

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
November 1, 2016
“Communications Received and Filed” Item

To: Board of Supervisors
From: Department of Finance
Subject: Department Of Human Assistance (DHA) Issues Noted During The Review Of Document Fulfillment Services (DFS) Contract Agreement For The Period Of March 1, 2010 To June 30, 2016

Supervisory
District: All

Contact: Joyce Renison, Assistant Auditor-Controller, 874-7248

RECOMMENDATION

Receive and file the attached agreed upon procedures report, *DHA Issues Noted During The Review Of Document Fulfillment Services Contract Agreement For The Period Of March 1, 2010 To June 30, 2016*

Respectively submitted,

Ben Lamera
Director of Finance

Attachment 1, DHA Issues Noted During The Review Of Document Fulfillment Services Contract Agreement For The Period Of March 1, 2010 To June 30, 2016

COUNTY OF SACRAMENTO
INTERNAL SERVICES
DEPARTMENT OF FINANCE
AUDITOR-CONTROLLER

Inter-Departmental Correspondence

October 4, 2016

To: Ann Edwards
Director, Department of Human Assistance

From: Ben Lamera
Director of Finance

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

Subject: **DEPARTMENT OF HUMAN ASSISTANCE ISSUES NOTED DURING
THE REVIEW OF DOCUMENT FULFILLMENT SERVICES
CONTRACT AGREEMENT FOR THE PERIOD OF MARCH 1, 2010 TO
JUNE 30, 2016**

In connection with the agreed-upon procedures engagement which were requested and agreed to by you to evaluate the Department of Human Assistance's (DHA) contract agreement (Contract) listed below with Document Fulfillment Services (DFS), we noted issues that are specific to DHA with respect to the oversight of the Contract.

- CalWIN Client Correspondence Printing and Mailing, contract number WA00025381 for the period from March 1, 2010 to June 30, 2016

The issues that we noted during our procedures are summarized as follows:

1. We noted issues related to the original source files. See Attachment I, *Comments and Recommendations*.
2. We noted issues related to invoice reconciliations. See Attachment I, *Comments and Recommendations*.
3. We noted issues related to the Contract. See Attachment I, *Comments and Recommendations*.

We were not engaged to, and did not perform an audit or examination, the objectives of which would be the expression of opinions of the accounts or items referred to above. Accordingly, we do not express such opinions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report only relates to issues about DHA's oversight of the Contract we noted during our agreed-upon procedures engagement. However, we did not perform specific procedures to review DHA's oversight of the Contract. Had we performed specific procedures to review DHA's oversight of the Contract, other matters may have come to our attention that would have been reported to you.

This report relates only to DHA's oversight of the Contract, and does not extend to any of DHA's other operations or programs as a whole.

DHA's responses to the comments identified during our engagement are described in Attachment I, *Comments and Recommendations*. We did not perform procedures to validate DHA's responses to the comments and, accordingly, we do not express an opinion on the responses to the comments.

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

Attachment I, *Comments and Recommendations*

County Of Sacramento
Department Of Human Assistance (DHA)
Issues Noted From Document Fulfillment Services (DFS) Contract Review
For the Period From March 1, 2010 To June 30, 2016

Comments and Recommendations

1. Original Source Files

The County of Sacramento (County), Department of Human Assistance (DHA) has a contract agreement (Contract) as stated at the Inter-Departmental Correspondence with Document Fulfillment Services (DFS) for the California Work Opportunity and Responsibility to Kids Information Network (CalWIN) client correspondences' printing and mailing services.

During our review, DHA was not able to provide the original source files for DFS' invoice claims from March 1, 2010 to January 25, 2016. In addition, DHA was not able to provide a majority of the original source files for DFS' invoice claims from January 26, 2016 to June 30, 2016. We noted that DHA did not maintain and had very limited access to the original source files for DFS' invoice claims.

DHA should maintain or have full access to the original source files for DFS' invoice claims. Without the original source files, DHA could not verify whether any DFS' invoice claims were eligible or in compliance with the Contract. As a result, we noted several ineligible claims and non-compliance from DFS's claims as described in our Independent Accountant's Report on Applying Agreed-Upon Procedures for DFS, dated October 4, 2016.

Recommendation

DHA should obtain and maintain the original source files for all DFS' invoice claims. DHA should review and reconcile the original source files to the invoice claims before remitting payment to DFS.

DHA Management's Response

DHA agrees with the recommendations set forth by the Department of Finance. In part due to Hewlett Packard Enterprise (HPE) Services' (the manager and creator of the Statewide Automated Welfare System source files that get sent to the vendor) retention policy and PCL data availability, DHA was unable to obtain original source files for March 1, 2010 to January 25, 2016. The County Department of Technology, who assists with the monitoring of printed images for this contract, maintains a separate system check to verify the number of printed images that DFS prints. However, DHA will work with HPE to create independent verification reports of printed images that can be checked against vendor invoices.

2. DFS Invoice Reconciliation

Comment

During our review, we noted that DHA was not performing any reconciliation prior to remitting payment to DFS. By not reconciling DFS invoices and their backup supporting

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documentation to the original source files, DHA could be remitting payment for invoice claims with ineligible/non-compliant items without DHA's knowledge.

As such, we noted several ineligible claims and non-compliance from DFS's claims as described in our Independent Accountant's Report on Applying Agreed-Upon Procedures for DFS, dated October 4, 2016.

Recommendation

We reiterate the recommendation from Comment 1.

DHA Management's Response

See DHA Management Response at Comment 1.

DHA agrees with the recommendation. DFS currently provides backup documentation to support invoices and DHA will ensure invoices are reviewed and assessed correctly using original source file reports. DHA will work with DFS and the Statewide Automated Welfare System (SAWS) to obtain the necessary documentation to justify invoice claims.

3. Contract Update

Comment

During our review, we noted that there were rates for certain items that were not in the Contract. We noted a \$0.0675 rate was on May 31, 2016's printing and mailing invoice claim that was not in the Contract. We further noted a \$0.222 rate was on December 22, 2015, January 31, 2016, and May 31, 2016 postage invoice claims that was not in the Contract. Items purchased on County contracts should be remitted at authorized rates as noted in the contracts.

Recommendation

We recommend that DHA request new rates for new items from the County Department of General Services, and have the Contract amended to include the new rates prior to remitting invoice claims submitted by DFS.

DHA Management's Response

DHA agrees with the recommendation. DFS policies have evolved over the twelve year contract and continue to evolve based on DHA's unique business requirements, which in turn, impact contract updates and amendments. For example, this \$0.0675 rate was applied for a special print color insert. DHA will improve contractual language, monitoring, and compliance that also ensure special print orders are appropriately addressed in the contract.