

Sonoma County

Auditor-Controller-Treasurer-Tax Collector

Internal Audit Report

**Grant Monitoring:
County of Sonoma
Human Services Department
My Pathway Program Services
and Sonoma County Youth Ecology Corps**

For the Period: July 1, 2021 - June 30, 2022

Engagement No: 3240
Report Date: October 20, 2022



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Executive Summary

The County of Sonoma Human Services Department (HSD) awarded grants totaling \$1,226,685 to two community based organizations (CBOs) to provide youth education and employment services.

At the request of HSD, the Internal Audit Division of the County of Sonoma Auditor - Controller - Treasurer - Tax Collector's Office (ACTTC) performed certain monitoring procedures for the months of August and December of 2021 for the two CBOs that received funds during the fiscal year ending June 30, 2022.

We noted that the Social Advocates for Youth (SAY) claims included salary and benefits costs not allowed in OMB financial record keeping cost principles for non-profit organizations. As a result, SAY over claimed a total of approximately \$8,200 for the months of August and December (see Finding 1 on page 5 for details). Additionally SAY did not perform the required subrecipient monitoring on its sub-contractor, Petaluma People Services Center (PPSC), as required by the OMB (see Finding 2 on page 5 for details).

We noted no exceptions for Conservation Corps North Bay (CCNB).

We noted no other material exceptions.

Introduction and Background

Introduction

ACTTC has completed the monitoring procedures requested by the County of Sonoma HSD relating to claims for the My Pathway Program Services (MPP) and Sonoma County Youth Ecology Corps (SCYEC) programs from federal Workforce Innovation and Opportunity Act (WIOA) and Temporary Assistance for Needy Families (TANF) funds for the months of August and December 2021.

Background

For many years HSD has provided federal WIOA funding to CBOs to assist youth, aged 14-21 years of age, with education and employment skills. In recent years and for the year under review, additional county funding includes funding from the Sonoma County Water Agency.

The services provided to individuals include, but are not limited to, the following:

- MPP Services
 - Recruitment to attract interested and eligible youth.
 - In-depth objective assessment.
 - Development of an individual service strategy.
 - Case management.
 - Tutoring.
 - Study skills and instruction.
 - Alternative secondary school services.
 - Summer employment opportunities.
 - Paid and unpaid work experience.
 - Occupation skills training.
 - Leadership development opportunities.
 - Adult mentoring.
 - Comprehensive guidance counseling.
- SCYEC Services
 - Outreach and recruitment to attract interested and eligible youth.
 - Ecology-based work experience opportunities.
 - Environmental education.
 - Development of post-secondary and career opportunities.
 - Soft skill development.

The two CBOs that were awarded WIOA, TANF, and other county funding during the contract period were CCNB and SAY. Reimbursement requests from each CBO were based on amounts incurred for:

- Staff Wages and Benefits
- Youth Wages and Benefits
- Crew Leader Wages and Benefits
- Work Experience Staff Wages and Benefits

Background

- Work Experience Staff Support (not case management)
- Rent/Lease of Facility
- Utilities/Building Maintenance
- Telephone/Communications
- Insurance Expense
- Equipment Rental/Lease/Maintenance
- Office Supplies/Expenses
- Books/Education Materials
- Staff Mileage/Travel
- Staff Training/Conferences
- Work Experience Materials/Equipment
- Crew Transportation Costs
- Youth Support/Incentives
- Other Fees
- Indirect Costs

HSD is responsible for performing ongoing monitoring of funds awarded to the CBOs. To assist in fulfilling that responsibility, HSD engaged Internal Audit to perform certain monitoring procedures on the claims submitted to HSD for the months of August and December 2021.

Objective, Scope, Methodology and Staff Acknowledgement

Objective

The primary objective of this monitoring engagement was to determine if the CBO's are meeting financial record keeping requirements of OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards with a special emphasis on salaries and wages.

Scope

The monitoring was for the period July 1, 2021 to June 30, 2022. As directed by HSD, we conducted revenue and expenditure testing on August and December of 2021 reimbursement claims submitted by each CBO. The scope of our work included the following:

- A review and evaluation of internal controls, as described by the management of the two CBOs, designed to ensure compliance with the above requirements.
- Tests of transactions reported in the claims.
- Follow up to determine the status of previous audit report findings and recommendations.

Methodology

We performed the following procedures:

1. Obtained copies of the HSD award agreements and any amendments with the CBOs to verify the existence and amount of funding available and to be disbursed.
2. Primarily through inquiry, reviewed and evaluated the CBOs system of internal controls over record keeping and claim preparation.
3. Verified that the funds disbursed by HSD were received, posted to the CBOs books and deposited into their bank accounts.
4. Traced the personnel costs and selected operating expenditures to appropriate supporting documents and books of the respective CBOs.
5. Ensured that expenditures were recorded in the correct period of the CBOs general ledgers.
6. Reviewed the overhead allocation methodology where applicable.

Staff Acknowledgement

We would like to thank the management and accounting staff of the two CBOs monitored, as well as the accounting staff of HSD for their time, information, and cooperation throughout the engagement.

Current Year Findings and Recommendations

We identified two items, as noted below, with a Risk Classification C: Control Findings, as a result of our procedures. For purposes of reporting our audit findings and recommendations, we classify audit report findings into three distinct categories to identify the perceived risk exposure. These categories are outlined in detail in Appendix B of this report. Except as discussed below, the claims for the months of August and December 2021 were supported by approved invoices, time sheets and entries in the CBOs books.

FINDING 1

SAY claimed direct MPP payroll expenses in August and December that are not allowable under OMB financial record keeping cost principles for non-profit organizations. The unallowable costs for the period included hazard, retroactive and restoration pays, employee bonuses, direct charges for an allocation of an administrative employee and vacation buy outs. Unallowable costs also include vacation/holiday pay claimed when no hours were claimed to the grant by that employee in the pay period. In total, for the two months covered by our review, SAY over claimed \$8,227 (\$7,358 in salaries and \$869 in benefits).

Summary of Questioned Costs			
	August	December	Total
Salaries	\$ 2,390	\$ 4,968	\$ 7,358
Benefits	253	616	869
Total	\$ 2,643	\$ 5,584	\$ 8,227

Some of the errors appear to be systematic thus the over payment for the 12 month period is likely higher.

RECOMMENDATION:

HSD should:

- a) Request SAY review all the MPP claims for the entire fiscal period, account for differences between expenses claimed and allowable expenses, and return unallowable and/or unsupported grant funds claimed.
- b) Ensure that SAY is aware of OMB financial record keeping cost principles for non-profit organizations.

MANAGEMENT RESPONSE:

HSD Management concurs and will send an official letter to SAY, HSD is already working with SAY on these findings.

FINDING 2

Per the agreement between the County and SAY, SAY was authorized to contract with subcontractors for services for a budgeted amount of \$61,368 for the fiscal year. As stated in the agreement "In the event the Contractor is allowed to subcontract, the County shall look to the Contractor for results of its subcontracts. The Contractor agrees to be responsible for all the subcontractor's acts and omissions to the same extent as if the subcontractors were employees of the Contractor." SAY was not able to provide evidence that they performed subrecipient monitoring on their subcontractor, PPSC. Per the OMB A-133 Compliance Supplement, pass-through entities are responsible to

Current Year Findings and Recommendations

perform monitoring of the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administered the Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements.

RECOMMENDATION:

HSD should:

- a) Ensure that SAY perform subrecipient monitoring on any subcontractors hired to provide services with grant funds.
- b) Ensure that SAY is aware of OMB financial record keeping cost principles for non-profit organizations, such as subrecipient monitoring as outlined in Compliance Supplement A-133, M. Subrecipient Monitoring.

MANAGEMENT RESPONSE:

HSD Management concurs and will include this in the letter to SAY.

CONCLUSION

For the months of August and December 2021, CCNB and SAY appear to have met the financial record keeping requirements of OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards except as noted in the finding above.

Prior Year Findings and Recommendations

FINDING 1

CCNB claimed direct SCYEC payroll expenses in July and September based on estimated instead of actual salary and benefit costs, as required by the OMB financial record keeping cost principles for non-profit organizations.

In order to be timely, CCNB sometimes prepares claims prior to payroll being finalized, requiring the use of estimated payroll costs for the period. There are no procedures in place to correct the claims once the actual payroll costs are determined. As a result, the claim for September was overstated by \$665.

We also noted that in the months reviewed for our audit period, two staff claimed direct time spent on the grant during holiday, vacation and sick time, and four youth timesheets were not signed by the youth participants.

RECOMMENDATION:

HSD should:

- a) Request CCNB review all the SCYEC claims for the entire fiscal period and reconcile any differences between actual expenses incurred and claims submitted.
- b) Inform CCNB that claims should be submitted after payroll has been finalized or prepare reconciliations for the monthly claims based on actuals once they are available.
- c) Inform CCNB that staff cannot claim direct hours worked to the grant during paid time off and advise CCNB on a method to account for the program cost of the paid time off.
- d) Ensure that CCNB is aware of OMB financial record keeping cost principles for non-profit organizations.
- e) Follow-up and obtain documentation confirming that CCNB assessed and addressed their internal control weaknesses with payroll processing and claim preparation.

MANAGEMENT RESPONSE:

Management concurs with above recommendations and will provide a letter to CCNB.

STATUS: Partially implemented

Human Services sent a letter to CCNB with the above recommendation. CCNB responded that it would be too costly to perform a recalculation and reconciliation for the past 2 years; however, they are open to HSD recommending an amount to be refunded.

Currently, HSD management is in discussion with CCNB regarding an alternative method to recover the amount they over claimed for the past two years.

FINDING 2

SAY over claimed payroll expenses by \$250 because the grant reimbursement included one salaried employee's payroll cost who was paid twice for one day; once as regular worked hours and once as bereavement pay.

Prior Year Findings and Recommendations

RECOMMENDATION:

SAY should review the rules in their payroll system designed to ensure that employees are not paid for more than 8 hours a day if they are salaried. In addition, SAY should ensure that a more thorough review is performed by management to identify any errors before payroll is processed.

MANAGEMENT RESPONSE:

SAY was understaffed and experiencing high turnover in the fiscal department during the time. As a result, the over payment of hours to a salaried employee was overlooked. The Payroll Specialist now employed with SAY and the CFO review all timesheets to ensure salaried employees are not paid more than their scheduled hours per day, whether it be 8 hours or 10 hours. Any findings are immediately corrected in the payroll system prior to completing the payroll processing.

STATUS: Closed.

SAY researched the finding and found that the employee did not get over paid. Internal Audit reviewed the documentation and confirmed that the employee was not over paid by \$250.

FINDING 3

The Executive Director of PPSC did not keep daily records of time spent on grant related activities during the period covered by our review. Thus, we are not able to provide any assurance that \$1,197 in Executive Director salaries and benefits claimed by PPSC for that period is accurate.

Internal Audit only reviewed program award claims for the months of August and October in the fiscal period and cannot form an opinion on any other months claimed in the fiscal period. It is likely that the remaining months of the fiscal reporting period also have such internal control weaknesses. This was a finding for PPSC in last year's monitoring as well, however we noted that this exception applied to multiple staff last year and only the Executive Director this year.

STATUS: Closed.

PPSC is no longer a grant recipient from HSD. HSD issued a management letter to PPSC in 2021 addressing this issue and received no response. PPSC however is now a subrecipient for SAY, who was not able to provide evidence that they performed the required subrecipient monitoring for this fiscal year's monitoring; see current year Finding 2.

Appendix A: Schedule of Funds Awarded and Selected Months Claimed, Audited and Questioned Costs

Appendix A

County of Sonoma Human Services Department

Youth Education & Employment Services

Fiscal Monitoring

Schedule of Funds Awarded and Selected Month Claimed, Audited, and Questioned Costs

For the Period July 1, 2021 - June 30, 2022

Contract	CBO	Funds Awarded	August & December 2021 Claimed	August & December 2021 Audited	August & December 2021 Questioned Costs	% Claimed/Award
ET-CCNB-SCYEC-2022	Conservation Corps North Bay	\$ 710,227	\$ 89,924	\$ 64,573	\$ -	12.66%
ET-SAY-MPP-2022	Social Advocates for Youth	<u>516,458</u>	<u>66,807</u>	<u>59,704</u>	<u>8,227</u>	12.94%
	Total	\$ <u>1,226,685</u>	\$ <u>156,731</u>	\$ <u>124,277</u>	\$ <u>8,227</u>	12.78%

Appendix B: Report Item Risk Classification

For purposes of reporting audit findings and recommendations, audit report items are classified into three distinct categories to identify the perceived risk exposure:

➤ **Risk Classification A: Critical Control Weakness:**

Serious audit findings or a combination of Significant Control Weaknesses that represent critical exceptions to the audit objective(s), policies, and/or business goals of a department/agency or the County as a whole. Management is expected to address Critical Control Weaknesses brought to their attention immediately.

➤ **Risk Classification B: Significant Control Weakness:**

Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses generally will require prompt corrective actions.

➤ **Risk Classification C: Control Findings:**

Audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process.

The current status of implementation of recommendations will be followed up no later than the end of the second fiscal year after the report has been issued. Critical control weakness findings will be followed up between six months and one year of the date of the report.