

Sonoma County

Auditor-Controller-Treasurer-Tax Collector

Internal Audit Report

**Fiscal Monitoring:  
County of Sonoma  
Human Services Department  
Youth Education & Employment Services  
and Sonoma County Youth Ecology Corps**

For the Period: July 1, 2020 - June 30, 2021

Engagement No: 3240  
Report Date: August 11, 2021



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## Executive Summary

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### Executive Summary

The County of Sonoma Human Services Department (HSD) awarded grants totaling \$965,790 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 July and September of 2020 for the two CBOs that received funds during the fiscal year ending June 30, 2021.

Conservation Corp North Bay (CCNB) based its claims on estimated salary and benefits costs and not actual salary and benefits costs, as required by OMB financial record keeping cost principles for non-profit organizations. CCNB filed their monthly claims with HSD before payroll had finalized for the month in order to be timely, however no reconciliations were completed by CCNB afterwards. As a result, for the months reviewed in our audit, CCNB's claims were over stated by \$665. Additionally, we noted that staff claimed direct hours worked to the grant during paid time off.

One employee at Social Advocacy of Youth (SAY) who is salaried, collected 16 hours of pay for one day of work. She collected 8 hours for work, and 8 hours for bereavement pay.

We noted no other material exceptions.

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## Introduction and Background

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### 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 July and September 2020.

### Background

For many years HSD has provided federal Workforce Innovation and Opportunity Act (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 including funding from the Sonoma County Water Agency and Services to Transitional Aged Youth was also provided.

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

- My Pathway Program 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.
- Sonoma County Youth Ecology Corps
  - 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 Conservation Corps North Bay (CCNB) and Social Advocates for Youth (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

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## Background

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- 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 July and September 2020.

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## **Objective, Scope, Methodology and Staff Acknowledgement**

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### **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, 2020 to June 30, 2021. As directed by HSD, we conducted revenue and expenditure testing on July and September of 2020 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 to their bank accounts.
4. Traced the personnel costs and selected operating expenditures to appropriate supporting documents and to the 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.

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## Current Year Findings and Recommendations

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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 July and September 2020 were supported by approved invoices, time sheets and entries in the CBOs' books.

### 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 over stated 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.

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## Current Year Findings and Recommendations

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### 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.

### 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.

### CONCLUSION

For the months of July and September 2020, with the exception of issues discussed above, SAY appears to be meeting financial record keeping requirements of OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards except for the findings noted above.

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## Prior Year Findings and Recommendations

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### FINDING 1

The Executive Director of Petaluma People Services Center (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.

### RECOMMENDATION:

- a) HSD should address this internal control finding over the tracking and reporting of payroll with PPSC.
- b) Given that PPSC had the same finding in the prior year and were not able to support \$8,496 in costs, we recommend in the future HSD review appropriate supporting documents before releasing funds to PPSC.
- c) HSD should review all of PPSC's Executive Director salaries charged to the program and request reimbursement for amounts not adequately supported with daily time records.

STATUS: Open - management will issue letters to PPSC by the end of August 2021.

### FINDING 2

CCNB claimed staff costs in August of 2019 based on time spent on other programs for the months of June, July and August. In August and October of 2019 there were instances where incorrect pay rates were used and, in other cases, the staff time used in the calculations did not agree with the supporting time records. CCNB did not have procedures in place requiring reconciliation between the claims filed and relevant supporting documents and accounting records.

OMB financial record keeping cost principles for non-profit organizations do not allow direct allocations of salaries based on budget estimates. Allocating time based on a fixed or budgeted percentage of time is not an acceptable method of tracking time for federal grants. Estimated cost can only be claimed if supported by an appropriate time study.

We noted \$12,518 in questioned payroll costs in August for the SCYEC program, and \$97 in over claimed payroll costs in October for the Career Pathways Program (CPP), as well as \$2,693 in under claimed payroll costs in October for the Youth Education & Employment Services (YEES) program. The variances in claimed amounts to the supporting documentation appear to be due to both internal control weaknesses and not using acceptable methods of tracking time for federal grants, per OMB financial record keeping cost principles for non-profit organizations.

While we found that the SCYEC August claim was prepared in a manner that was not in accordance with OMB financial record keeping cost principles for non-profit organizations, resulting in \$12,518 in questioned costs, we do not believe in total that CCNB claimed more expenses than they incurred for the program in the fiscal reporting period.

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## Prior Year Findings and Recommendations

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### RECOMMENDATION:

HSD should:

- a) Review the SCYEC claims from this CBO for the entire fiscal period and determine how to address the non-compliance.
- b) Assure that the CBO assess and address their internal control weaknesses with payroll processing and claim preparation.
- c) Ensure that all CBOs are aware of OMB financial record keeping cost principles for non-profit organizations.

STATUS: Repeat Finding

While we note that CCNB did not claim staff costs based on time spent on other programs in this year's monitoring, and found no instances where incorrect pay rates were used in the claim calculations, we did note that claims submitted continued to not agree with the supporting documentation and there were no procedures in place requiring reconciliation between the claims filed and relevant supporting documents and accounting records. We note that HSD is still working with CCNB on last year's findings.

### FINDING 3

As result of not creating an updated insurance expense allocation table for the fiscal year ending June 30, 2020 claims, the Center for Social & Environmental Stewardship (CSES) under claimed insurance costs by \$174.99 in the months reviewed. The allocation allocates actual insurance cost based on full time employees assigned to various programs.

### RECOMMENDATION:

- a) CSES should assure that allocation tables are correctly updated prior to submitting claims. Additionally, we recommend that CSES review all claim periods in the fiscal year and reconcile the miscalculation of the insurance allocations. If any claim adjustments need to be made, we recommend that the CSES work directly with HSD to make any needed adjustments.

STATUS: Open - management will issue letters to CSES by the end of August 2021.

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

## 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

For the Period July 1, 2020 - June 30, 2021

Contract	CBO	Funds Awarded	July & September 2020 Claimed	July & September 2020 Audited	July & September 2020 Questioned	% Claimed/ Award
ET-CCNB-SCYEC-2021	Conservation Corps North Bay	567,766	145,989	104,832	665	25.71%
ET-SAY-MPP-2021	Social Advocates for Youth	398,024	66,337	38,943	250	16.67%
Total		\$ <u>965,790</u>	\$ <u>212,326</u>	\$ <u>143,775</u>	\$ <u>915</u>	21.98%

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## Appendix B: Report Item Risk Classification

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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.