

# COUNTY OF SACRAMENTO

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

**INTERNAL AUDIT REPORT**  
**SACRAMENTO SELF-HELP HOUSING**  
**PERFORMANCE AUDIT**  
**DEPARTMENT OF HUMAN ASSISTANCE**



**Audit Committee Submittal Date: 05/18/2023**

## **SUMMARY**

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### **Background**

This performance audit is requested by Department of Human Assistance (DHA) as Sacramento Self-Help Housing (SSHH) as SSHH has had some issues with claims. SSHH, a non-profit organization, provides services for the homeless including rehousing and outreach. SSHH had seven programs encompassing 17 agreements with Sacramento County during our audit engagement for the period July 1, 2020 through August 31, 2022.

### **Audit Objective**

To verify whether SSHH's invoice claims submitted to DHA for the contracts (Agreements) are in compliance with the Agreements for the period of July 1, 2020 through August 21, 2022.

### **Summary**

Based on our procedures performed, we noted concerns related to internal controls, claim submissions, insufficient supporting documentation for claimed expenditures, timely payments, and audit reports.



County of Sacramento

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April 11, 2023

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

Dear Mr. Dye:

As requested by Sacramento County Department of Human Assistance (DHA), we have conducted a performance audit for Sacramento Self-Help Housing's (SSHH) invoice claims submitted to DHA for the contracts (Agreements) listed below for the period from July 1, 2020 through August 31, 2022:

1. Full Service Rehousing Shelter:
  - DHA SSHH-01-21
  - DHA SSHH-01-22
  - DHA SSHH-01-23
2. Homeless Outreach and Navigation Services:
  - DHA SSHH-03-21
  - DHA SSHH-03-22
  - DHA SSHH-03-23
3. Flexible Supportive Rehousing Program:
  - DHA SSHH-04-21
  - DHA SSHH-04-22
4. Housing Database:
  - DHA SSHH-05-21
  - DHA SSHH-05-22
  - DHA SSHH-05-23
5. Home Safe:
  - DHA SSHH-06-21
  - DHA SSHH-06-22
6. Project Exodus:
  - DHA SSHH-07-21
  - DHA SSHH-07-22
  - DHA SSHH-08-22

7. Encampment Response Shelter:

- DHA SSHH-09-22

This audit engagement was conducted to assist DHA to verify whether SSHH's invoice claims submitted to DHA for the above Agreements were in compliance with the Agreements. Accordingly, the objective of our audit is to verify whether SSHH's invoice claims submitted to DHA were in compliance with the Agreements for the period from July 1, 2020 through August 31, 2022.

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 and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

SSHH's Management is responsible for the design, implementation, and maintenance of effective internal controls to ensure compliance with the Agreements.

The scope of our audit included SSHH's invoice claim internal control activities and processes for the Agreements from July 1, 2020 to August 31, 2022.

The audit methodology utilized to conduct this performance audit included:

**Internal Control:**

We gained understanding of SSHH's organizational structure and internal control processes for invoice claims submitted to DHA.

We reviewed SSHH's policies and procedures related to invoice claims such as purchasing, vendor payments, payroll, claim submissions, cost allocations, and general ledger.

We reviewed SSHH's 2019 Annual Financial and Single Audit report. We attempted to review SSHH's 2020 and 2021 Annual Financial and Single Audit reports; however, SSHH's 2020 and 2021 audits have not been started. Accordingly, SSHH's 2020 and 2021 audit reports were not available to review during our fieldwork.

We reviewed SSHH's internal financial reports and a completed monitoring report.

**Claim Submission:**

We reviewed SSHH's reconciliation of invoice claims to the general ledger.

We selected a total sample of 255 expense transactions, amount totaling \$391,360.36 from SSHH's invoice claims for the Agreements. We selected the number of sample based on the agreement amounts, number of transactions, and risk of non-compliance for each program.

We tested the sample for accuracy and compliance with the Agreements and traced the sample to the supporting documentation and general ledger.

We evaluated whether the sample was claimed for eligible expenses and allowable activities.

**Cost Allocation:**

We evaluated whether SSHH's cost allocation policies and procedures for invoice claims were in compliance with the Agreements.

We tested the sample of 255 SSHH's expenses claimed for cost allocation methodologies.

**Funding Sources:**

We identified SSHH's funding sources other than DHA for its programs.

We inspected a sample of SSHH's general ledger and other funding sources' invoice claims to identify any inappropriate or duplicated charges to the Agreements.

This audit is limited to the Agreements listed on page one and two of this report and does not pertain to SSHH's other programs and operations.

Based on our audit, we noted several items of non-compliance related to SSHH's invoice claims submitted to DHA for the Agreements (Section 1), non-compliance with Agreements not related to the invoice claims (Section 2), non-compliance with other regulations (Section 3), and other issues (Section 4) as described at ATT 2 – *Findings and Recommendations*.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the Agreements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We identified six findings that we consider to be material weaknesses at ATT 2 - *Findings and Recommendations*.

Total amounts budgeted, claimed, tested, questioned, and disallowed are summarized at ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Questioned, and Disallowed*.

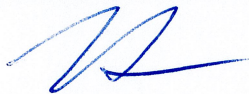
DHA's management responses to the findings identified during our engagement are described in ATT 2 - *Findings and Recommendations*. We did not perform procedures to validate DHA's management responses to the findings and accordingly, we do not express opinions on the responses to the findings.

Ethan Dye, Director  
April 11, 2023  
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This report is intended solely for the information and use of the Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive, DHA's management, and SSHH 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,

JOYCE RENISON  
INTERIM DIRECTOR OF FINANCE



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

Enclosures

ATT 1 - *Schedule of Amounts Budgeted, Claimed, Tested, Questioned, and Disallowed*  
ATT 2 - *Findings and Recommendations*

County of Sacramento  
 Department of Human Assistance (DHA)  
 Sacramento Self-Help Housing (SSHH)  
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 For the Period July 1, 2020 through August 31, 2022  
 Schedule of Amounts Budgeted, Claimed, Tested, Questioned, and Disallowed

Contract Number	Amount Budgeted	Amount Claimed	Amount Tested	Questioned <sup>1</sup> Costs	Disallowed <sup>2</sup> Costs
SSHH-01-21	\$ 2,842,000.00	1,560,788.21	35,079.65	7,938.29	2,141.01
SSHH-03-21	285,000.00	233,125.46	18,133.16	4,864.02	16,867.22
SSHH-04-21	4,416,234.00	3,035,507.50	47,414.64	8,091.60	26,877.16
SSHH-05-21	30,000.00	18,297.13	3,994.90		485.92
SSHH-06-21	164,929.01	127,725.66	19,935.63	5,375.14	83.60
SSHH-07-21	325,000.00	192,980.91	28,632.36		
<b>Subtotal</b>	<b>8,063,163.01</b>	<b>5,168,424.87</b>	<b>153,190.34</b>	<b>26,269.05</b>	<b>46,454.91</b>
SSHH-01-22	2,830,000.00	2,444,549.09	59,336.75	750.00	5,815.50
SSHH-03-22	285,000.00	279,837.55	27,943.81	5,063.43	
SSHH-04-22	3,221,832.21	2,714,176.83	50,675.29	2,884.00	351,213.98
SSHH-05-22	30,000.00	22,199.60	4,890.73		
SSHH-07-22	325,000.00	269,436.54	40,676.37	168.24	50.00
SSHH-08-22	242,501.00	223,948.45	31,866.40		100.00
SSHH-09-22	220,000.00	185,112.99	16,275.25		8,425.73
<b>Subtotal</b>	<b>7,154,333.21</b>	<b>6,139,261.05</b>	<b>231,664.60</b>	<b>8,865.67</b>	<b>365,605.21</b>
<b>SSHH-01-23</b>	<b>2,830,000.00</b>	<b>144,035.12</b>	<b>6,505.42</b>		<b>1,701.25</b>
<b>Total</b>	<b>\$ 18,047,496.22</b>	<b>11,451,721.04</b>	<b>391,360.36</b>	<b>35,134.72</b>	<b>413,761.37</b>
				<b>SSHH-04-23 for September 2022<sup>3</sup> \$ 47,354.66</b>	

<sup>1</sup> The questioned cost amount represents amount recorded in SSHH's general ledger but not substantiated by supporting documentation. See Finding #1.1 of ATT 2 - *Findings and Recommendations*.

<sup>2</sup> The disallowed cost amount represents expenses claimed for unallowable activities and/or expenses claimed without any financial record or supporting documentation. See Finding #1.2, 1.3, 1.6, and 1.7 of ATT 2 - *Findings and Recommendations*.

<sup>3</sup> The \$47,354.66 disallowed costs for September 2022 are outside of the audit period. These disallowed costs are noted during the testing of claimed rent payments within the audit period. DHA should resolve these disallowed costs with SSHH. See Finding #1.2 of ATT 2 - *Findings and Recommendations*.

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**SECTION 1: NON-COMPLIANCE WITH COUNTY AGREEMENTS RELATED TO INVOICE CLAIMS**

**1.1 MATERIAL WEAKNESS - Claim Support Record Keeping**

Condition

We selected a total of 255 sample expenses from Sacramento Self-Help Housing (SSHH)'s general ledger and electronic claim forms and requested the supporting documentation to verify whether the expenses are allowable expenses.

For 34 out of the 255, SSHH could not adequately substantiate the expenses due to either missing supporting documentation or maintaining insufficient documentation as shown on Table 1 below:

**Table 1**

Program/Contract	Number of Unsubstantiated Expenses	Unsubstantiated Expense
SSHH-01-21	9	\$ 7,938.29
SSHH-01-22	1	750.00
SSHH-03-21	5	4,864.02
SSHH-03-22	7	5,063.43
SSHH-04-21	5	8,091.60
SSHH-04-22	2	2,884.00
SSHH-06-21	4	5,375.14
SSHH-07-22	1	168.24
<b>Total</b>	<b>34</b>	<b>\$ 35,134.72</b>

Criteria

Per Exhibit C, Section III of the Agreements between Department of Human Assistance (DHA) and SSHH (Agreements), "*Contractor (SSHH) shall keep documentation to substantiate all charges for line items claimed on the Electronic Claim Form (ECF). Documentation may include timesheets for personnel used in this contract, receipts, invoices or bills for items claimed.*"



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Per Section XXII, Part D of the Agreements, "Contractor (SSHH) shall maintain for five (5) years following termination of this agreement full and complete documentation of all services and expenditures associated with performing the services covered under this Agreement."

Effect

SSHH was not compliant with the Agreements. We consider the unsubstantiated expenses in the amount of \$35,134.72 as questioned costs. See ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Questioned, and Disallowed*.

Recommendation

We recommend DHA verify that SSHH is maintaining records of all expenses claimed as required by the Agreements and to resolve the questioned costs.

DHA Management Response

DHA acknowledges and concurs with this finding. Beginning in fiscal year 2023-24, DHA will expand its invoice payment process to include an upfront review of 100% provider supporting documentation to ensure no support is missing or incomplete prior to issuing payment. This review will include examining support to identify any potential disallowable costs and to ensure DHA is only billed for expenses that have been paid.

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## 1.2 MATERIAL WEAKNESS – Unpaid Rents and Rent Late Fees

### Condition

At the last day of our audit fieldwork on December 12, 2022, SSHH had not paid 12 of the 255 expenses over a three month period (from April 2022 through June 2022) that had already been claimed by SSHH and paid by DHA to SSHH as summarized in the table below:

**Table 2**

<b>Contract Number</b>	<b>Description</b>	<b>Claim Amount</b>
SSHH-04-22	Rent Late Fee	\$ 225.00 <sup>1</sup>
SSHH-04-22	Rent	11,503.81
	<b>Subtotal</b>	<b>\$ 11,728.81</b>
SSHH-09-22	Rent	\$ 2,950.00
	<b>Total</b>	<b>\$ 14,678.81</b>

<sup>1</sup> The late fee is included in the total late fees shown on Table 3 at Finding #1.3.

Of the 12 unpaid expenses, 11 were for rents and rent late fees for Flexible Supportive Rehousing Program (SSHH-04-22). SSHH has not paid rent for the Flexible Supportive Rehousing Program; therefore, the program participants are at risk of eviction from the landlord. In order to avoid Flexible Supportive Rehousing Program participants' evictions due to these overdue rents, DHA executed, effective as of October 5, 2022, a pooled authority contract Agreement (SSHH-04-23) with SSHH under Flexible Housing Pool (FHP). This Agreement paid overdue rents, rent late fees, and legal fees related to evictions in the amount of \$370,431.14, from April 2022 through September 2022, directly to a rental management company. Of the \$370,431.14, SSHH has already claimed and was paid by DHA for \$323,076.48 under agreement number SSHH-04-22 and \$47,354.66 under agreement number SSHH-04-23; therefore, we consider the entire amount of \$370,431.14 as disallowed costs. The \$370,431.14 disallowed costs include \$47,354.66 disallowed costs for September 2022, which is outside of our audit period. Therefore, the disallowed costs related to unpaid Flexible Supportive Rehousing Program for our audit period is

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determined to be \$323,076.48 (\$370,431.14 - \$47,354.66), which includes \$11,728.81 unpaid rents and rent late fees identified on Table 2 and \$20,070.00 late fees from April 2022 through June 2022, which is part of late fees identified on Table 3 at Finding #1.3.

Criteria

Per Exhibit A, Section III, Part E of SSHH-04-22 Agreement, SSHH is required to *“Employ a “whatever it takes” approach in Property Related Tenant Services (PRTS) to assist a client in their transition from homelessness to housing stability. PRTS includes, but not limited to.....i. Administration of local financial assistance (ongoing) including rental subsidy payments.....j. Pay all utility, services, taxes, insurance, and other costs and payments necessary to maintain a safe and secure building environment for tenants and staff.....”*

Per Exhibit A, Section IV, Part B of SSHH-09-22 Agreement, *“Contractor (SSHH) shall secure, manage, and maintain interim housing locations.....Basic shelter services include: 1. A safe, sanitary and accessible facility that is available 24 hours day/seven days per week.”*

Effect

By not paying rent timely, SSHH is out of compliance with the Agreements and put its program participants at risk of eviction and disruption of services required to maintain safe and secure building environment for tenants/program participants. As a result of unpaid rents and fees, we noted disallowed costs in the amount of \$323,076.48 for SSHH-04-22, \$47,354.66 for SSHH-04-23, and \$2,950.00 for SSHH-09-22. See ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Questioned, and Disallowed.*

Recommendation

We recommend DHA follow up with SSHH to ensure that SSHH makes timely payments in order to provide the level of services to its program participants as required by the Agreements and to resolve the disallowed costs for both within and beyond the audit period.

In addition, DHA should consider updating its agreement language requiring SSHH to pay the program costs before claiming the costs in its DHA claim invoices.

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DHA Management Response

DHA acknowledges and concurs with this finding. Beginning in fiscal year 2023-24, DHA will expand its invoice payment process to include an upfront review of 100% provider supporting documentation to ensure no support is missing or incomplete prior to issuing payment. This review will include examining support to identify any potential disallowable costs and to ensure DHA is only billed for expenses that have been paid. In addition, DHA is taking steps to update its agreement language to clarify only program costs that have been paid will be reimbursed. Furthermore, DHA will work with the provider to resolve any disallowed costs resulting from this audit.

**1.3. MATERIAL WEAKNESS - Late Fees**

Condition

During our sample expense testing, we noted that SSHH claimed numerous late fees for rent and utility expenses to DHA for reimbursement. Therefore, we expanded our sample to identify late fees claimed for the entire audit period and noted that SSHH claimed total late fee in the amount of \$85,984.77 to DHA as detailed in Table 3 below:

**Table 3**

<b>Contract Number</b>	<b>Program Name</b>	<b>Late Fee Amount</b>
SSHH-01-21	Full Service Rehousing Shelter	\$ 2,141.01
SSHH-01-22	Full Service Rehousing Shelter	5,815.50
SSHH-01-23	Full Service Rehousing Shelter	610.00
SSHH-04-21	Housing Database	26,877.16
SSHH-04-22	Housing Database	48,432.50 <sup>1</sup>
SSHH-06-21	Home Safe	83.60
SSHH-07-22	Project Exodus	50.00
SSHH-08-22	Project Exodus	100.00
SSHH-09-22	Project Exodus	1,875.00
		<b>\$ 85,984.77</b>

<sup>1</sup> The \$48,432.50 includes the late fee of \$225.00 and \$20,070.00 late fees from April 2022 through June 2022 as described in Finding #1.2.

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Criteria

Per section XXII, Part G of the Agreements, *“If this Agreement included County of Sacramento General Fund it is understood that COUNTY will require CONTRACTOR (SSHH) to subject all records of revenue or expenditures under this Agreement to 2 CFR 200 compliance requirements....”*

Per 2 CFR 200.403, *costs must “be necessary and reasonable for the performance of the Federal award.....”*

Recurring late fees are not part of normal business operations expenses and do not add benefit to the programs, and therefore, are not considered necessary and reasonable costs for the programs.

Effect

SSHH is required to follow 200 compliance requirements and per 2 CFR, late fees should be disallowed. Therefore, we consider the total late fees in the amount of \$85,984.77 as disallowed costs. See ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Questioned, and Disallowed.*

Recommendation

We recommend DHA follow up with SSHH to resolve the disallowed late fees.

In addition, DHA should consider updating its agreement language requiring timely payments by SSHH to its service providers, vendors, and landlords as a requirement to receive expense reimbursements.

DHA Management Response

DHA acknowledges and concurs with this finding. Beginning in fiscal year 2023-24, DHA will expand its invoice payment process to include an upfront review of 100% provider supporting documentation to ensure no support is missing or incomplete prior to issuing payment. This review will include examining support to identify any potential disallowable costs and to ensure DHA is only billed for expenses that have been paid. In addition, DHA is taking steps to update its agreement language to clarify only allowable program costs that have been paid will be reimbursed, and will be taking steps to ensure any late fees incurred by providers will not be reimbursed by DHA. Furthermore, DHA will work with the provider to resolve any disallowed costs resulting from this audit.

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#### 1.4. Claim Submission Timing

##### Condition

During our review of SSHH's invoice claims, we noted that SSHH submitted several invoice claims after the required due dates as shown on Table 4 below:

**Table 4**

<b>Contract Number</b>	<b>Claim Month</b>	<b>Claim Submission Date</b>	<b>Claim Due Date</b>
SSHH-03-21	June 2021	July 21, 2021	July 10, 2021
SSHH-07-21	April 2021	May 21, 2021	May 15, 2021

##### Criteria

Per Exhibit C Section III of the Agreements, "*All claims and monthly reports must be submitted by the fifteenth (15<sup>th</sup>) day of the month following the claim period..... Invoices submitted after July 10<sup>th</sup> for the prior fiscal year shall not be honored by the County unless Contractor (SSHH) has obtained prior written County Approval to the contrary.*"

##### Effect

Late submission of claims delays the claim payments and process; therefore, may cause cash flow and program management issues.

In addition, SSHH was not compliant with the claim submission requirement of the Agreements for the months indicated above.

##### Recommendation

We recommend DHA follow up with SSHH to ensure that SSHH has a policy in place to submit claims on time.

##### DHA Management Response

DHA acknowledges and concurs with this finding. Beginning in fiscal year 2023-24, DHA is taking steps to update its agreement language to clarify that providers are required to keep and maintain internal control policies and procedures as it relates to DHA agreements. In addition, DHA staff will continue to track provider invoices received and follow-up with providers with late invoice claim submissions to help mitigate future submission issues.

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### 1.5. Supporting Document Submission with the Claim

#### Condition

During our review of SSHH's claims submitted to DHA, we noted that SSHH did not submit the supporting documents with claims for June 2021 for SSHH-01-21 and June 2022 for SSHH-03-22 to DHA as required by the Agreements. However, SSHH provided the supporting documents for the two claims during our fieldwork for our review.

In addition, supporting documents submitted with claims did not have Agreement numbers on them as required by the Agreements for the months shown on Table 5 below:

**Table 5**

<b>Contract Number</b>	<b>Claim Month</b>
SSHH-01-22	June 2022
SSHH-03-21	June 2021
SSHH-05-21	June 2021
SSHH-05-22	June 2022
SSHH-06-21	June 2021
SSHH-07-21	June 2021
SSHH-08-22	June 2022
SSHH-09-22	June 2022

#### Criteria

Per Exhibit C, Section III, Part F of the Agreements, "*All claims must include: 1. Electronic Claim Forms. 2. Month of service. 3. Salary and Benefits documentation, which include, but is not limited to, time sheets and pay stubs.*"

Per Exhibit C, Section III, Part E of the Agreements "*Agreement number must be identified on every claim and back-up document submitted for reimbursement. Reports submitted electronically must include the contract number, be in a font no smaller than size 10, formatted and ready to print.*"

#### Effect

SSHH did not comply with the Agreements. This can result in incorrect and/or unsubstantiated claims not being detected by DHA in a timely manner.

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Recommendation

We recommend DHA verify that SSHH submitted all required supporting documentation with claims prior to making reimbursement payments.

DHA Management Response

DHA acknowledges and concurs with this finding. Beginning in fiscal year 2023-24, DHA will expand its invoice payment process to include an upfront review of 100% provider supporting documentation to ensure no support is missing or incomplete prior to issuing payment. This review will include examining support to identify any potential disallowable costs and to ensure DHA is only billed for expenses that have been paid.

**1.6. Differences between the Submitted ECF and General Ledger**

Condition

During our procedures, we noted SSHH claimed more than the amounts recorded in its general ledger as shown on Table 6 below:

**Table 6**

<b>Contract Number</b>	<b>Total Claimed</b>	<b>Total per General Ledger</b>	<b>Difference</b>
SSHH-01-23	\$ 144,035.12	142,943.87	\$ 1,091.25
SSHH-03-21	233,125.46	216,258.24	16,867.22
SSHH-05-21	18,297.13	17,811.21	485.92
SSHH-09-22	185,112.99	181,512.26	3,600.73
		<b>Total</b>	<b>\$ 22,045.12</b>

SSHH did not provide any supporting documentation to explain the differences.

Criteria

Per Exhibit C, Section II of the Agreements, "COUNTY will only provide reimbursement for actual costs as detailed on the Electronic Claim Form (ECF). Failure to comply with the following requirement is grounds for COUNTY to deny reimbursement until such non-compliance has been corrected: ..... All costs should be reconciled to the general ledger on a monthly basis."



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Effect

SSHH did not comply with the Agreements and was not able to support expenses claimed with its financial records. As such, we consider the amount difference of \$22,045.12 as disallowed costs. See ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Questioned, and Disallowed*.

Recommendation

We recommend DHA require SSHH reconcile the general ledger to the claim before processing reimbursement payments.

DHA Management Response

DHA acknowledges and concurs with this finding. Beginning in fiscal year 2023-24, DHA will expand its invoice payment process to include an upfront review of 100% provider supporting documentation to ensure no support is missing or incomplete prior to issuing payment. This review will include examining support to identify any potential disallowable costs and to ensure DHA is only billed for expenses that have been paid. In addition, DHA is taking steps to update its agreement language to clarify only allowable program costs that have been paid will be reimbursed. Furthermore, DHA will work with the provider to resolve any disallowed costs resulting from this audit.

**SECTION 2: OTHER NON-COMPLIANCE WITH COUNTY AGREEMENTS**

**2.1. MATERIAL WEAKNESS - 2019, 2020, and 2021 Annual Financial Audit and Single Audit**

Condition

During our procedures, we noted SSHH's 2020 and 2021 Annual Financial Audits and Single Audits have not been started and SSHH has not submitted a written audit extension request to DHA as of the last day of our audit procedures, December 12, 2022.

SSHH's 2019 Annual Financial Audit and Single Audit report was completed and received on December 22, 2022, over two years and five months past the due date of June 30, 2020.

Criteria

Per Section XXXII, Part A of the Agreements, "*The Contractor (SSHH) shall submit to*

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*Director (DHA) an annual financial and compliance audit prepared by an independent accounting firm if the maximum total payment amount is \$100,000 or more. The audit shall be conducted in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States, and the Provisions of Office of Management and Budget Circular A-133 (Single Audit), Audits of institutions of Higher Education and other non-profit institutions if a non-profit organization....."*

Per Section XXXIII, Part D of the Agreements, *"The annual audit shall be submitted to Director (DHA) within six months of the end of each fiscal year of this agreement."*

Effect

SSHH did not comply with the audit requirement of the Agreements. As a result, DHA was not able to assess SSHH's financial condition and evaluate its performance of the programs under Agreements in a timely manner to make informed decisions related to current and future Agreements with SSHH.

Recommendation

We recommend DHA contact SSHH to follow up with the status of its 2020 and 2021 audits.

DHA Management Response

DHA acknowledges and concurs with this finding. DHA will continue to follow-up with the provider on the status of its 2020 and subsequent fiscal year audit reports.

### **SECTION 3: OTHER NON-COMPLIANCE WITH OTHER REGULATION**

#### **3.1. MATERIAL WEAKNESS - Single Audit**

Condition

During our procedures, we noted that SSHH had over \$750,000 Federal Award expenditures during its fiscal year ended December 31, 2019. According to Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (a.k.a. Uniform Guidance), SSHH is required to complete and submit a single audit or program-specific audit for the year ended December 31, 2019 to the Federal Audit Clearinghouse by December 31, 2020. However, SSHH's 2019 Single Audit report was not completed

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and received until December 22, 2022. Therefore, the SSHH's 2019 Single Audit did not meet the compliance requirement per Uniform Guidance as it was delayed by over one year and eight months.

The SSHH's 2020 and 2021 Single Audits have not been started as of the last day of our audit procedures. Therefore, if SSHH is required to submit its 2020 and 2021 Single Audits to the Federal Audit Clearinghouse, SSHH is not compliant with the Uniform Guidance Single Audit requirement for both 2020 and 2021 years.

#### Criteria

Per CFR 200.501 Audit Requirements, *"A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part."*

Per CFR 200.512 Report submission, *"The audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period."*

Per U.S. Office of Management and Budget, Memorandum for the Heads of Executive Departments and Agencies dated March 19, 2021, M-21-20, Section IX. Extension of Single Audit submission: *"Awarding agencies, in their capacity as cognizant or oversight agencies for audit, should allow recipients and subrecipients that have not yet filed their single audits with the Federal Audit Clearinghouse as of the date of the issuance of this memorandum that have fiscal year-ends through June 30, 2021, to delay the completion and submission of the Single Audit reporting package, as required under Subpart F of 2 CFR § 200.501 to six months beyond the normal due date...."*

#### Effect

SSHH did not comply with Single Audit requirement in accordance with Uniform Guidance. As a result, DHA as well as federal granting agencies were not able to properly oversee SSHH's program compliance and make timely and informed decisions related to current and future contracts/awards with SSHH.

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Recommendation

We recommend DHA contact SSHH to follow up with the status of its 2020 and 2021 Single Audits.

DHA Management Response

DHA acknowledges and concurs with this finding. DHA had previously contacted SSHH on the status of their audit reports several times and was informed by SSHH that the reports were not available.

**SECTION 4: OTHER ISSUES**

**4.1. MATERIAL WEAKNESS – Repeated Findings**

Condition

We completed a fiscal monitoring agreed-upon procedures report dated October 29, 2021 for SSHH's DHA agreements for the period from July 1, 2018 to June 30, 2020.

We note the following fiscal monitoring findings were repeated in this audit:

- Claim Support Record Keeping (Finding #1.1)
- Claim Submission Timing (Finding #1.4)
- Supporting Document Submission with the Claim (Finding #1.5)
- Differences between the Submitted ECF and General Ledger (Finding #4.2)

In addition, SSHH's 2018 audit reported a material weakness related to preparation of financial statements. However, SSHH's 2019 audit was not completed until December 22, 2022 and the 2019 audit report did not report the status of 2018 audit findings. Therefore, we were not able to verify whether SSHH has implemented its 2018 audit recommendation.

Criteria

Per CFR 200.511 Audit findings follow-up, (a) General, *"The auditee (SSHH) is responsible for follow-up and corrective action on all audit findings. As part of this*

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*responsibility, the auditee must prepare a summary schedule of prior audit findings. .... The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS. (b) Summary schedule of prior audit findings. The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs. .... (1) When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken. (2) When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Federal agency's or pass-through entity's management decision, the summary schedule must provide an explanation."*

Per Section XXXIII, Part E of the Agreements, "Should any findings be noted in the audit report, CONTRACTOR (SSHH) must submit an action plan with the audit report detailing how the finding will be addressed. Federal regulations require all findings to be corrected within six months after receipt of the audit report."

#### Effect

SSHH did not take timely corrective actions resulting in repeated findings from previous fiscal monitoring review. In addition, it did not meet the requirement of CFR 200.511 and Section XXXIII, Part E of the Agreements. As a result, DHA was not able to properly evaluate SSHH's performance of the programs under Agreements.

#### Recommendation

We recommend DHA follow up with SSHH regarding the status of prior fiscal monitoring review findings and 2018 audit finding to ensure that SSHH takes timely corrective actions.

#### DHA Management Response

DHA acknowledges and concurs with this finding. DHA had previously contacted SSHH on the status of their audit reports several times and was informed by SSHH that the reports were not available.

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#### 4.2. Approval and Early Submission of ECF

##### Condition

We reviewed all ECF sent to DHA by SSHH and noted the following issues regarding approval dates:

- The ECF for June 2022 for SSHH-03-22 was missing the SSHH supervisor's approval date.
- The ECF for December 2021 for SSHH-07-22 was prepared by a SSHH staff and approved by a SSHH supervisor on November 13, 2021.
- The ECF for June 2022 for SSHH-08-22 had a SSHH supervisor approval date of May 5, 2022.

##### Criteria

ECFs should be signed off and dated by preparers and approvers to indicate it was completed and reviewed for accuracy within the required timeframe. ECFs should be prepared and approved after the expenses were incurred for the month of invoice claiming.

##### Effect

Not having proper secondary review and approval, and submitting ECF prior to the expenses being incurred for the claiming month can lead to inaccurate invoice claiming which may result in disallowed or questioned costs.

##### Recommendation

We recommend DHA verify that the ECF is properly signed off and dated by preparer and approver within reasonable timeframe before processing the claim.

##### DHA Management Response

DHA acknowledges and concurs with this finding. Beginning in fiscal year 2023-24, DHA will expand its invoice payment process to include an upfront review of 100% provider supporting documentation to ensure no support is missing or incomplete prior to issuing payment. This review will include examining and ensuring proper approvals are documented.

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#### 4.3. Subcontract Agreement

##### Condition

SSHH is approved to subcontract for the Exodus Project. However, we note that the contract agreement between SSHH and the subcontractor for The Exodus Project for the period January 1, 2022 to December 31, 2022 was not signed by both parties affected and fully executed until October 11, 2022.

##### Criteria

Subcontract agreements should be signed by affected parties and fully executed prior to the beginning of the agreed period.

##### Effect

Utilizing a subcontractor without a fully executed and legally binding agreement could result in a disputed scope of services to be provided and potential liability to SSHH as well as the County.

##### Recommendation

We recommend DHA follow up with SSHH to ensure that all subcontract agreements related to the programs are fully executed prior to the beginning of the subcontract agreement period.

##### DHA Management Response

DHA acknowledges and concurs with this finding. Beginning in fiscal year 2023-24, DHA will expand its invoice payment process to include an upfront review of 100% provider supporting documentation to ensure no support is missing or incomplete prior to issuing payment. In addition, program planners will work with providers to ensure subcontractor agreements are executed prior to services rendered, or within 30 to 60 days of provider contract execution, whichever is feasible.

#### 4.4. Timecard Approval

##### Condition

During our invoice testing for SSHH-09-22, we noted that a timecard for the June 2022 claim period was missing supervisor approval.

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In addition, SSHH was not able to provide the evidence of electronic timecard approval prior to May 2022. SSHH stated that it utilized a third party payroll service provider's system for electronic timecard approval and did not maintain the evidence of timecard approval in-house. SSHH changed the third party payroll service provider in May 2022 and no longer has access to the prior payroll service provider. Therefore, we were not able to verify that timecards were properly approved for the period prior to May 2022.

Criteria

Timecards should be approved by a supervisor.

Also, see Criteria for Finding #1.1.

Effect

As SSHH did not maintain the evidence of electronic timecard approval readily available for review in house, we were unable to verify that timecards were properly approved.

Recommendation

We recommend DHA follow up with SSHH related to the documentation requirement of the Agreements.

SSHH should maintain the evidence of timecard approval readily available for inspection from DHA, other grantors, or any other parties authorized.

DHA Management Response

DHA acknowledges and concurs with this finding. Beginning in fiscal year 2023-24, DHA will expand its invoice payment process to include an upfront review of 100% provider supporting documentation to ensure no support is missing or incomplete prior to issuing payment.

#### **4.5. 2018 and 2019 Audit Reports**

Condition

SSHH's independent auditor issued unmodified opinions for SSHH's 2019 Financial and Single Audit. The independent auditor also did not report any findings in the 2019



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audit report. However, based upon review of SSHH's 2019 Financial and Single Audit report, we noted below concerns:

- 2018 Audit, Material Weakness Finding: As described in Finding #4.1, SSHH's 2018 audit reported a material weakness finding related to preparation of financial statements. However, the 2019 audit report does not provide updated status of the 2018 audit finding.
- Noncompliance with Single Audit requirement: As described in Finding #3.1, SSHH's 2019 Single Audit does not comply with the Single Audit submission requirement. The SSHH 2019 Single Audit reported \$2,838,868 in Federal award expenditures which is about 27% of SSHH's total revenue. Therefore, Federal funding is a significant funding source for SSHH. However, the 2019 audit report does not disclose this non-compliance of Federal government regulation.

Criteria

Per Government Auditing Standards Section 8.30, *"Auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that are significant within the context of the audit objectives."*

Per Government Auditing Standards Section 6.39, *"Auditors should report on internal control and compliance with provisions of laws, regulations, contracts, or grant agreements regardless of whether they identify internal control deficiencies or instances of noncompliance."*

Per CFR 200.511 Audit Finding Follow-up, (a) *"General. The auditee (SSHH) is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings. The auditee must also prepare a corrective action plan for current year audit findings. The summary schedule of prior audit findings and the corrective action plan must include the reference numbers the auditor assigns to audit findings under § 200.516(c). Since the summary schedule may include audit findings from multiple years, it must include the fiscal year in which the finding initially occurred. The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS."*

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Per CFR 200.514 Scope of audit (e) *Audit follow-up*, “The auditor must follow-up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee in accordance with § 200.511(b), and report, as a current year audit finding, when the auditor concludes that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding. The auditor must perform audit follow-up procedures regardless of whether a prior audit finding relates to a major program in the current year.”

Effect

Without the 2018 audit finding and recommendation update, DHA may not be able to assess accurately whether SSHH has implemented the 2018 audit recommendation. Therefore, DHA may not be able to monitor the SSHH program effectively. In addition, SSHH’s 2019 audit report does not meet the Government Auditing Standards for not reporting SSHH’s non-compliance with the Single Audit submission requirement.

Recommendation

We recommend DHA contact SSHH regarding its 2019 audit report concerns. SSHH may need to contact its independent auditor regarding the audit report concerns.

DHA Management Response

DHA acknowledges and concurs with this finding DHA had previously contacted SSHH on the status of their audit reports several times and was informed by SSHH that the reports were not available.