

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, 2018 - June 30, 2019

Engagement No: 3240
Report Date August 19th, 2019



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Background

Fiscal Monitoring

County of Sonoma Human Services Department

Youth Education & Employment Services and Sonoma County Youth Ecology Corps

Engagement No. 3240

For the Period July 1, 2018 to June 30, 2019

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Executive Summary

Executive Summary

The County of Sonoma Human Services Department (HSD) awarded grants totaling \$1.8M to five community based organizations (CBOs) to provide youth education and employment services.

At the request of the 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 November of 2018 for all of the five CBO's that received funds during fiscal year 2018/19.

One CBO was not able to provide sufficient support for \$265 in incentive gift cards disbursed to youth recipients. One of the CBO's did not track and report payroll expenses for the month of November in a manner that met financial record keeping and cost principles for federal awards, and two of the CBO's did not have strong internal controls for tracking and reporting payroll expenses.

We noted no other material exceptions.

Introduction, Independence and Objectivity and Background

Introduction

We have completed the monitoring procedures requested by the County of Sonoma HSD relating to claims for the Youth Education & Employment Services (YEES) 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 November 2018.

Independence and Objectivity

We have identified certain threats to our independence. We believe that adequate safeguards and division of responsibility exists to mitigate these threats to our independence. In our professional opinion we feel that the users can rely on our report and information contained therein. Amanda Ruch (formerly Amanda Thompson) the Assistant Auditor Controller Treasurer Tax Collector for Sonoma County was briefly a member of the Center for Social and Environmental Stewardship's Board of Directors. Amanda joined the Board in July 2018 and remained active through October 2018. As a member, Amanda was nominated as the Treasurer and served as part of the Finance Committee. Internal Audit is a division of the Sonoma County Auditor-Controller-Treasurer-Tax Collector's Office and is organizationally placed under the elected department head. Internal Audit has no direct reporting line to Ms. Ruch, and she has had no involvement with this monitoring engagement.

Background

For many years the HSD has provided federal Workforce Investment Act (WIA) funding to CBOs to assist youth, aged 14-21 years of age, with education and employment skills. WIA was replaced by WIOA effective July 1, 2015. In recent years and for this current year, 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:

- Youth Education and Employment Services
 - Outreach and 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.

Background

- Ecology-based work experience opportunities.
- Environmental education.
- Development of post-secondary and career opportunities.
- Soft skill development.

The five CBOs that were awarded WIOA, TANF, and other county funding during the contract period were The Center for Social & Environmental Stewardship (CSES), Conservation Corps North Bay (CCNB), Petaluma People Services Center (PPSC), Social Advocates for Youth (SAY) and West County Community Services (WCCS).

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
- 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 the CBOs awarded the funds. 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 November 2018.

Objective, Scope, Methodology and Staff Acknowledgment

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, 2018 to June 30, 2019. As directed by HSD, we conducted revenue and expenditure testing on July 2018 and November 2018 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 five 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 five CBOs monitored, as well as the accounting staff of HSD for their time, information, and cooperation throughout the engagement.

Findings and Recommendations

We identified three 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 November 2018 were supported by approved invoices, time sheets and entries in the CBOs' books.

FINDING 1

For one of the five CBOs, recipient signatures were not obtained for \$265 in incentive gift cards distributed to the youth employed by the CBO per its records. Thus we are unable to determine if that cost represents an authorized use of grant funds.

RECOMMENDATION:

- a) We recommend HSD advise WCCS to follow its policy of obtaining signatures of gift card recipients for all gift cards issued to properly support compliance with the grant requirements.

MANAGEMENT RESPONSE:

- a) Management concurs and will follow-up with WCCS.

FINDING 2

One of the CBO's monitored did not track and report payroll expenses for the month of November in a manner that met OMB financial record keeping cost principles for non-profit organizations.

SAY claimed an allocation of the Chief Operating Officer's salary to the grant in November as a direct cost based on a budgeted estimate.

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.

Internal Audit only reviewed program award claims for the months of July and November 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 non-compliance.

RECOMMENDATION:

- a) HSD should review the claims from this CBO for the entire fiscal period and determine how to address the non-compliance.
- b) HSD should ensure that all CBOs are aware of OMB financial record keeping cost principles for non-profit organizations.

MANAGEMENT RESPONSE:

- a) Management concurs and will review the entire fiscal period and address the non-compliance with SAY.

Findings and Recommendations

- b) Contract language is in place in the fiscal provisions of each contract. HSD will modify contract language and ensure the contractor initials provisions in their contract as verification they have read the provisions. In addition, annual monitoring is performed to ensure that the CBO's are following the Super Circular.

FINDING 3

Two of the CBO's lacked strong internal controls over the tracking and reporting of payroll expenses for the months of July and November.

Based on our examination of the support provided by CCNB and PPSC we cannot assure that all salaries and benefits claimed to the County were based on actual time spent on grant related activities. Not all staff members are tracking hours spent on grant related activities on a daily basis, as a result the risk that hours are incorrectly charged to grant related activities is high.

Internal Audit only reviewed program award claims for the months of July and November 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.

RECOMMENDATION:

- a) HSD should address internal controls findings over the tracking and reporting of payroll with CCNB and PPSC.

MANAGEMENT RESPONSE:

- a) Management concurs and will request that CCNB and PPSC have all staff members track hours spent on the grants on a daily basis.

CONCLUSION

For the months of July and November 2018 the CBO's appear 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.

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, 2018 - June 30, 2019

Contract	CBO	Funds Awarded	July & November		July & November		July & November	
			2018 Claimed	2018 Audited	2018 Audited	2018 Questioned		
ET-CFSES-YEES/SCYEC-1819	The Center for Social and Environmental Stewardship	\$ 184,854	\$ 26,265	\$ 23,778	\$			
ET-CCNB-YEES/SCYEC-1819	Conservation Corps North Bay	863,371	81,854	71,387		32,859		
ET-PPSC-YEES/CSYEC-1819	Petaluma People Services Center	189,554	30,408	27,124		8,496		
ET-SAY-YEES/SCYEC-1819	Individuals, Now, aka Social Advocates for Youth	365,818	47,306	42,793		861		
ET-WCCS-YEES/SCYEC-1819	West County Community Services	189,554	30,006	26,554		265		
	Total	\$ 1,793,151	\$ 215,839	\$ 191,636	\$	42,481		

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.