts selected for testing. One (1) of the 30 contracts did not require monitoring reports as it was a Memorandum of Understanding (MOU) for a contractor contract. Total of five (5) DCFAS prepared program monitoring reports (4 subrecipients and 1 contractor) were provided for 29 samples that required performance of program monitoring. Three (3) of the five (5) contract monitoring reports completed were for contracts that included Federal funds. Total of 17 contracts included Federal Funds.

We noted that DCFAS did not prepare program monitoring reports for 24 samples (14 with Federal funds and 10 without Federal funds).

Criteria

Item #2 under Policy Number AG30-001, DCFAS Policy and Procedure for Contract Monitoring & Fiscal Review Procedures Handbook (Handbook), indicated that the “*service performance monitors and fiscal staff will conduct contract monitoring based upon the risk determination and as required by funding sources and consistent with federal, state, and local mandates and departmental requirements.*” The Handbook also indicated that DCFAS program and fiscal staff shall use the program monitoring requirements listed in the Sample Review Form to conduct contract monitoring and document results on this form following a review.

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Uniform Guidance, Section 200.332 (d) required that DCFAS *“Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.”*

Uniform Guidance, Section 200.332 (d) (1) noted that *“Pass-through entity monitoring of the subrecipient must include: (1) Reviewing financial and performance reports required by the pass-through entity.”*

Effect

The purpose of DCFAS program monitoring is to evaluate whether its contractors/subrecipients’ services provided were appropriate, adequate and timely. DCFAS may not be able to show that their staff performed required program monitoring on contracts under its management without having proper documentations.

Contracts that did not have contract monitoring reports completed resulted in non-compliance with the Handbook policy and procedures and the Uniform Guidance.

Recommendation

We recommend that DCFAS complete contract monitoring procedures and document results in contract monitoring review form for each contractor/subrecipient to comply with the policy and procedure as documented in the Handbook and with the Uniform Guidance.

DCFAS Management Response

During this FY 2022-23, DCFAS has a Program Manager that will be overseeing the program monitoring compliance and hope to have our contracts be in compliance with the Handbook and the Uniform Guidance by the end of June 30, 2023.

**5. FISCAL MONITORING – MEDIUM RISK PROCEDURES**

Condition

Based on review of 16 of 30 contracts (total of 12 contractors/subrecipients) scored at a medium or high risk level, we noted that DCFAS performed and documented medium risk procedures for four (4) contractors/subrecipients. The remaining eight (8) contractors/subrecipients did not have medium risk procedures performed. Medium risk procedures were required to be performed for contractors/subrecipients scored at a medium or high risk level. DCFAS staff indicated that the monitoring procedures for medium risk level contractors/subrecipients were not performed and documented until FY 2020-21 (completed in June 2021). The eight (8)

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contractors/subrecipients without medium risk procedures performed had contracts executed in FY 2018-19 and FY 2019-20 and as such no medium risk reports documented.

Based on review of medium risk reports, DCFAS used quarterly financial statements and board minutes/agendas to complete medium risk procedures. Of the four (4) reports, only one report had a review completed for Quarters 1 – 4.

Criteria

Uniform Guidance, Section 200.332 (b) required that DCFAS *“Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section...”*

Uniform Guidance, Section 200.332 (d) required that DCFAS *“Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.”*

Uniform Guidance, Section 200.332 (d) (1) noted that *“Pass-through entity monitoring of the subrecipient must include: (1) Reviewing financial and performance reports required by the pass-through entity.”*

Item #2 under Policy Number AG30-001, DCFAS Policy and Procedure for Contract Monitoring & Fiscal Review Procedures Handbook, indicated that the *“... fiscal staff will conduct...fiscal monitoring based upon the risk determination and as required by funding sources and consistent with federal, state, and local mandates and departmental requirements.”* Based on the risk score determined by the risk assessment plan, DCFAS staff should monitor each contractor/subrecipient according to one of three established risk levels. For the medium and high risk levels, *“DCFAS staff will review the subrecipient's audited financial statements, complete the Audit Review Checklist, and request the following from the subrecipient for review: i) quarterly financial statements and ii) board agendas/minutes.”*

Effect

Without performing required medium risk procedures, DCFAS may not be able to identify potential financial viability issues with a contractor or subrecipient and implement proper corrective action plans in a timely manner.



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Recommendation

We recommend DCFAS perform fiscal monitoring procedures as documented in its Risk Assessment Plan for contractors/subrecipients scored at the medium risk level to comply with the Uniform Guidance and DCFAS' Policy and Procedure for Contract Monitoring and Fiscal Reviews.

DCFAS Management Response

Due to the inability of contractors/subrecipients to provide quarterly financial statements and Board minutes on a timely manner, DCFAS revised the medium risk procedures to do away with obtaining quarterly financial statements and Board minutes and instead, include verification of expenses on the invoice claim are supported by expenses on the detailed general ledger of contractors/subrecipients.