

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
June 6, 2017
“*Communications Received and Filed*”

To: Board of Supervisors
From: Department of Finance
Subject: St. John’s Program For Real Change Emergency Shelter Agreements Fiscal Monitoring Agreed-Upon Procedures For The Periods From 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, *St. John’s Program For Real Change Emergency Shelter Agreements Fiscal Monitoring Agreed-Upon Procedures For The Periods From July 1, 2013 To June 30, 2015*

Respectively submitted,

Ben Lamera
Director of Finance

Attachments

ATT 1 - St. John’s Program For Real Change Emergency Shelter Agreements Fiscal Monitoring Agreed-Upon Procedures For The Periods From July 1, 2013 To June 30, 2015



Agenda Date: June 6, 2017
ATT 1

Internal Services
Department of Finance
Auditor-Controller Division

Navdeep S. Gill,
County Executive

David Villanueva,
Chief Deputy County Executive

Joyce Renison,
Assistant Auditor-Controller

Ben Lamera,
Director of Finance

County of Sacramento

May 2, 2017

Ann Edwards, Director
Department of Human Assistance
1825 Bell Street, Suite 200
Sacramento, CA 95825

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Dear Ms. Edwards:

We have performed the procedures enumerated below, which were requested and were agreed to by you to evaluate St. John's Program for Real Change's (St. John's) fiscal compliance as outlined in the contractual agreements (Agreements) listed below:

- Emergency Shelter Support Services for Families Program, Agreement Number DHA-CW-60-14 for the period from July 1, 2013 to June 30, 2014
- Emergency Shelter Support Services for Families Program, Agreement Number DHA-CW-60-15 for the period from July 1, 2014 to June 30, 2015

This agreed-upon procedures engagement was conducted solely to assist the Department of Human Assistance (DHA) to comply with Section 200.331 (d) of the Title 2 Code of Federal Regulations (2 CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

DHA management is responsible for monitoring St John's fiscal compliance of the Agreements in accordance with the Section 200.331 (d) "*Monitor the activities of the subrecipient [St. John's] as necessary to ensure that the subaward [Agreements] is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward [Agreements]....*"

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of DHA's management. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. This report is applicable solely

to the Agreements referred to in the previous page and is not intended to pertain to any other contractual agreements of DHA.

The procedures we performed for the Agreements and our findings were as follows:

- 1) Financial Statements – We reviewed St. John’s audit reports for fiscal years ended December 31, 2013, 2014, and 2015 to identify any concerns or issues that require your attention. We were engaged to review St. John’s interim financial statements for 11 months ended November 30, 2016. However, the interim financial statements were not provided for review.

Finding: We have serious concerns about St. John’s financial condition and noted an exception regarding audit report submissions. See Attachment I, *Findings and Recommendations*.

- 2) Internal Control – We reviewed St. John’s internal control policies and procedures including purchasing, vendor payments, payroll, claim submission, cost allocation, general ledger, and financial report preparation.

Finding: We noted several exceptions. See Attachment I, *Findings and Recommendations*.

- 3) Claim Submission – We obtained and reviewed St. John’s monthly invoice claims for: August 2013, November 2013, December 2014, and June 2015. We traced the claims to supporting documentation and tested all 91 families and their transactions claimed by St. John’s for these four months. We reviewed all transactions related to the Housing Support Program (HSP) funding from the above monthly invoice claims. We also identified any non-compliance from these transactions.

Finding: We noted that a portion of transactions from monthly invoice claim testing did not meet the compliance requirements per the contractual agreements. See Attachment I, *Findings and Recommendations*, and Schedule I, *Schedule of Questioned and Disallowed Costs*.

- 4) Funding Sources – We made inquiries to St. John’s management to identify any funding sources other than DHA. We reviewed St. John’s general ledger and invoice claims for August 2013, November 2013, December 2014, and June 2015 to identify any inappropriate or duplicated charges.

Finding: We did not note any exceptions that required attention as a result of our procedures.

We were not engaged to, and did not perform an audit or examination, the objectives of which would be the expression of opinions on St. John’s financial statements, schedules, or invoice claims, or compliance with the aforementioned programs or Agreements. Accordingly, we do not

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express such opinions. Had we performed additional procedures, other matters might 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, *Findings 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 is intended solely for the information and use of the Sacramento County Board of Supervisors, Sacramento County Executive, DHA's management, Federal awarding agencies, and pass-through entities. 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.

Sincerely,

BEN LAMERA
DIRECTOR OF FINANCE



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

Enclosures

Attachment I: Findings and Recommendations
Schedule I: Schedule of Questioned and Disallowed Costs

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Department of Human Assistance
St. John's Program for Real Change
Emergency Shelter Support Services for Families Program
Fiscal Monitoring Review
Findings and Recommendations
For the Periods from July 1, 2013 to June 30, 2015

1. Financial Statements Review Findings

a. Financial Condition

St. John's Program for Real Change's (St. John's) independent auditor expressed unqualified (unmodified) opinions on St. John's financial statements as of December 31, 2013, 2014, and 2015. No significant issues, material weaknesses, or instances of non-compliance were identified in these audit reports. However, based on our review of these audit reports, we have serious concerns about St. John's financial condition as follows:

- Deficit spending totaled \$1,933,077 (total revenues of \$7,629,774 minus total expenses of \$9,562,851) between January 1, 2014 and December 31, 2015.
 - * Deficit spending totaling \$1,196,759 (total revenues of \$3,587,345 minus total expenses of \$4,784,104) between January 1, 2014 and December 31, 2014.
 - * Deficit spending totaling \$736,318 (total revenues of \$4,042,429 minus total expenses of \$4,778,747) between January 1, 2015 and December 31, 2015.
- Net unrestricted asset balances decreased by a total of \$1,405,971, a 73% net decrease, from December 31, 2013 to December 31, 2015.
 - * Net unrestricted assets balance decreased from \$1,925,725 on December 31, 2013 to \$1,388,946 on December 31, 2014 (\$536,779, a 28% net decrease).
 - * Net unrestricted assets balance decreased from \$1,388,946 on December 31, 2014 to \$519,754 on December 31, 2015 (\$869,192, a 63% net decrease).
- Cash and cash equivalents balance decreased by a total of \$1,727,043, an 83% net decrease, from December 31, 2013 to December 31, 2015.
 - * Cash and cash equivalents balance decreased from \$2,070,597 on December 31, 2013 to \$803,537 on December 31, 2014 (\$1,267,060, a 61% net decrease).

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* Cash and cash equivalents balance decreased from \$803,537 on December 31, 2014 to \$343,554 on December 31, 2015 (\$459,983, a 57% net decrease).

If St. John's continues to incur deficit spending and negative cash flows, it will not have adequate current assets to meet its current obligations. This financial trend and condition will significantly affect St. John's ability to operate its programs.

Recommendation

St. John's should monitor its financial condition in order not to continue incurring deficit spending and negative cash flows. In addition, St. John's should develop a financial plan to improve its financial condition.

Department of Human Assistance's (DHA) Management Response

Based on information provided by St. John's, their launching of new and costly programs may have impacted their available cash flow in fiscal years (FY) 2013-14 and 2014-15. For example, a new facility accumulated a large portion of cash required for capital expenditures at the end of 2013, potentially explaining the 61% decrease in cash from FY 2013 to 2014.

b. Untimely Audit Report Submissions

The contractual agreements (Agreements) between St. John's and DHA require that "*An audit [report] shall be submitted annually to [DHA] within six months of the end of each fiscal year of this Agreement.*" Accordingly, we consider annual audit report submissions to DHA after June 30 of each year to be untimely submissions.

During our review, we noted St. John's annual audit reports for the fiscal years ended December 31, 2013, 2014, and 2015 were submitted to DHA on July 9, 2014, November 16, 2015, and August 22, 2016, respectively. Therefore, St. John's 2013, 2014, and 2015 annual audit report submissions were not in compliance with the Agreements.

Recommendation

We recommend St. John's ensure that its audit reports are submitted to DHA within the timeframes set by the Agreements.

DHA's Management Response

St. John's has been working with its Certified Public Accountant (CPA) firm to complete its audit by the second quarter of each year and will be diligent about the timely submission of its audit reports in the future. In future contracts, DHA will look to include the submission of audit reports as a condition of payment.

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2. Internal Control Review Findings

a. Written Policies and Procedures for Cost Allocation

Proper internal controls should include written cost allocation policies and procedures that should be established and implemented. Written cost allocation policies and procedures will assist the organization in preventing the inefficient and inaccurate preparation of its claim invoices, claim errors, and non-compliance with laws, regulations and contract agreement requirements.

During our review, we noted that St. John's did not have written policies and procedures for its cost allocation process. As a result of no written cost allocation procedures, St. John's staff could make claim invoice and submission errors to DHA, and/or not comply with laws, regulations and contract requirements.

Recommendation

We recommend St. John's establish and implement written policies and procedures for its cost allocation process.

DHA's Management Response

St. John's has established written policies and procedures for its cost allocation process, which are currently in effect. St. John's is working on a formal cost allocation plan, which is on track to be submitted to DHA by the fourth quarter of this current fiscal year.

b. Client Admission Review and Record Retention

St. John's provides emergency shelter services to the residents of the County of Sacramento (County). Based on the Agreements between DHA and St. John's, DHA reimburses St. John's on a per night basis, for providing 24-hour shelter and related shelter services for homeless residents that meet the eligibility criteria. St. John's performs client (family) screenings to ensure the shelter applicants are eligible to be admitted to its shelter. St. John's admission procedures include initial phone screenings that are followed by a face-to-face interview (intake assessment), both conducted by an intake coordinator. When a family is admitted to St. John's shelter, the intake coordinator verifies the family's California Work Opportunity and Responsibility to Kids (CalWORKs) eligibility, verifies the family's prior shelter stay history, and receives written authorization from the family to submit their information to the Homeless Management Information System (HMIS) by filling out an HMIS entrance form and an HMIS exit form. The phone screening, intake assessment, CalWORKs verification and HMIS forms are all retained in the family's admission packet and are used to verify the family is qualified as homeless per the Agreements.

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Proper internal controls indicate that family admissions into St. John's should be accurately documented and reviewed. Proper family admission review and record retention prevents inefficient and inaccurate preparation of St. John's claim invoices, claim errors, and noncompliance with laws, regulations and contract agreement requirements.

During our review, we noted that St. John's admission packets for newly admitted families are not regularly reviewed by supervisory or management staff. As a result, we noted that 14 out of 101 family files tested were missing either proper CalWORKs verification documentation, HMIS entrance and exit forms, and/or had missing agent signatures where required.

We also noted 5 out of 101 family files tested had discrepancies between the entrance and exit dates noted in the files and what were entered into HMIS for claim invoice submissions. Therefore, St. John's has claimed families for reimbursement that were no longer residing in their emergency shelter (see Finding Number 3b of this attachment).

Without adequate review of its admission packets and proper record retention, St. John's staff has made claim invoice and submission errors, and/or not complied with laws, regulations and contract requirements, or accept ineligible clients.

Recommendation

We recommend St. John's establish and implement procedures requiring supervisory or management staff to review admission packets for all newly admitted clients to ensure only qualified families, as defined in the Agreements, are admitted and claimed accurately to DHA. We also recommend St. John's ensure that all client files have proper documentation. Client files should include proper CalWORKs verification, intake assessment, and HMIS documentation. In addition, all documents requiring signatures should be signed by appropriate personnel. Furthermore, information documented in client files should agree to the information entered into HMIS and submitted for claim invoices.

DHA's Management Response

St. John's has established procedures that require management review and approval of admission packets. This policy has been in effect since the third quarter of FY 2016-17. A checklist is also verified by management to ensure accuracy of records including proper CalWORKs verification and intake assessment documentation.

c. Client Length of Stay Monitoring

Per the Agreements, DHA reimburses St. John's for families' stay at the shelter from either CalWORKs funding or from County general funding on a per night per family basis.

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Families that are funded by either CalWORKs or County general funding are both paid the same fixed rate per numbers of eligible nights. However, families can only be claimed for CalWORKs funding at emergency shelters up to 4 months of their lifetime. The families' previous numbers of nights stayed at other shelters under CalWORKs funding are included in their 4 month lifetime use of CalWORKs funding for emergency shelters.

The Agreement for the period July 1, 2013 to June 30, 2014 states:

"The maximum CalWORKs reimbursement to [St. John's] for each family shall not exceed \$23,790 (\$195 X 122 nights) for the term of this contract."

The Agreement for the period July 1, 2014 to June 30, 2015 states:

"The maximum CalWORKs reimbursement to [St. John's] for each family shall not exceed \$14,760 (\$123 X 120 nights) for the term of this contract."

When a family funded from CalWORKs has exceeded the limit of allowable CalWORKs nights stayed at St. John's, the family can be switched to County general funding if it is available.

Proper internal controls indicate that a client's length of stay under CalWORKs funding at St. John's and any prior stays at other shelters should be properly documented and closely monitored. Proper monitoring of all clients' length of stay under CalWORKs funding will prevent inefficient and inaccurate preparation of its claim invoices, claim errors, and noncompliance with laws, regulations and contract agreement requirements.

During our review, we noted that St. John's did not have any written internal control policies and procedures for tracking a family's length of stay funded under CalWORKs. Although program staff monitors families' lengths of stay funded under CalWORKs through Microsoft Outlook reminders, this process was not reviewed by St. John's management (See Finding Number 2b of this attachment). We also noted that St. John's was unable to verify their families' prior lengths of stay funded under CalWORKs from other emergency shelters. Based on our testing of all 101 families, we did not note any concerns during the period of July 1, 2013 to June 30, 2014. However, 9 families tested during the period of July 1, 2014 to June 30, 2015 had stayed at other shelters prior to staying at St. John's. Accordingly, these 9 families' prior shelter stay funding status could not be determined by St. John's (see Finding Number 3b of this attachment). As a result, St. John's staff was unable to properly determine whether or not its families have exceeded their lifetime CalWORKs funding limits, and could make claim invoice and submission errors, and not comply with the Agreements.

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Recommendation

We recommend St. John's establish and implement written internal control practices for monitoring a client's length of stay under CalWORKs funding. The internal control practice should include management review of the length of stay monitoring. We also recommend DHA work with St. John's to determine all families' lengths of stay funded by CalWORKs at all previous emergency shelters. Families that have exceeded their lifetime maximum CalWORKs funding limits should be claimed for County general funding only.

DHA's Management Response

DHA agrees with DOF's recommendation for St. John's to establish and implement internal control practices for monitoring participants' nightly stays. In the 3rd Quarter of 2016, St. John's implemented a policy that requires monitoring of client length of stay, under a new HMIS interface created with help from Sacramento Steps Forward. Through this interface, clients' length of stay is more accurately and efficiently reflected, due to adding a "Housed with Saint John's" Service with the following three sub-categories: 1) CalWORKs Funded Family; 2) Family – Saint John's Funded Only; 3) Individual – Saint John's Funded Only. CalWORKs Funded Family service is limited to 120 days of services. Family clients who stay in the program beyond the 120 days are added to the Family – Saint John's Funded Only sub-category. Family clients who exit prior to 120 days will have a CalWORKs Funded Family service end date reflecting their exit date of the program. The new interface started June 2016.

In addition, the Electronic Claim Form (ECF) used by St. John's to submit monthly invoices was modified to include the names of families claimed to the CalWORKs or General Fund (GF) contract budget, as well as their family to-date length of stay and the number of eligible nights remaining. This modified ECF became effective October 1, 2016. This modified ECF has given St. John's and DHA the ability to immediately determine the length of stay to-date of any given family as well as to claim the family to the appropriate budget.

Due to restricted access held by St. John's and DHA to the Homeless Management Information System (HMIS), neither party is able to determine previous shelter stays by any given family and what budget the family was claimed to in the shelter contract. However, with the completion of this contract in FY 2017-18 and the proposed removal of restrictive CalWORKs dollars in the redesigned emergency family shelter system, the need to determine prior shelter stays will be obsolete in future contract years.

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3. Claim Submission Review Finding

a. Claim Invoice Reconciliations

As described at Finding Numbers 2b and 2c of this attachment, St. John's claimed reimbursement from DHA for families at the shelter based on a fixed rate per night per family. Proper internal controls indicate the number of nights in St. John's claim invoices should reconcile to the number of nights and their respective families reported from their supporting claim documentation.

During our testing of claims submitted for the months of August 2013, November 2013, December 2014, and June 2015, we noted the number of nights in St. John's supporting documentation did not agree to the number of nights St. John's claimed and subsequently paid by DHA.

For the month of August 2013, a total of 556 nights listed in St. John's supporting documentation for CalWORKs funding did not agree to the 562 CalWORKs funded nights claimed and DHA paid. For the month of November 2013, a total of 362 nights listed in St. John's supporting documentation for CalWORKs funding did not agree to the 473 CalWORKs funded nights claimed and DHA paid. Based on the \$195 per night rate as defined in the Agreements, we noted variances of \$1,170 and \$21,645 for August 2013 and November 2013 CalWORKs funded claim invoices, respectively. The nights listed in St. John's supporting documentation for County general funding for the months of August 2013 and November 2013 agreed to the nights claimed and DHA paid.

The results of our testing are summarized below:

	(A) St. John's Supporting Documentation		(B) St. John's Claimed and DHA Paid		(B) - (A) Variances	
	Number of Nights	Amount	Number of Nights	Amount	Number of Nights	Amount
CalWORKs						
August 2013	556	\$ 108,420	562	\$ 109,590	6	\$ 1,170
November 2013	362	70,590	473	92,235	111	21,645
General Fund						
August 2013	455	88,725	455	88,725		
November 2013 ⁽¹⁾						
Total	1,373	\$ 267,735	1,490	\$ 290,550	117	\$ 22,815

⁽¹⁾ There were no County general fund families reported or claimed and DHA paid for November 2013.

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For the month of December 2014, a total of 455 nights listed in St. John's supporting documentation for CalWORKs funding and 26 nights listed for County general funding did not agree to the 401 nights and 95 nights claimed and DHA paid, respectively. Based on the \$123 per night rate as defined in the Agreements, we noted variances of (\$6,642) and \$8,487, respectively. For the month of June 2015, St. John's nights listed in the supporting documentation for CalWORKs funding exceeded the amount claimed and DHA paid due to the contract budget being reached to its maximum. The nights listed in St. John's supporting documentation for County general funding for the month of June 2015 agreed to the nights DHA claimed and paid.

The results of our testing are summarized below:

	(A) St. John's Supporting Documentation		(B) St. John's Claimed and DHA Paid		(B) - (A) Variances	
	Number of Nights	Amount	Number of Nights	Amount	Number of Nights	Amount
CalWORKs						
December 2014	455	\$ 55,965	401	\$ 49,323	(54)	\$ (6,642)
June 2015 ⁽¹⁾	424	52,152	418	51,414	(6)	(738)
General Fund						
December 2014	26	3,198	95	11,685	69	8,487
June 2015	82	10,086	82	10,086		
Total	987	\$ 121,401	996	\$ 122,508	9	\$ 1,107

⁽¹⁾ St. John's reached its allowable CalWORKs budget limit in June 2015. Therefore, claimable nights that exceeded the allowable budget limit were not claimed by St. John's and paid by DHA.

The number of nights listed in St. John's supporting documentation should agree to the number of nights claimed and DHA paid. St. John's should ensure that all eligible nights are properly claimed and should not submit invoice claims for more nights than what is listed in the supporting documentation. As such, we consider all nights claimed and DHA paid that exceeded the supporting documentation, totaling \$22,815 (\$1,170 + \$21,645) for the period July 1, 2013 to June 30, 2014 and \$8,487 for the period July 1, 2014 to June 30, 2015, as questioned costs.

Recommendation

We recommend St. John's ensure that the nights listed in the supporting documentation agree to the nights listed on its claim invoices. St. John's should reconcile the number of eligible nights listed in their supporting documentation to their respective claims, and research and resolve any differences in a timely manner. We further recommend DHA contact St. John's to develop a resolution to the questioned costs in the amounts of \$22,815 and \$8,487 for the periods July 1, 2013 to June 30, 2015.

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DHA's Management Response

DHA agrees with DOF's recommendation and encourages St. John's to track their participants' nightly stays in their supporting documentation noted in 2c above and reconcile the information with their claims. Additionally, DHA has implemented new procedures for the monitoring of the supporting documentation and will not seek reimbursement for the questioned costs in the amounts of \$22,815 and \$8,487 for the periods of July 1, 2013 to June 30, 2015.

b. CalWORKs Length of Stay and Eligible Claimable Nights

As described at Finding Number 2c, we noted that St. John's did not have adequate internal control procedures for monitoring a client's length of stay under CalWORKs funding at their shelter. We further noted St. John's was unable to confirm a family's funding source from prior shelter stays. As a result, 9 out of 101 families tested had shelter stays prior to St. John's with no funding source records. If the prior shelter stays were funded by CalWORKs, these families would have exceeded their lifetime maximums. As such, we considered the nights claimed under CalWORKs funding that would have exceeded the 122 night limit in the period July 1, 2013 to June 30, 2014 and the 120 night limit in the period July 1, 2014 to June 30, 2015 to be questioned costs.

As described at Finding Number 2b, we also noted discrepancies between family entrance and exit dates noted in their file and what was claimed to DHA. As a result, we noted 5 out of 101 families tested were claimed for reimbursement by St. John's after their confirmed file exit dates. We considered all nights claimed after the confirmed file exit date as disallowed costs.

We further noted 2 out of 101 families tested were submitted as duplicate claims for both CalWORKs and County general funding. We consider the duplicate nights claimed for County general funding as disallowed costs.

For the period July 1, 2013 to June 30, 2014, we tested all 1,373 nights listed in St. John's supporting documentation from the August 2013 and November 2013 invoice claims, derived from 62 families.

We noted a total of 143 nights, \$27,885 (\$195 X 143) or 10.41% (143/1,373) of the total nights claimed, were claimed for reimbursement after the respective families' confirmed exit dates. We also noted 13 nights, \$2,535 (\$195 X 13) or 0.95% (13/1,373) of the total nights listed, were a duplicate claim for both CalWORKs and County general funding. The resulting deficiencies equal \$30,420 (\$27,885 + \$2,535) in disallowed costs.

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Based on the result of the above testing, \$30,420 or 11.36% (156/1,373) of the total nights claimed were disallowed costs. We confirmed the total amount claimed by St. John's for the period July 1, 2013 to June 30, 2014 was \$757,770 (See Schedule I, *Schedule of Questioned and Disallowed Costs*). Accordingly, we projected \$55,668, 11.36% of remaining claims not in our sample in the amount of \$490,035 (\$757,770 – 1,373 X \$195), as projected disallowed costs.

The results of our testing and projections for the period July 1, 2013 to June 30, 2014 are summarized below:

	<u>Number of Nights</u>		<u>Questioned</u>		<u>Disallowed</u>	
	<u>Total Reported</u>	<u>Sample Reviewed</u>	<u>Number of Nights</u>	<u>Amount</u>	<u>Number of Nights</u>	<u>Amount</u>
<u>CalWORKs Claim</u>						
August 2013	556	556		\$	56	\$ 10,920
November 2013	362	362				
<u>General Fund Claim</u>						
August 2013	455	455			100	19,500
November 2013 ⁽¹⁾						
Total	<u>1,373</u>	<u>1,373</u>		<u>\$</u>	<u>156</u>	<u>\$ 30,420</u>
				<u>Projected Questioned Costs</u>		<u>Projected Disallowed Costs</u>
				<u>\$</u>		<u>\$ 55,668</u>

⁽¹⁾ There were no County general fund families reported or claimed and DHA paid for November 2013.

For the period July 1, 2014 to June 30, 2015, we tested all 987 nights listed in St. John's supporting documentation from the December 2014 and June 2015 invoice claims, derived from 39 families.

During our testing, we noted a total of 26 nights, 2.63% (26/987) of the total nights claimed, were a duplicate claim for both CalWORKs and County general funding. The resulting deficiency equals \$3,198 (\$123 X 26) in disallowed costs.

We also noted a total of 211 nights, 21.38% (211/987) of the total nights claimed, had prior shelter stays where we could not confirm the CalWORKs funding status, but would have caused the funding limit to be exceeded. The resulting deficiency equals \$25,953 (\$123 X 211) in questioned costs.

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Based on the result of the above testing, \$25,953 or 21.38% (211/987) of the total nights claimed were questioned costs, and \$3,198 or 2.63% (26/987) of the total nights claimed were disallowed costs. We confirmed the total amount claimed by St. John's for emergency shelter services, Housing Support Program (HSP) funding in the amount of \$25,000 excluded, for the period July 1, 2014 to June 30, 2015, was \$720,780 (See Schedule I, *Schedule of Questioned and Disallowed Costs*). Accordingly, we projected \$128,147, 21.38% of remaining claims not in our sample in the amount of \$599,379 (\$720,780 – 987 X \$123), as projected questioned costs. We also projected \$15,764, 2.63% of remaining claims not in our sample in the amount of \$599,379 (\$720,780 – 987 X \$123), as projected disallowed costs.

The results of our testing and projections for the period July 1, 2014 to June 30, 2015 are summarized below:

	Number of Nights		Questioned		Disallowed	
	Total Reported	Sample Reviewed	Number of Nights	Amount	Number of Nights	Amount
CalWORKs Claim						
December 2014	455	455	163	\$ 20,049		
June 2015	424	424	48	5,904		
General Fund Claim						
December 2014	26	26			26	\$ 3,198
June 2015	82	82				
Total	987	987	211	\$ 25,953	26	\$ 3,198
				Projected Questioned Costs		Projected Disallowed Costs
				\$ 128,147		\$ 15,764

Recommendation

We recommend St. John's implement the recommendations noted in Finding Numbers 2b and 2c of this attachment. St. John's should not report or claim families in its supporting documentation after the families' confirmed exit date. St. John's should not claim the same family for both CalWORKs and County general funding simultaneously. We further recommend DHA contact St. John's to develop a resolution to resolve the reported questioned, disallowed, and projected costs.

DHA's Management Response

DHA will work with St. John's to develop a repayment schedule that is mutually agreeable and has minimal impact to the overall fiscal health of St. John's to recover the disallowed costs claimed in the sample months and projected disallowed costs in the non-sampled

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months. In FY 2013-14 and FY 2014-15, the reported disallowed costs were \$30,420 and \$3,198 respectively with projected disallowed costs as \$55,668 and \$15,764. The combined amounts of both fiscal years are \$33,618 in disallowed costs and \$71,432 in projected disallowed costs which total \$105,050 in repayment. DHA will not seek reimbursement for the reported questioned costs or projected questioned costs for either fiscal year.

4. Funding Sources Review

No exceptions were noted.

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Budget Items	Budgeted Amount ⁽ⁱ⁾	Actual Claim Amount ⁽ⁱⁱ⁾	Questioned Costs ⁽ⁱⁱⁱ⁾	Disallowed Costs ^(iv)
Emergency Shelter Services Funding				
CalWORKs Funding	\$ 545,025	545,025	22,815	10,920
General Funding	212,745	212,745		19,500
Subtotal Emergency Shelter Services Funding	757,770	757,770	22,815	30,420
Housing Support Program Funding ^(v)				
Total	\$ 757,770	757,770	22,815	30,420
Breakdown of Questioned and Disallowed Costs ^(vi)			Questioned Costs	Disallowed Costs
Claim Invoice Reconciliation			\$ 22,815	
Eligible Claimable Nights				27,885
Duplicate Claims				2,535
Total			\$ 22,815	30,420
Breakdown of Projected Questioned and Disallowed Costs ^(vii)			Projected Questioned Costs	Projected Disallowed
Claim Invoice Reconciliation ^(viii)			\$	
Eligible Claimable Nights				51,013
Duplicate Claims				4,655
Total			\$	55,668

- ⁽ⁱ⁾ Budgeted Amount column represents amount of the annual contract budget set by the contractual agreement between Department of Human Assistance (DHA) and St. John's Program for Real Change (St. John's).
- ⁽ⁱⁱ⁾ Actual Claim Amount column represents the actual amount claimed by St. John's and paid by DHA.
- ⁽ⁱⁱⁱ⁾ Questioned Costs column represents amount of \$22,815. See Finding Number 3a, Attachment I, *Findings and Recommendations*.
- ^(iv) Disallowed Costs column represents amounts of \$19,500 and \$10,920. See Finding Number 3b, Attachment I, *Findings and Recommendations*.
- ^(v) Housing Support Program (HSP) funding was not provided to St. John's in the 2013-14 contractual agreement.
- ^(vi) Breakdown of Questioned and Disallowed Costs itemizes the deficiencies noted in Finding Numbers 3a and 3b in Attachment I, *Findings and Recommendations*, and their respective questioned or disallowed costs.
- ^(vii) Breakdown of Projected Questioned and Disallowed Costs itemizes the projected questioned and disallowed costs. See Attachment I, *Findings and Recommendations* for the consideration of projected questioned and disallowed costs.
- ^(viii) For the months we did not review, St John's reports showed either more or less claimable nights for each of those months. As we did not perform procedures to review St. John's supporting documentation for those months, we did not project any additional questioned costs for Finding Number 3a, Claim Invoice Reconciliation, in Attachment I, *Findings and Recommendations*.

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For the Period from July 1, 2014 to June 30, 2015

Budget Items	Budgeted Amount ⁽ⁱ⁾	Actual Claim Amount ⁽ⁱⁱ⁾	Questioned Costs ⁽ⁱⁱⁱ⁾	Disallowed Costs ^(iv)
Emergency Shelter Services Funding				
CalWORKs Funding	\$ 580,806	580,806	25,953	
General Funding	139,974	139,974	8,487	3,198
Subtotal Emergency Shelter Services Funding	720,780	720,780	34,440	3,198
Housing Support Program Funding				
	25,000	25,000		
Total	\$ 745,780	745,780	34,440	3,198

Breakdown of Questioned and Disallowed Costs ^(v)	Questioned Costs	Disallowed Costs
Claim Invoice Reconciliation	\$ 8,487	
CalWORKs Length of Stay	25,953	
Duplicate Claims		3,198
Total	\$ 34,440	3,198

Breakdown of Projected Questioned and Disallowed Costs ^(vi)	Projected Questioned Costs	Projected Disallowed
Claim Invoice Reconciliation ^(vii)	\$	
CalWORKs Length of Stay	128,147	
Duplicate Claims		15,764
Total	\$ 128,147	15,764

⁽ⁱ⁾ Budgeted Amount column represents amount of the annual contract budget set by the contractual agreement between Department of Human Assistance (DHA) and St. John's Program for Real Change (St. John's).

⁽ⁱⁱ⁾ Actual Claim Amount column represents the actual amount claimed by St. John's and paid by DHA.

⁽ⁱⁱⁱ⁾ Questioned Costs column represents amounts of \$8,487 and \$25,953. See Finding Numbers 3a and 3b, Attachment I, *Findings and Recommendations*.

^(iv) Disallowed Costs column represents amount of \$3,198. See Finding Number 3b, Attachment I, *Findings and Recommendations*.

^(v) Breakdown of Questioned and Disallowed Costs itemizes the deficiencies noted in Finding Numbers 3a and 3b in Attachment I, *Findings and Recommendations*, and their respective questioned or disallowed costs.

^(vi) Breakdown of Projected Questioned and Disallowed Costs itemizes the projected questioned and disallowed costs. See Attachment I, *Findings and Recommendations* for the consideration of projected questioned and disallowed costs.

^(vii) For the months we did not review, St John's reports showed either more or less claimable nights for each of those months. As we did not perform procedures to review St. John's supporting documentation for those months, we did not project any additional questioned costs for Finding Number 3a, Claim Invoice Reconciliation, in Attachment I, *Findings and Recommendations*.