

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT
FIRST 5 COMMISSION CONTRACTS REVIEW
DEPARTMENT OF HEALTH SERVICES



Audit Committee Submittal Date: 04/22/19

SUMMARY

Background

The First 5 Sacramento Commission (Commission) has contractual agreements (Agreements) with the County of Sacramento (County) Department of Health Services (DHS), Smile Keepers Dental Health Program and the Women, Infants, and Children (WIC) Program (Programs), to provide dental and breastfeeding supportive services to children ages 5 and under residing in the County. The Agreements require audits of the Programs each fiscal year. Accordingly, DHS requested the County of Sacramento, Department of Finance to perform the performance audits for these Programs.

Audit Objective

The performance audit was conducted to examine internal controls and verify that the Programs are in compliance with the Agreements for the period July 1, 2017 through June 30, 2018.

Summary

We noted no issues with the Department of Health Services' internal controls and contract compliances for the Agreements.

Department of Finance

Ben Lamera
Director



Auditor-Controller Division

Joyce Renison
Assistant Auditor-Controller

County of Sacramento

March 27, 2019

Dr. Peter Beilenson, Director
Department of Health Services
7001-A East Parkway, Suite 1100
Sacramento, CA 95823

Dear Dr. Beilenson:

We have audited the Department of Health Services' (DHS) Programs' (Programs) contractual agreements (Agreements) with the First 5 Sacramento Commission (Commission) as listed below for the period from July 1, 2017, through June 30, 2018:

- Smile Keepers Dental Health (Smile Keepers) program, Contract Number 7207500-16/18-255R
- Women, Infants, and Children (WIC) program – Community Lactation Assistance project, Contract Number 7201500-16/18-085R

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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Our audit was conducted to examine internal controls and verify that the Programs are in compliance with the Agreements for the period from July 1, 2017, through June 30, 2018.

DHS' management is responsible for design, implementation, and maintenance of effective internal control to ensure the Programs' compliance with the Agreements. This report is applicable solely to the Programs and Agreements referred above and is not intended to pertain to any of DHS' other operations, procedures, or compliance with laws and regulations.

The scope of our audit includes all transactions for the programs for the period from July 1, 2017, through June 30, 2018.

The audit methodology utilized to conduct the performance audit included:

1. Understandability of the Agreements – We evaluated the Agreements to understand the Agreements' compliance requirement.

2. Operations – We inquired the Programs’ staff and management and inspected the Programs’ organizational charts to identify any conflict of interest and non-compliance with the Agreements.
3. Internal Control – We evaluated DHS’ internal control over the Programs. We also obtained the Programs’ written internal control policies and procedures for purchasing, vendor payments, payroll, and claim submission. We compared the policies and procedures to the results of our Procedure Numbers 5, 6, 7, and 8.
4. Cost Allocation – We obtained the Programs’ written cost allocation policy, procedures, and methodology including the cost allocation worksheets and supporting data. We compared the policy, procedure, and methodology to the results of our Procedure Numbers 6, 7, and 8.
5. Claim Submission – We inspected and recalculated all claim submissions to the Commission. We traced the claims to DHS’ general ledgers and budgets approved by the Commission. We also confirmed DHS’ record of claim receipts to the Commission’s payment records.
6. Payroll Expenditures – We obtained payroll expenditure ledger detail for the Programs and selected three (3) employees from each of the program with the largest amount of salaries and benefits claimed in a quarter that the auditor selected to review.

For Smile Keepers, we selected 21 salary expenditure transactions from the fourth quarter of the period and tested for compliance with the Agreement, and applicable laws, regulations, and statutes. The selected sample size for Smile Keepers is \$22,521 of \$44,662 (50%) program personnel expenses and \$8,821 of \$14,533 (61%) administrative personnel expenses for claims in the fourth quarter of the period. For fiscal year under review, total program personnel expenses claimed is \$255,720 and total administrative expenses is \$85,336.

For WIC, we selected 18 salary expenditure transactions from the third quarter of the period and tested for compliance with the Agreement, and applicable laws, regulations, and statutes. The selected sample size for WIC is \$27,947 of \$41,590 (67%) for program personnel expenses for claims in the third quarter of the period. Total program personnel expenses claimed for the fiscal year under review is \$175,522.

We recalculated the samples based on payroll registers, timesheets, activity report, and DHS’ cost allocation methodology. We traced these transactions to the claim submission and recalculate the related benefit claims. We did not identify any non-compliance with the Agreements from these expenditures. See Schedule I: *Schedule of Approved Budget, Expenditures Claimed, and Amount Tested*.

7. Non-Payroll Expenditures – We obtained expenditure ledger detail for the Programs and randomly selected a sample of 25 DHS’ non-payroll expenditure transactions from each of the Programs and tested for compliance with the Agreements, and applicable laws, regulations, and statutes. We made an effort to include a variety of items such as mileage reimbursements, training costs, program and administrative supplies, and general operations cost (copier rental, repairs/maintenance, cost distribution, etc.) when selecting the testing sample for both programs.

We tested \$11,761 of \$66,046 (18%) program operating expenses and \$151 of \$18,744 (1%) administrative operating expenses for Smile Keepers for the fiscal year under review. We tested \$12,100 of \$568,413 (2%) program operating expenses for WIC in the same period. We traced them to the supporting documentation such as vendor invoices, receipts, journal entries, and DHS' cost allocation calculation. We did not identify any non-compliance with the Agreements from these expenditures. See Schedule I: *Schedule of Approved Budget, Expenditures Claimed, and Amount Tested*.

8. Subcontractor Monitoring – We obtained the Programs' written subcontractor monitoring policy and procedures. We selected all WIC's subcontractors, which are Community Resource Project (CRP) and Los Rios Community College District – American River College (ARC). We tested a total of \$160,631 of \$160,631 (100%) of subcontractor expenses for compliance with the Agreements, and applicable laws, regulations, and statutes. We did not identify any non-compliance with written subcontractor monitoring policy and procedures and the Agreements from these expenditures. Smile Keepers did not have any subcontractor agreement. See Schedule I: *Schedule of Approved Budget, Expenditures Claimed, and Amount Tested*.
9. Status and progress reports – We obtained status and progress reports submitted to the Commission from each of the Programs. We did not identify any Programs' status and progress reports submitted to the Commission after the required due dates.

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. 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 safeguarding 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 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, the Programs complied with the Agreements for the period from July 1, 2017, through June 30, 2018. Also, DHS has adequate internal control to ensure the Program's compliance with the Agreements.

Dr. Peter Beilenson, Director

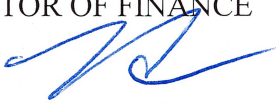
March 27, 2019

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This report is intended solely for the information and use of Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive, DHS' management, and the Commission, and is not intended to be and should not be used by anyone other than those specified parties. However, this restriction is not intended to limit distribution of this report, which is a matter of public record.

Sincerely,

BEN LAMERA
DIRECTOR OF FINANCE



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

Attachments

Schedule I: *Schedule of Approved Budget, Expenditures Claimed, and Amount Tested*

County of Sacramento
 Department of Health Services
 First 5 Sacramento Commission Contracts
 Performance Audit
 Schedule of Approved Budget, Expenditure Claimed, and Amount Tested
 Smile Keepers Dental Health Program
 For the Period July 1, 2017, through June 30, 2018

| <u>Program Costs</u> | <u>Approved Budget</u> | <u>Expenditures Claimed</u> | <u>Amount Tested</u> |
|-------------------------------------|----------------------------|---------------------------------|--------------------------|
| Personnel Costs | \$ 403,181 | 255,720 | 22,521 |
| Program Operating Costs | 142,052 | 66,046 | 11,761 |
| Administrative Costs ⁽¹⁾ | 116,840 | 85,336 | 8,972 ⁽²⁾ |
| Indirect Costs | <u>66,207</u> | <u>26,308</u> | <u>26,308</u> |
| Total Costs | <u>\$ 728,280</u> | <u>433,410</u> | <u>69,562</u> |

(1) Direct administrative costs.

(2) Tested administrative costs: \$8,821 Administrative Personnel Expenses and
 \$ 151 Administrative Operating Expenses.

See Performance Audit Report

County of Sacramento
 Department of Health Services
 First 5 Sacramento Commission Contracts
 Performance Audit
 Schedule of Approved Budget, Expenditure Claimed, and Amount Tested
 Women, Infants, and Children (WIC) Program
 For the Period July 1, 2017, through June 30, 2018

| <u>Program Costs</u> | <u>Approved Budget</u> | <u>Expenditures Claimed</u> | <u>Amount Tested</u> |
|--|----------------------------|---------------------------------|--------------------------|
| Personnel Costs | \$ 255,484 | 175,522 | 27,947 |
| Program Operating Costs ⁽¹⁾ | 646,704 | 568,413 | 172,731 ⁽³⁾ |
| Administrative Costs ⁽²⁾ | 18,000 | 12,580 | |
| Indirect Costs | <u>18,285</u> | <u>12,910</u> | <u>12,910</u> |
| Total Costs | <u>\$ 938,473</u> | <u>769,425</u> | <u>213,588</u> |

⁽¹⁾ Included \$620,689 and \$549,061 consultants/subcontractor costs in approved budget and expenditures claimed, respectively.

⁽²⁾ Direct administrative costs.

⁽³⁾ Tested Program Operating Costs: \$12,100 (Program Operating Expenses) and \$160,631 (Subcontractor Expenses).

See Performance Audit Report