

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
July 25, 2017
“Communications Received and Filed” Item

To: Board of Supervisors
From: Department of Finance
Subject: DHA Issues Noted During Fiscal Monitoring Of SAEHC, D.B.A. Next Move For
The Period July 1, 2013 To June 30, 2015
Supervisory District(s): All
Contact: Joyce Renison, Assistant Auditor-Controller, 874-7248

RECOMMENDATION

Receive and file the attached agreed upon procedures report, *DHA Issues Noted During Fiscal Monitoring Of SAEHC, D.B.A. Next Move For The Period July 1, 2013 To June 30, 2015*

Respectively submitted,

Ben Lamera
Director of Finance

Attachment

ATT 1 - DHA Issues Noted During Fiscal Monitoring Of SAEHC, D.B.A. Next Move For The
Period July 1, 2013 To June 30, 2015

Department of Finance

Ben Lamera,
Director



Agenda Date: July 25, 2017

ATT 1

Auditor-Controller Division

Joyce Renison,
Assistant Auditor-Controller

County of Sacramento

Inter-Office Memorandum

June 14, 2017

To: Ann Edwards
Director, Department of Human Assistance

From: Ben Lamera
Director of Finance

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

A handwritten signature in black ink, appearing to be "AL" or similar initials.

Subject: **DEPARTMENT OF HUMAN ASSISTANCE ISSUES NOTED DURING THE REVIEW OF SACRAMENTO AREA EMERGENCY HOUSING CENTER, D.B.A. NEXT MOVE, CONTRACTUAL AGREEMENTS AGREEMENTS FOR THE PERIODS OF JULY 1, 2013 TO JUNE 30, 2015**

In connection with the agreed upon procedures with the Department of Human Assistance (DHA) for Sacramento Area Emergency Housing Center, D.B.A. Next Move (Next Move), we noted issues that are specific to DHA with respect to the oversight of the contractual agreements (Agreements) listed below:

- Emergency Shelter and Support Services (a.k.a. Emergency Shelter Program), Agreement Number DHA-CW-59-12 for the period from July 1, 2013 to June 30, 2014
- Emergency Shelter Program, Agreement Number DHA-CW-59-15 for the period from July 1, 2014 to June 30, 2015
- Winter Shelter Program, Agreement Number DHA-SAEHC-11-14 for the period from November 25, 2013 to March 31, 2014
- Winter Shelter Program, Agreement Number DHA-SAEHC-11-15 for the period from November 24, 2014 to March 31, 2015

DHA's management is responsible for ensuring that Next Move is in compliance with requirements specified in the above Agreements. The issues that we noted during our procedures are summarized on the next page:

1. We noted an issue related to the variances between the amounts recorded in Next Move's winter shelter program supporting documentation and the amount paid by DHA in the Agreement Numbers DHA-SAEHC-11-14 and DHA-SAEHC-11-15. See Attachment I, *Comments and Recommendations*.
2. We noted an issue related to the Housing Support Program (HSP) funding provided to Next Move by DHA in the Agreement Number DHA-CW-59-15. See Attachment I, *Comments and Recommendations*.

This report does not constitute an examination made in accordance with attestation standards established by the American Institute of Certified Public Accountants, and we do not express an opinion on any of the accounts or items reported in this report. This report only relates to issues about DHA's oversight of Next Move's Agreements we noted during our agreed-upon procedures engagement. However, we did not perform specific procedures to review DHA's oversight of Next Move's Agreements. Had we performed specific procedures to review DHA's oversight of Next Move's Agreements, other matters may have come to our attention that would have been reported to you.

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

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

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.

Enclosures

Attachment I: *Comments and Recommendations*

COUNTY OF SACRAMENTO
DEPARTMENT OF HUMAN ASSISTANCE
SACRAMENTO AREA EMERGENCY HOUSING CENTER, D.B.A. NEXT MOVE
PERIODS OF JULY 1, 2013 TO JUNE 30, 2014
AND JULY 1, 2014 TO JUNE 30, 2015

COMMENTS AND RECOMMENDATIONS

1. Inadequate Supporting Documentation (Winter Shelter)

Comment

The contractual agreement numbers DHA-SAEHC-11-14 and DHA-SAEHC-11-15 (a.k.a. Winter Shelter Agreements) between the County of Sacramento Department of Human Assistance (DHA) and Sacramento Area Emergency Housing Center, D.B.A. Next Move (Next Move) provided funding for operating a winter shelter program from November to March during the fiscal years 2013-14 and 2014-15, respectively. Per the Winter Shelter Agreements, Next Move is to be reimbursed for eligible housing expenses for up to \$75,000 for each fiscal year.

During our review, we noted that Next Move did not provide any supporting documentation with its winter shelter claim invoices to DHA. Next Move claimed a fixed amount each month rather than actual operating costs incurred. DHA subsequently paid the claims without supporting documentation. Upon reviewing Next Move's records, we noted differences between the supporting documentation and the amounts claimed and DHA paid.

The results of our fiscal year 2013-14 testing is summarized below:

<u>Claim Month</u>	<u>(A) Next Move's Supporting Documentation</u> ⁽¹⁾	<u>(B) Next Move's Claimed and DHA Paid</u>	<u>(B) - (A) Difference</u>
November 2013	\$ 1,074	3,000	1,926
December 2013	1,847	18,000	16,153
January 2014	1,859	18,000	16,141
February 2014	1,253	18,000	16,747
March 2014	2,280	18,000	15,720
Total	\$ 8,313	75,000	66,687

⁽¹⁾ Column represents the amounts noted in Next Move's general ledger records during our visit for non-payroll expenses charged to the winter shelter program.

COUNTY OF SACRAMENTO
DEPARTMENT OF HUMAN ASSISTANCE
SACRAMENTO AREA EMERGENCY HOUSING CENTER, D.B.A. NEXT MOVE
PERIODS OF JULY 1, 2013 TO JUNE 30, 2014
AND JULY 1, 2014 TO JUNE 30, 2015

COMMENTS AND RECOMMENDATIONS

The results of our fiscal year 2014-15 testing is summarized below:

<u>Claim Month</u>	<u>(A) Next Move's Supporting Documentation</u> ⁽¹⁾	<u>(B) Next Move's Claimed and DHA Paid</u>	<u>(B) - (A) Difference</u>
November 2014	\$ 7,470	7,470	
December 2014	247	16,883	16,636
January 2015	6,631	16,883	10,252
February 2015	7,110	16,882	9,772
March 2015	8,618	16,882	8,264
Total	\$ 30,076	75,000	44,924

⁽¹⁾ Column represents the amounts noted in Next Move's general ledger records during our visit for non-payroll expenses charged to the winter shelter program.

All claim invoices submitted to DHA by Next Move should have adequate supporting documentation. DHA should reconcile the claim invoices to the supporting documentation, and any differences should be researched and resolved prior to making a payment. By paying claim invoices without adequate supporting documentation, DHA cannot determine whether or not expenses incurred are eligible for reimbursement per its Winter Shelter Agreements.

Recommendation

We recommend DHA ensure it maintains and reviews adequate supporting documentation for its winter shelter claims submitted by Next Move. We also recommend DHA withhold claim payments without adequate supporting documentation. DHA should agree the supporting documentation to the amount being claimed, and research and resolve any differences in a timely manner. We further recommend DHA research and resolve the differences noted in the fiscal year 2013-14 and 2014-15 Winter Shelter Agreements claims submitted by Next Move.

DHA Management's Response

DHA agrees with the Department of Finance's (DOF) recommendation and is developing internal protocols to ensure payment is only approved upon receipt of an accurate invoice, with adequate supporting documentation. However, in reviewing the fiscal year 2013-14 and fiscal year 2014-15 Winter Shelter contracts, DHA has determined the exclusion of staffing as an allowable and reimbursable cost was residual of an older Winter Shelter program model that operated out of area motels; in this model, staffing was not necessary. As the program shifted to an actual shelter in fiscal year 2013-14, the contract language was not updated to allow necessary staffing to be included as an allowable and reimbursable cost. It is

COUNTY OF SACRAMENTO
DEPARTMENT OF HUMAN ASSISTANCE
SACRAMENTO AREA EMERGENCY HOUSING CENTER, D.B.A. NEXT MOVE
PERIODS OF JULY 1, 2013 TO JUNE 30, 2014
AND JULY 1, 2014 TO JUNE 30, 2015

COMMENTS AND RECOMMENDATIONS

impossible to operate an onsite shelter program without staffing. Given this oversight, DHA will not seek reimbursement for the disallowed costs in the amounts of \$66,687 and \$44,924, for a total of \$111,611 for the periods of July 1, 2013 to July 30, 2015.

2. Housing Support Program Funding

Comment

The Emergency Shelter Program Agreement Number DHA-CW-59-15 (a.k.a. Emergency Shelter Agreement), covering the fiscal year 2014-15, between DHA and Next Move provided special funding for housing support program (HSP) services. As it states in the Emergency Shelter Agreement, “[Next Move] shall be paid \$25,000 annually for housing support program services.” The \$25,000 HSP amount was funded by the Federal Temporary Assistance for Needy Families (TANF) grant, Catalog of Federal Domestic Assistance (CFDA) Number 93.558.

In accordance with the United States Office of Management and Budget (OMB) Title 2 Code of Federal Regulations (2 CFR), Part 225, “*Cost Principles for State, Local, and Indian Tribal Governments*,” (A.K.A. OMB Circular A-87), Appendix A, *Section A, Purpose and Scopes*:

- “(1) *Governmental units are responsible for the efficient and effective administration of Federal awards through the application of sound management practices.*
- “(2) *Governmental units assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.*”

In accordance with OMB Circular A-87, Appendix A, *Section C, Basic Guidelines*:

- “(1) *To be allowable under Federal awards, costs must meet the following general criteria:*
 - a. Conform to any limitations or exclusions set forth in [the] terms and conditions of the Federal award...*
 - b. Be adequately documented.*”

During our review, we noted that the Emergency Shelter Agreement did not include the program objectives, and the terms and conditions of the HSP funding. The Emergency Shelter Agreement also did not include claim submission and documentation requirements

COUNTY OF SACRAMENTO
DEPARTMENT OF HUMAN ASSISTANCE
SACRAMENTO AREA EMERGENCY HOUSING CENTER, D.B.A. NEXT MOVE
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AND JULY 1, 2014 TO JUNE 30, 2015

COMMENTS AND RECOMMENDATIONS

related to HSP funding. As a result, Next Move did not have or provide any supporting documentation for HSP expenses claimed to DHA.

Without supporting documentation, DHA could not determine if Next Move's HSP expenses were for allowable HSP activities.

Recommendation

We recommend DHA to ensure its contractual agreements include proper program objectives, and the terms and conditions of the Federal awards.

DHA Management's Response

DHA agrees with DOF's recommendation and will ensure all Federally-funded contracts meet OMB regulations. However, through an internal review exercise, DHA became aware of this error in advance of DOF's audit and removed Housing Support Program (HSP) funding effective July 1, 2016.