

# COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION – INTERNAL AUDITS UNIT

## **INTERNAL AUDIT REPORT**

### **DEPARTMENT OF CHILD, FAMILY AND ADULT SERVICES FISCAL MONITORING**

### **SIERRA HEALTH FOUNDATION: CENTER FOR HEALTH PROGRAM MANAGEMENT**



**Audit Committee Submittal Date: 11/16/2018**

## **SUMMARY**

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### **Background**

The Department of Child, Family and Adult Services requested the Internal Audits Unit to perform fiscal monitoring of its contractor, Sierra Health Foundation: Center for Health Program Management.

### **Audit Objective**

Inspect the contractor's financial statements, internal controls, invoice claims, general ledger, cost allocation, and funding sources for compliance with the contractual agreements between the contractor and the County of Sacramento.

### **Summary**

We noted several issues related to the contractor's internal controls, invoice claims, general ledger, cost allocation, and funding sources related to the contractual agreements with the County of Sacramento.



**County of Sacramento**

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September 21, 2018

Michelle Callejas, Director  
Department of Child, Family and Adult Services  
9750 Business Park Drive, Suite 220  
Sacramento, CA 95827

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

Dear Ms. Callejas:

We have performed the procedures enumerated below, which were requested and were agreed to by you regarding Sierra Health Foundation: Center for Health Program Management's (SHF) fiscal compliance as outlined in the contractual agreements (Agreements) listed below:

- Expenditure Agreement number 7200100-16/20-460, A1, and A2: Funding support for services for the Reduction in African American Child Deaths (RAACD Agreement) for the period from October 1, 2015 to June 30, 2017
- Cost Reimbursement Agreement number 7205000-16/18-579 and A1: Planning, coordination, facilitation, and staff support work to the Steering Committee to reduce African American child deaths (SC Agreement) for the period from July 1, 2015 to June 30, 2017

This agreed-upon procedures engagement was conducted to assist the Department of Child, Family and Adult Services (DCFAS) to assess SHF's financial condition and compliance with the above Agreements.

DCFAS's management is responsible for monitoring SHF's compliance of the Agreements' requirements. The sufficiency of the procedures is solely the responsibility of DCFAS's management. Consequently, we make no representation regarding the sufficiency of the procedures described on page 2 of this report 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 above and is not intended to pertain to any other agreements of DCFAS or SHF.

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

- 1) Financial Statements – We inspected SHF’s audit reports for fiscal years ended December 31, 2015, 2016, and interim financial statements as of June 30, 2017, to identify any exceptions that require your attention.

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

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

Finding: We noted exceptions that required attention as a result of our procedures. See Attachment I, *Findings and Recommendations*.

- 3) Claim Submission – We obtained and inspected SHF’s invoice claims and tested detailed expenditure transactions for the quarters ended June 30, 2016 and March 31, 2017 on a sample basis. We tested a total of 70 transactions for RAACD program and 30 transactions for Steering Committee program from the quarterly expense reports above.

Finding: We noted numerous exceptions including questioned and disallowed expenditures and missing and/or insufficient supporting documentation. See Attachment I, *Findings and Recommendations*.

- 4) General Ledger – We traced SHF’s invoice claims for the quarters ended June 30, 2016 and March 31, 2017 to its general ledger.

Finding: We noted exceptions regarding SHF’s sub-grantee record keeping. See Attachment I, *Findings and Recommendations*.

- 5) Cost Allocations – We inspected SHF’s cost allocation policies and procedures to identify any exceptions that required your attention. We tested the transactions listed at procedure number 3 above to identify any exceptions related to cost allocations.

Finding: We noted exceptions regarding a lack of written cost allocation methodology. See Attachment I, *Findings and Recommendations*.

- 6) Funding Sources – We made inquiries to SHF’s management to identify any funding sources other than DCFAS. We inspected SHF’s general ledger and invoice claims for the quarters ended June 30, 2016 and March 31, 2017 to identify any inappropriate or duplicated charges.

Finding: We noted exceptions related to tracking of funding sources by SHF’s sub-grantees. See Attachment I, *Findings and Recommendations*.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not perform, an audit or examination or review, the objectives of which would be the expression of an opinion or conclusion, on SHF's financial statements or schedules, internal controls, compliance with the Agreements, or the results of the agreed-upon procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The projected questioned and disallowed costs presented in Schedule I, *Schedule of Questioned and Disallowed Costs – Reduction in African American Child Deaths* and Schedule II, *Schedule of Questioned and Disallowed Costs – Steering Committee to Reduce African American Child Deaths* are extrapolated based on our testing with the assumption that the same average error rate applied to each invoice in the population for the entire period of this agreed-upon procedures. Had we performed additional procedures, the projected questioned and disallowed costs would likely be changed.

DCFAS'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 DCFAS'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 Audit Committee, Sacramento County Executive, and DCFAS'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.

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 – Reduction in African American Child Deaths*
- Schedule II: *Schedule of Questioned and Disallowed Costs – Steering Committee to Reduce African American Child Deaths*

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**1. Financial Statements**

We did not note any exceptions as a result of our procedures.

**2. Internal Control Review**

**a. Written Policies and Procedures**

During our engagement, we noted that Sierra Health Foundation: Center for Health Program Management (a.k.a. SHF) did not have written policies and procedures for its financial and operating activities, which include:

- Accounts Payable/Vendor Invoice Process
- Salaries and Benefits
- Equipment/Capital Assets
- Purchasing/Vendor Payment Process
- Financial Reporting/General Ledger Process
- Invoice Claim Process
- Cost Allocation Methodology

Absence of written policies and procedures can create confusion and inconsistency among staff, cause invoice claim errors and omissions, and non-compliance with the contractual agreements (Agreements) between SHF and its funding sources, including the County of Sacramento (County) Department of Child, Family and Adult Services (DCFAS).

We noted many incidents of insufficient supporting documentation of or inappropriate use of the Agreements' funds. See Finding Numbers 3 and 5 of this attachment.

**Recommendation**

We recommend DCFAS require all of its contractors to develop, adopt, and implement written policies and procedures for financial and operating activities relevant to the Agreements to reduce any risks of making intentional or unintentional errors.

**DCFAS's Management Response**

The department acknowledges the findings outlined in this report and will work with SHF on a corrective action plan to address these findings, which will include recovering the identified disallowed costs and implementing recommended actions.

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**b. Inadequate Supporting Documentation**

During our testing and inspection, and as described at Finding Numbers 3 and 5 of this attachment, we noted that SHF did not keep adequate supporting documentation or did not even have supporting documentation for many of its reported and claimed expenditures. Several receipts, invoices, and other substantiating documentation we inspected appeared to be either incomplete or missing.

Proper internal controls indicate SHF maintains adequate supporting documentation for all of its financial activities. By not maintaining sufficient documentation, SHF and DCFAS cannot determine whether the expenses reported or claimed are appropriate or allowable. As a result, we noted several exceptions documented in Finding Numbers 3 and 5 of this attachment.

Recommendation

We recommend DCFAS require SHF to maintain adequate supporting documentation for all of its financial activities. Purchase receipts and invoices should be clearly itemized and maintained by SHF; if a merchant does not provide an itemized receipt or invoice, SHF should clearly document the goods or services purchased and their quantity(ies) and units of service. In addition, SHF should maintain substantiating supporting documentation for meetings, events, and travel that includes, but not limited to, an agenda, itinerary, purpose, attendees, duration, and management approval.

DCFAS's Management Response

The department acknowledges the findings outlined in this report and will work with SHF on a corrective action plan to address these findings, which will include recovering the identified disallowed costs and implementing recommended actions.

**3. Claim Submission**

**a. Expenditure Testing and Inspection**

DCFAS has agreements with SHF that provide funding for planning, coordination, and facilitation for the Reduction in African American Child Deaths program (RAACD Agreement) and staff support to the Steering Committee to oversee the RAACD program (SC Agreement). From SHF's general ledger for the quarters ended June 30, 2016 and March 31, 2017, we selected a sample of 70 and 30 transactions, respectively, for RAACD and SC Agreements. Of the 70 general ledger transactions we selected for testing for the RAACD Agreement, 25 of these transactions were credit card payments that consisted of several credit card purchases. As described at Finding Number 2b, SHF

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did not maintain adequate supporting documentation or did not even have supporting documentation. For the RAACD Agreement, we selected and tested a total of \$66,608 and \$104,452 general ledger transactions for the quarters ended June 30, 2016 and March 31, 2017, respectively. For the SC Agreement, we selected and tested a total of \$45,202 and \$27,038, respectively.

During our testing and inspection of SHF's expenditures, we noted the numerous exceptions as follows below and on the next pages:

- I. We noted several purchases were made at local restaurants by SHF staff under the RAACD Agreement. Per our inquiry with SHF, these purchases were for several lunch meetings held between SHF staff members and partners of the RAACD program. A majority of these transactions did not have itemized receipts or did not have receipts at all. In lieu of missing receipts, a form was created by SHF to indicate the purchase amount, date, and location. In addition, SHF did not maintain any supporting documentation for these lunches that includes, but not limited to, the purpose of the meeting, attendees, duration, or agenda. Based on our review of the limited itemized receipts that were available for our inspection, each receipt generally included of 2 to 4 meals purchased per meeting. Without adequate supporting documentation, we could not determine whether these purchases contained alcohol or other disallowed expenses. We noted a total of \$1,676 of these expenses was reported for the quarter ended June 30, 2016 under the RAACD Agreement. Of these amounts, a total \$140 was reported under the Meeting Costs line item and \$1,536 was reported under the Travel line item. In addition, we noted a total of \$856 of these expenses was reported for the quarter ended March 31, 2017 under the Travel line item for the RAACD Agreement. We consider these locally held lunches to be inappropriate expenses for travel and meeting costs. As such, we consider the expenses totaling \$1,676 and \$856 to be disallowed costs for the RAACD Agreement for the quarters ended June 30, 2016 and March 31, 2017, respectively.
- II. For the lunches described in item I above, we noted a total of \$41 in mileage reimbursements were claimed in connection with these meetings for the quarter ended June 30, 2016 for the RAACD program and reported under the Travel line item. Because we consider the local lunch meetings to be disallowed costs, we also consider the associated mileage claims to be disallowed costs for the RAACD Agreement.
- III. In addition to the lunches described in item I above, we also noted \$874 in purchases made for the quarter ended June 30, 2016 for catering services for



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meetings and events reported under the Meeting Costs line item for the RAACD Agreement did not have any itemized receipts or invoices. In addition, the purpose of the meetings and events, the attendees, durations, and agendas were not documented. Without itemized invoices or receipts, or documentation of the purpose, attendees, and duration of events, we could not determine whether the purchases made were appropriate or whether these purchases contained alcohol or other disallowed expenses. As such, we consider the expenses totaling \$874 to be disallowed costs for the quarter ended June 30, 2016 for the RAACD Agreement.

- IV. We noted several event expenses that did not have sufficient supporting documentation for the RAACD program. For the quarter ended June 30, 2016, we noted \$297 was expended for numerous conferences and reported under the Travel line item. However, the purpose, duration, location, attendees, and agenda were not documented. For the quarter ended March 31, 2017, we noted \$746 was expended for a prayer breakfast meeting, and \$269 for a meeting with program partners, each reported under the Meeting Costs line item. None of these expenses had adequate support documenting the purpose, duration, attendees, and agendas of these events. Without adequate supporting documentation of events and associated purchases, we could not determine whether these events were appropriate. Accordingly, we consider the expenses totaling \$297 and \$1,015 (\$746 + \$269) to be questioned costs for the quarters ended June 30, 2016 and March 31, 2017, respectively, for the RAACD Agreement.
- V. We noted expenses in the amount of \$445 for the quarter ended March 31, 2017 related to SHF staff attending the Martin Luther King 365 March. These expenses were reported under the Equipment line item. Of the \$445 expended, \$138 of these expenses did not have itemized receipts or were missing receipts. As such, we could not determine whether the purchases were appropriate. Accordingly, we consider \$138 to be questioned costs for the RAACD Agreement.
- VI. We noted several travel reimbursements and claims paid by SHF did not have any sufficient supporting documentation or signature approvals from the respective employees' supervisors for the RAACD program. For the quarter ended June 30, 2016, we noted \$86 in mileage claims were reimbursed without any adequate support, such as, starting and destination addresses. In addition, we noted \$13,166 was expended for airfare and parking without adequate support, such as the purpose of travel and adequate approvals. These expenses were reported under the Travel line item. For the quarter ended March 31, 2017, we noted a \$502 travel reimbursement was paid to a vendor without any detailed supporting documentation regarding the service rendered, travel itinerary, or purpose of travel. In addition, we

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noted \$1,515 in travel related expenses for conferences and meetings that did not have sufficient supporting documentation, such as, the purpose, agenda, or approvals. These expenses were reported under the Technical Assistance Resource Center (a.k.a. TARC #3) line item. Without adequate supporting documentation or approvals, we could not determine whether these travel expenses were appropriate. Accordingly, we consider these expenses in the amounts of \$13,252 (\$86 + \$13,166) and \$2,017 (\$502 + \$1,515) to be questioned costs for the quarters ended June 30, 2016 and March 31, 2017, respectively, for the RAACD Agreement.

- VII. We noted a \$50 purchase was made for a gift basket as a “thank you” gift to Los Angeles County Supervisor and his staff, and was expended under the RAACD Agreement during the quarter ended June 30, 2016 and reported under the Office Supplies line item. Gifts and donations of public funds are not an allowable expense. As such, we consider the \$50 gift basket to be disallowed costs for the RAACD Agreement.
- VIII. We noted a purchase was made for communications materials under the RAACD Agreement in the amount of \$38 for the quarter ended March 31, 2017 and reported under the Equipment line item. SHF did not maintain any supporting documentation for this purchase. As such, we could not determine whether the purchase was appropriate. Accordingly, we consider \$38 to be questioned costs for the RAACD Agreement.
- IX. For the quarter ended March 31, 2017, we noted honorariums were expended to two different vendors under the RAACD Agreement in the amounts of \$2,000 and \$500 and were reported under the TARC #3 line item. Per our inquiry with SHF, the honorariums were payments for services rendered. However, no details regarding the services rendered, or their purpose, were documented. As such, we could not determine whether the honorariums were allowable. Accordingly, we consider \$2,500 (\$2,000 + \$500) to be questioned costs for the RAACD Agreement.
- X. For the quarters ended June 30, 2016 and March 31, 2017, we noted SHF expended \$60 each month for the SC Agreement for printing services and claimed under the Printing and Copying line item. However, there was no supporting documentation and no reasonable cost allocation methodology. Without supporting documentation or a reasonable cost allocation method, we could not determine whether the amounts expended for printing services were appropriate. Accordingly, we consider \$180 (\$60 X 3 months) expended during the quarter ended June 30, 2016 and \$180 (\$60 X 3 months) expended during the quarter ended March 31, 2017, to be questioned costs for the SC Agreement.

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In accordance with the Agreements' Section XX, Subsection D, "[SHF] shall maintain for four (4) years following termination of this Agreement full and complete documentation of all services and expenditures associated with performing the services covered under this Agreement. Expense documentation shall include: time sheets or payroll records for each employee; receipts for supplies; applicable subcontract expenditures; applicable overhead and indirect expenditures..." Accordingly, SHF was not in compliance with the Agreements.

For the fiscal year (FY) 2015-16, we noted a total of \$154,988 (indirect costs excluded) in expenses were reported and a total of \$184,073 (indirect costs excluded) was claimed for the RAACD and SC Agreements, respectively. We tested a total of \$66,608 in reported expenses and \$45,202 claimed, respectively. Of the amounts tested, we noted 20.34% [\$13,549 (from Table 1 below) / \$66,608] and 0.40% [\$180 (from Table 1 below) / \$45,202] were questioned costs. Accordingly, we projected \$17,976 [20.34% X (\$154,988 - \$66,608)] and \$555 [0.40% X (\$184,073 - \$45,202)] to be projected questioned costs for the RAACD and SC Agreements, respectively. See Table 1 of this finding.

In addition, we noted 3.96% [\$2,641 (from Table 1 below) / \$66,608] were disallowed costs for the RAACD Agreement only. Accordingly, we projected \$3,500 [3.96% X (\$154,988 - \$66,608)] to be projected disallowed costs. We did not note any disallowed costs from our testing and inspection for the SC Agreement. See Table 1 of this finding.

The results of our testing are summarized at Table 1 below:

**FY 2015-16 Questioned and Disallowed Costs from Expenditure Testing (Table 1)**

Line Item	RAACD		SC	
	Questioned Costs	Disallowed Costs	Questioned Costs	Disallowed Costs
Office Supplies	\$	50 <sup>1</sup>		
Travel/Mileage	13,549 <sup>2</sup>	1,577 <sup>3</sup>		
Meeting Costs		1,014 <sup>4</sup>		
Printing & Copying			180 <sup>5</sup>	
<b>Subtotal</b>	<b>13,549</b>	<b>2,641</b>	<b>180</b>	
<b>Projection</b>	<b>17,976</b>	<b>3,500</b>	<b>555</b>	
<b>Total</b>	<b>\$ 31,525</b>	<b>6,141</b>	<b>735</b>	<b>-</b>

<sup>1</sup> Amount consists of the \$50 gift basket purchase described at item VII. of this finding.

Number superscript definitions for Table 1 are continued on the next page.

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<sup>2</sup> Amount consists of \$297 in events purchases, \$86 mileage claims, and \$13,166 in travel purchases described at items IV. and VI. of this finding.

<sup>3</sup> Amount consists of \$1,536 in local lunch purchases and \$41 in associated mileage claims described at items I. and II. of this finding.

<sup>4</sup> Amount consists of \$140 in local lunch purchases and \$874 in catering purchases described at items I. and III. of this finding.

<sup>5</sup> Amount consists of \$180 in printing services described at item X. of this finding.

For FY 2016-17, we noted a total of \$846,642 (indirect costs and payments to subgrantees excluded) in expenses were reported and a total of \$184,487 (indirect costs excluded) was claimed for the RAACD and SC Agreements, respectively. We tested a total of \$104,452 in reported expenses and \$27,038 claimed, respectively. Of the amounts tested, we noted 5.46% [\$5,708 (from Table 2 below) / \$104,452] and 0.67% [\$180 (from Table 2 below) / \$27,038] were questioned costs, respectively. Accordingly, we projected \$40,524 [5.46% X (\$846,642 - \$104,452)] and \$1,055 [0.67% X (\$184,487 - \$27,038)] to be projected questioned costs for the RAACD and SC Agreements, respectively. See Table 2 of this finding.

In addition, we noted 0.82% [\$856 (from Table 2 below) / \$104,452] were disallowed costs for the RAACD Agreement only. Accordingly, we projected \$6,086 [0.82% X (\$846,642 - \$104,452)] to be projected disallowed costs. We did not note any disallowed costs from our testing and inspection for the SC Agreement. See Table 2 of this finding.

The results of our testing are summarized at Table 2 below:

**FY 2016-17 Questioned and Disallowed Costs from Expenditure Testing (Table 2)**

Line Item	RAACD		SC	
	Questioned Costs	Disallowed Costs	Questioned Costs	Disallowed Costs
Equipment	\$ 176 <sup>1</sup>			
Travel/Mileage		856 <sup>2</sup>		
Meeting Costs	1,015 <sup>3</sup>			
Tarc #3	4,517 <sup>4</sup>			
Printing & Copying			180 <sup>5</sup>	
<b>Subtotal</b>	<b>5,708</b>	<b>856</b>	<b>180</b>	
<b>Projection</b>	<b>40,524</b>	<b>6,086</b>	<b>1,055</b>	
<b>Total</b>	<b>\$ 46,232</b>	<b>6,942</b>	<b>1,235</b>	<b>-</b>

Number superscript definitions for Table 2 are described on the next page.

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<sup>1</sup> Amount consists of the \$38 communications materials purchase described at item VIII. of this finding and \$138 event purchases described at item V. of this finding.

<sup>2</sup> Amount consists of \$856 in local lunch purchases described at item I. of this finding.

<sup>3</sup> Amount consists of \$1,015 in events purchases described at item IV. of this finding.

<sup>4</sup> Amount consists of the \$502 travel reimbursement, \$1,515 travel related expenses, the \$2,000 honorarium, and the \$500 honorarium described at items VI. and IX. of this finding.

<sup>5</sup> Amount consists of \$180 in printing services described at item X. of this finding.

For line item details of the questioned, disallowed, and projected costs, see also Schedule I, *Schedule of Questioned and Disallowed Costs – Reduction in African American Child Deaths* and Schedule II, *Schedule of Questioned and Disallowed Costs – Steering Committee to Reduce African American Child Deaths*.

The projected questioned and disallowed costs presented in Tables 1 and 2 of this finding are extrapolated based on our testing with the assumption that the same average error rate applied to each invoice in the population for the entire period of this agreed-upon procedures. Had we tested additional invoices, the projected questioned and disallowed costs would likely be changed.

Recommendation

We recommend DCFAS and SHF the following:

- SHF should not use the Agreements' funds to purchase items that are not allowable, such as gifts, gift cards, or locally held lunch meetings.
- We recommend SHF's management modify its written policies and procedures related to employee expense reimbursement, travel, and use of company credit cards, to include specific reimbursement criteria that includes, but not limited to, eligible reimbursement items, spending limits, travel authorization process, authorized users of credit cards and card limits, etc.
- SHF should maintain sufficient supporting documentation for expenditures related to conferences, travel, and meetings, as applicable, including, but not limited to, travel authorization, conference or meeting agenda, names of participants, sign in sheets, address of travel location, etc., to be in compliance with the Agreements.
- SHF's management should ensure that all receipts and invoices are itemized and documented before approving them to be in compliance with the Agreements.

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- We recommend SHF refrain from purchasing gift cards with the Agreements' funding as they are susceptible for misuse or theft. When gift cards are purchased out of absolute necessity, sufficient supporting documentation should be maintained to include, but not limited to, whom the gift cards were distributed, transaction receipts for gift card use, purpose of gift card use, etc., to be in compliance with the Agreements.
- We recommend DCFAS amend the Agreements to include more specific contractor fiscal requirements, including, but not limited to, maintaining written internal control policies and procedures in accounting areas relevant to the Agreements, allowable vs. unallowable expenses, etc.

DCFAS's Management Response

The department acknowledges the findings outlined in this report and will work with SHF on a corrective action plan to address these findings, which will include recovering the identified disallowed costs and implementing recommended actions.

**b. Deficiencies in Sub-Grantee Monitoring**

Budget line items in the RAACD Agreement include a line item for community grants (a.k.a. sub-grants) which is budgeted for \$3,000,000 over the entire period of the Agreement (October, 1, 2015 through June 30, 2020), or \$600,000 per fiscal year. SHF is expected to award sub-grants for this line item to other community based organizations to increase access to high quality RAACD services and resources in the County. In addition to the County, the City of Sacramento (City) also provides funding to SHF to provide sub-grants for the RAACD program. Therefore, SHF awarded sub-grants to the following organizations (a.k.a. Sub-Grantees) for the RAACD program from the RAACD Agreement's funding and the City's funding described at Table 3 on the next page:

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<b>Schedule of Sub-Grantee Awards From SHF (Table 3)</b>		<b>Funded By RAACD Agreement</b>	<b>Funded By City of Sacramento <sup>1</sup></b>	<b>Total Amount Awarded</b>
<b>Sub-Grantee</b>	<b>Award Period</b>			
<i>Community Incubator Lead (CIL) Sub-Grants</i>				
Center for Community Health and Well-Being, Inc	06/01/16 to 05/31/19	\$ 270,000	90,000	360,000
Focus on Family Foundation	10/01/16 to 05/31/19	270,000	90,000	360,000
Greater Sacramento Urban League	07/01/16 to 05/31/19	270,000	90,000	360,000
Mutual Assistance Network of Del Paso Heights	06/01/16 to 05/31/19	270,000	90,000	360,000
Roberts Family Development Center	06/01/16 to 05/31/19	270,000	90,000	360,000
South Sacramento Christian Center Church	06/01/16 to 05/31/19	270,000	90,000	360,000
The Church of the Nazarene, Inc.	06/01/16 to 05/31/19	270,000	90,000	360,000
<b>Total</b>		<b>\$ 1,890,000</b>	<b>630,000</b>	<b>2,520,000</b>
<i>Community Communications Sub-Grants</i>				
Center for Community Health and Well-Being, Inc	02/01/17 to 06/30/17	\$ 1,990		1,990
Focus of Family Foundation	02/01/17 to 06/30/17	2,000		2,000
Greater Sacramento Urban League	02/01/17 to 06/30/17	1,480		1,480
Mutual Assistance Network of Del Paso Heights	02/01/17 to 06/30/17	2,011		2,011
Roberts Family Development Center	02/01/17 to 06/30/17	2,000		2,000
South Sacramento Christian Center Church	02/01/17 to 06/30/17	2,000		2,000
<b>Total</b>		<b>\$ 11,481</b>		<b>11,481</b>
<i>Other Stand Alone Sub-Grants</i>				
Always Knocking	01/01/17 to 09/30/17	\$ 10,000		10,000
<b>Total</b>		<b>\$ 10,000</b>		<b>10,000</b>

<sup>1</sup> In addition to DCFAS, the City also provided funding to SHF intended to be passed through to Sub-Grantees for the RAACD program.

During our inspection of SHF's Sub-Grantee activities for the RAACD Agreement, we noted the following exceptions on the next three pages:

- I. **Sub-Grantee Agreements:** Based on our inspection of the sub-grant agreements between SHF and Sub-Grantees, we noted the following exceptions:
  - i. Itemized budget details, which is an important spending guide and monitoring tool, were not incorporated as part of any of the sub-grant agreements. As such, inefficient use of sub-grant agreement funding could occur by overspending on certain expense line items.
  - ii. Restriction on use of funds (e.g. allowable expenditures vs. unallowable expenditures) were either not detailed or too vaguely addressed in the sub-grant agreements. As such, misuse of sub-grant agreement funding could occur by spending the funding on unallowable items.

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- iii. No reconciliation between budget, grant payments, and actual expenses supported by sub-grantees' financial records, or specific documentation requirements (e.g. maintaining adequate time studies, cost allocation methodology, etc.) were addressed in the sub-grant agreements. As such, without proper reconciliations or documentation, DCFAS and SHF cannot determine whether expenses incurred by Sub-Grantees are allowable or within the limits of the sub-grant agreements.
- II. **Fiscal Monitoring**: The sub-grant agreements require Sub-Grantees to provide "*a complete accounting of all grant funds received and expended*" along with a progress report and final report. However, per inquiry with SHF staff, SHF did not request or review actual expenses incurred by the grant sub-recipients. Without adequate fiscal monitoring, SHF and DCFAS cannot determine whether the expenses incurred by Sub-Grantees are appropriate.
  - III. **Sub-Grantee Funding Source Tracking**: In addition to the RAACD Agreement, SHF received funds from the City for the RAACD program. SHF separately tracked grant revenues and expenses related to these two funding sources in its own general ledger system. However, SHF awarded commingled funds from the RAACD Agreement and the City to its sub-recipients without informing them of the two different funding sources of the sub-grants. Therefore, the Sub-Grantees did not track sub-grant activities funded by the RAACD Agreement and the City separately. By not tracking funding sources separately, SHF cannot properly reconcile Sub-Grantee expenses incurred to its reported expenses and/or invoice claims to the RAACD Agreement and the City.
  - IV. **Sub-Grantee Documentation**: Six Sub-Grantees each received two separate sub-grants from SHF for the RAACD program: a CIL Grant and a Community Communications Grant. Two other Sub-Grantees each received one sub-grant from SHF for the RAACD program. Based on our inspection of the Sub-Grantees' general ledgers, proposed budgets, reconciliations between budget, actual expenses, general ledger, and available supporting documentation, and based on our inquiries to SHF's management, we noted the following:
    - i. Separate general ledgers were not maintained by three (Greater Sacramento Urban League, Focus on Family Foundation, and South Sac Christian Center) of the eight Sub-Grantees awarded for the sub-grants. By not maintaining separate general ledgers, the Sub-Grantees cannot adequately reconcile expenses incurred for the sub-grant agreements.



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- ii. According to the Community Communications sub-grant agreement between SHF and the Center for Community Health and Well Being Inc. (Center), the use of this sub-grant fund is restricted to cover the cost of installing the phone lines, internet, carpet cleaning, and installation of blinds in the building where the Multi-Disciplinary Team is located. However, we noted a \$212 expense that was spent on gift cards that was not allowed per the sub-grant agreement. As such, we consider this amount to be disallowed costs.

We did not note any Community Grant line item expenses reported by SHF during FY 2015-16.

However, during FY 2016-17, we noted a total of \$231,481 in Sub-Grantee expenses were reported by SHF under the Community Grant line item. We originally planned to visit two of the eight Sub-Grantees for expenditure testing. However, we were not provided sufficient information by SHF and its Sub-Grantees to be able to conduct the testing except for Mutual Assistance Network of Del Paso Heights (MAN). Of the \$231,481 in Sub-Grantee expenses, \$32,011 were expended by MAN. We tested MAN's expenditures on a sample basis. We tested total of 50 transactions for MAN's CIL sub-grant agreement and 100% for MAN's Community Communications sub-grant agreement. We did not note any questioned or disallowed costs based on our testing.

In accordance with the Agreements' Section XX, Subsection D, "[SHF] shall maintain for four (4) years following termination of this Agreement full and complete documentation of all services and expenditures associated with performing the services covered under this Agreement. Expense documentation shall include: time sheets or payroll records for each employee; receipts for supplies; applicable subcontract expenditures; applicable overhead and indirect expenditures..." Accordingly, SHF was not in compliance with the Agreements.

Accordingly, we consider all remaining Sub-Grantee related expenses reported, except for \$32,011 in expenses incurred by MAN and the \$212 identified disallowed costs from the Center's expenses, totaling \$199,258 (\$231,481 - \$212 - \$32,011), to be questioned costs. See *Schedule I, Schedule of Questioned and Disallowed Costs – Reduction in African American Child Deaths*.

#### Recommendation

We recommend SHF amend its sub-grant agreements to include itemized budgets and clearly define specific funding restrictions and fiscal reporting requirements to properly monitor Sub-Grantees' fiscal activities. In addition, SHF should require its Sub-Grantees to report its actual spending of grant agreement funding and review the supporting

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documentation periodically for monitoring purposes. Furthermore, SHF should include information regarding different funding sources of grants in the sub-grant agreements and require the Sub-Grantees to track funding sources activities separately to ensure Sub-Grantees and SHF can maintain accountability and transparency of funding activities.

Sub-Grantees should maintain adequate supporting documentation such as reconciliation between itemized budget and actual expenses recorded in their general ledgers and any other documentation that can substantiate sub-grant agreement expenditures. SHF should perform fiscal monitoring reviews of Sub-Grantees periodically and provide its Sub-Grantees with corrective action plans if deficiencies are noted to ensure their compliance with the Agreements.

DCFAS's Management Response

The department acknowledges the findings outlined in this report and will work with SHF on a corrective action plan to address these findings, which will include recovering the identified disallowed costs and implementing recommended actions.

**c. Indirect Expenses**

During our testing and inspection, we noted that SHF reported 15% of its direct expenses as indirect costs for the RAACD Agreement and claimed 10% of its direct expenses as indirect costs for the SC Agreement. Per our inquiry with SHF's management, SHF reported and claimed the maximum budgeted amount and treated the indirect costs as revenue provided by the County instead of treating it as a cost reimbursement.

During FY 2015-16, we noted a total of \$23,248 and \$15,927 in indirect costs were reported and claimed for the RAACD and SC Agreements, respectively. During FY 2016-17, we noted a total of \$161,718 and \$15,513 were reported and claimed for the RAACD and SC Agreements, respectively. However, SHF did not provide any adequate supporting documentation, general ledger entries, or a reasonable cost allocation methodology for these expenses.

In accordance with the Agreements' Section XX, Subsection D, "[SHF] shall maintain for four (4) years following termination of this Agreement full and complete documentation of all services and expenditures associated with performing the services covered under this Agreement. Expense documentation shall include: time sheets or payroll records for each employee; receipts for supplies; applicable subcontract expenditures; applicable overhead and indirect expenditures..." Accordingly, SHF was not in compliance with the Agreements.

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Without adequate supporting documentation or a reasonable cost allocation methodology, we could not determine whether the indirect costs reported and claimed by SHF were appropriate, and SHF was not in compliance with the Agreements. Accordingly, we consider 100% of indirect costs reported and claimed by SHF for the RAACD and SC Agreements, respectively, to be questioned costs for our review period. See Schedule I, *Schedule of Questioned and Disallowed Costs – Reduction of African American Child Deaths* and Schedule II, *Schedule of Questioned and Disallowed Costs – Steering Committee to Reduce African American Child Deaths*.

We reiterate our comments at Finding Numbers 2 and 5.

Recommendation

We recommend DCFAS require SHF to claim indirect costs based on actual expenditures rather than by budget. We further recommend SHF track and allocate its eligible indirect expenses in its general ledger for the RAACD and SC Agreements and ensure it maintains adequate support for all reported and claimed indirect costs to be in compliance with the Agreements.

DCFAS's Management Response

The department acknowledges the findings outlined in this report and will work with SHF on a corrective action plan to address these findings, which will include recovering the identified disallowed costs and implementing recommended actions.

**d. Summary Questioned and Disallowed Costs**

Based on the results of our testing and inspection described at Finding Numbers 3a through 3c of this attachment, we noted material exceptions over SHF's management of reported and claimed expenses for the RAACD and SC Agreements, respectively.

Accordingly, we noted the following questioned and disallowed costs described at Tables 4 and 5 on the next page:

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**FY 2015-16 Summary of Questioned and Disallowed Costs (Table 4)**

<b>Line Item</b> <sup>1</sup>	<b>RAACD</b>		<b>SC</b>	
	<b>Questioned Costs</b>	<b>Disallowed Costs</b>	<b>Questioned Costs</b>	<b>Disallowed Costs</b>
Office Supplies	\$	50		
Travel/Mileage	13,549	1,577		
Meeting Costs		1,014		
Printing & Copying			180	
<b>Subtotal</b>	<b>13,549</b>	<b>2,641</b>	<b>180</b>	
<b>Indirect Costs</b> <sup>2</sup>	<b>23,248</b>		<b>15,927</b>	
<b>Projection</b> <sup>3</sup>	<b>17,976</b>	<b>3,500</b>	<b>555</b>	
<b>Total</b>	<b>\$ 54,773</b>	<b>6,141</b>	<b>16,662</b>	

<sup>1</sup> For consideration of line item questioned and disallowed costs, see Finding Number 3a.

<sup>2</sup> For consideration of questioned indirect costs, see Finding Number 3c.

<sup>3</sup> For consideration of projected questioned and disallowed costs, see Finding Number 3a.

**FY 2016-17 Summary of Questioned and Disallowed Costs (Table 5)**

<b>Line Item</b> <sup>1</sup>	<b>RAACD</b>		<b>SC</b>	
	<b>Questioned Costs</b>	<b>Disallowed Costs</b>	<b>Questioned Costs</b>	<b>Disallowed Costs</b>
Equipment	\$ 176			
Travel/Mileage		856		
Meeting Costs	1,015			
Tarc #3	4,517			
Community Grants <sup>2</sup>	199,258	212		
Printing & Copying			180	
<b>Subtotal</b>	<b>204,966</b>	<b>1,068</b>	<b>180</b>	
<b>Indirect Costs</b> <sup>3</sup>	<b>161,718</b>		<b>15,513</b>	
<b>Projection</b> <sup>4</sup>	<b>40,524</b>	<b>6,086</b>	<b>1,055</b>	
<b>Total</b>	<b>\$ 407,208</b>	<b>7,154</b>	<b>16,748</b>	

<sup>1</sup> For consideration of line item questioned and disallowed costs, see Finding Number 3a.

<sup>2</sup> For consideration of Community Grants questioned and disallowed costs, see Finding Number 3b.

<sup>3</sup> For consideration of questioned indirect costs, see Finding Number 3c.

<sup>4</sup> For consideration of projected questioned and disallowed costs, see Finding Number 3a.

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Based on our testing and inspection, we noted a total of \$461,981 (\$54,773 and \$407,208 from Tables 4 and 5, respectively) and \$33,410 (\$16,662 and \$16,748 from Tables 4 and 5, respectively) in questioned and projected questioned costs for the RAACD and SC Agreements, respectively. We also noted a total of \$13,295 (\$6,141 and \$7,154 from Tables 4 and 5, respectively) in disallowed and projected disallowed costs for the RAACD Agreement. We did not note any disallowed or projected disallowed costs for the SC Agreement.

Recommendation

We recommend DCFAS develop a corrective action plan for SHF to resolve the findings in this agreed-upon procedures report. We further recommend DCFAS contact SHF to develop a resolution to resolve the questioned and disallowed costs in the amounts of \$495,391 (\$461,981 + \$33,410) and \$13,295, respectively.

DCFAS's Management Response

The department acknowledges the findings outlined in this report and will work with SHF on a corrective action plan to address these findings, which will include recovering the identified disallowed costs and implementing recommended actions.

**4. General Ledger**

Our comments and recommendations regarding SHF's general ledger are included at Finding Numbers 2, 3a, 3b, and 3c.

**5. Cost Allocation Review**

As described in Finding Numbers 2, 3a, 3b, and 3c, we noted that SHF does not have a written cost allocation methodology. We further noted the sub-grant agreements do not require Sub-Grantees to have a written cost allocation methodology.

Proper internal controls indicate SHF and its Sub-Grantees have a reasonable cost allocation methodology. Having a cost allocation methodology will help the organizations to properly track and report eligible program and indirect expenses. As a result of not having a written cost allocation methodology, we noted issues described in Finding Numbers 3a and 3c.

Recommendation

We recommend DCFAS require SHF and its Sub-Grantees to develop, adopt, and implement reasonable written cost allocation methodologies.

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DCFAS's Management Response

The department acknowledges the findings outlined in this report and will work with SHF on a corrective action plan to address these findings, which will include recovering the identified disallowed costs and implementing recommended actions.

**6. Funding Sources**

As described in Finding Number 3b, we noted that SHF provided sub-grant funding to its Sub-Grantees funded by the County and City. However, we noted that SHF did not require its Sub-Grantees to separately track program expenses for the two funding sources.

Proper internal controls indicate Sub-Grantees separately track expenses by funding source. Separately tracking funding sources will assist SHF with preparing its expense reports and/or claims to the County and City. Inadequate tracking of expenses can lead to expense report errors and omissions, and/or not be in compliance with the Agreements.

Recommendation

We recommend DCFAS require SHF to require its Sub-Grantees separately track program expenses between all of their funding sources, including the County and City.

DCFAS's Management Response

The department acknowledges the findings outlined in this report and will work with SHF on a corrective action plan to address these findings, which will include recovering the identified disallowed costs and implementing recommended actions.

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Budget Items	Advance Payment <sup>(i)</sup>	SHF's Reported Expenses <sup>(ii)</sup>	Questioned Costs <sup>(iii)</sup>	Disallowed Costs <sup>(iv)</sup>
<b>Personnel Expenses</b>				
Salaries	\$ 128,760	75,144		
Staff Benefits	41,203	22,705		
<b>Subtotal Personnel Expenses</b>	<b>169,963</b>	<b>97,849</b>		
<b>Operating Expenses</b>				
Rent				
Equipment	4,000			
Office Supplies	1,023	150		50
Postage				
Printing & Copying	4,450			
Telephone/Electronic Communication		5		
Staff Training	2,000			
Travel/Mileage	10,000	23,096	13,549	1,577
Insurance				
Website (Training/Update)	2,500			
<b>Subtotal Operating Expenses</b>	<b>23,973</b>	<b>23,251</b>	<b>13,549</b>	<b>1,627</b>
<b>Other Expenses</b>				
Meeting Costs	8,500	7,438		1,014
Communications Support	2,500			
Audit Expenses				
<b>Subtotal Other Expenses</b>	<b>11,000</b>	<b>7,438</b>		<b>1,014</b>
<b>Community Grants &amp; Investments</b>				
Consultant Costs	30,000			
Community Leadership Roundtable - Strategy #1	30,000	12,500		
Interagency Children's Policy Council - Strategy #2	30,000			
Technical Assistance Resource Center and Neighborhood Learning Network - Strategy #3	100,000	6,250		
Community Grants - Strategy #3	600,000			
Evaluation and Performance Measurements and Community Based Participatory Action Research - Strategy #4	95,000			
Communications - Strategy #5	214,412	7,700		
<b>Subtotal Community Grants &amp; Investments</b>	<b>1,099,412</b>	<b>26,450</b>		
<b>Indirect Costs</b>	<b>195,652</b>	<b>23,248</b>	<b>23,248</b>	
<b>Projection <sup>(v)</sup></b>			<b>17,976</b>	<b>3,500</b>
<b>Total</b>	<b>\$ 1,500,000</b>	<b>178,236</b>	<b>54,773</b>	<b>6,141</b>

Number superscripts are described on the next page.

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- (i) Advance Payment column represents the amounts advanced by the Department of Child, Family and Adult Services (DCFAS) to Sierra Health Foundation: Center for Health Program Management (SHF) for the Reduction in African American Child Deaths (RAACD) program during the period of October 1, 2015 to June 30, 2016 (FY 2015-16). The contractual agreement between DCFAS and SHF (Agreement) requires SHF to report its expenses each quarter to DCFAS. At the end of the Agreement, unused funds are intended to be returned to DCFAS by SHF.
- (ii) SHF's Reported Expenses column represents the sum of the quarterly amounts reported to DCFAS by SHF during FY 2015-16.
- (iii) Questioned Costs column represents the amounts questioned from our test of transactions and inspection of expense reports during FY 2015-16. For consideration of questioned costs, see Finding Number 3 in Attachment I, *Findings and Recommendations*.
- (iv) Disallowed Costs column represents the amounts disallowed from our test of transactions and inspection of expense reports during FY 2015-16. For consideration of disallowed costs, see Finding Number 3 in Attachment I, *Findings and Recommendations*.
- (v) Amounts represent the projected questioned and disallowed costs noted during our testing. Projection was based on the questioned and disallowed costs noted on the previous page from our test of transactions. Indirect expenses were not considered in our calculations. For consideration of projections and indirect expenses, see Finding Number 3 in Attachment I, *Findings and Recommendations*.



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Budget Items	Advance Payment <sup>(i)</sup>	SHF's Reported Expenses <sup>(ii)</sup>	Questioned Costs <sup>(iii)</sup>	Disallowed Costs <sup>(iv)</sup>
<b>Personnel Expenses</b>				
Salaries	\$ 79,867	153,725		
Staff Benefits	25,558	48,330		
<b>Subtotal Personnel Expenses</b>	<b>105,425</b>	<b>202,055</b>		
<b>Operating Expenses</b>				
Rent				
Equipment	2,000	5,574	176	
Office Supplies	511	141		
Postage		577		
Printing & Copying	2,225	10,955		
Telephone/Electronic Communication		1,269		
Staff Training	1,000			
Travel/Mileage	5,000	35,125		856
Insurance				
Website (Training/Update)	1,250	4,390		
<b>Subtotal Operating Expenses</b>	<b>11,986</b>	<b>58,031</b>	<b>176</b>	<b>856</b>
<b>Other Expenses</b>				
Meeting Costs	4,250	114,337	1,015	
Communications Support	1,250			
Audit Expenses				
<b>Subtotal Other Expenses</b>	<b>5,500</b>	<b>114,337</b>	<b>1,015</b>	
<b>Community Grants &amp; Investments</b>				
Consultant Costs	15,000			
Community Leadership Roundtable - Strategy #1	15,000	62,925		
Interagency Children's Policy Council - Strategy #2	15,000	6,416		
Technical Assistance Resource Center and Neighborhood Learning Network - Strategy #3	50,000	88,479	4,517	
Community Grants - Strategy #3 <sup>(v)</sup>	300,000	231,481	199,258	212
Evaluation and Performance Measurements and Community Based Participatory Action Research - Strategy #4	47,500	120,000		
Communications - Strategy #5	86,763	194,399		
<b>Subtotal Community Grants &amp; Investments</b>	<b>529,263</b>	<b>703,700</b>	<b>203,775</b>	<b>212</b>
<b>Indirect Costs</b>	<b>97,826</b>	<b>161,718</b>	<b>161,718</b>	
<b>Projection <sup>(vi)</sup></b>			<b>40,524</b>	<b>6,086</b>
<b>Total</b>	<b>\$ 750,000</b>	<b>1,239,841</b>	<b>407,208</b>	<b>7,154</b>

Number superscripts are described on the next page.

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- (i) Advance Payment column represents the amounts advanced by DCFAS to SHF for the RAACD program during the fiscal year (FY) 2016-17. The Agreement requires SHF to report its expenses each quarter to DCFAS. At the end of the Agreement, unused funds are intended to be returned to DCFAS by SHF.
- (ii) SHF's Reported Expenses column represents the sum of the quarterly amounts reported to DCFAS by SHF during FY 2016-17.
- (iii) Questioned Costs column represents the amounts questioned from our test of transactions and inspection of expense reports during FY 2016-17. For consideration of questioned costs, see Finding Number 3 in Attachment I, *Findings and Recommendations*.
- (iv) Disallowed Costs column represents the amounts disallowed from our test of transactions and inspection of expense reports during FY 2016-17. For consideration of disallowed costs, see Finding Number 3 in Attachment I, *Findings and Recommendations*.
- (v) Community Grants – Strategy #3 line item represents funding provided by SHF to community based organizations to provide services that benefit the RAACD program (a.k.a. Sub-Grantees). The amount of this line item in column (ii) represents Sub-Grantee expense activities reported by SHF.
- (vi) Amounts represent the projected questioned and disallowed costs noted during our testing. Projection was based on the questioned and disallowed costs noted on the previous page from our test of transactions. Indirect expenses and Sub-Grantee expense activities were not considered in our calculations. For consideration of projections, indirect expenses, and Sub-Grantee expense activities, see Finding Number 3 in Attachment I, *Findings and Recommendations*.

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Budget Items	Amount Budgeted <sup>(i)</sup>	SHF's Claim Amounts <sup>(ii)</sup>	Questioned Costs <sup>(iii)</sup>	Disallowed Costs <sup>(iv)</sup>
<b>Salaries and Benefits</b>				
Salaries	\$ 104,986	104,986		
Staff Benefits	31,868	31,868		
<b>Subtotal Personnel Expenses</b>	<b>136,854</b>	<b>136,854</b>		
<b>Operating Expenses</b>				
Rent				
Equipment				
Office Supplies				
Printing & Copying	16,901	16,901	180	
Telephone/Electronic Communication				
Staff Training	1,332	1,332		
Travel/Mileage	1,878	1,878		
Website (Training/Update)				
<b>Subtotal Operating Expenses</b>	<b>20,111</b>	<b>20,111</b>	<b>180</b>	
<b>Other Expenses</b>				
Consultant Costs	24,800	24,800		
Meeting Costs	2,308	2,308		
Communications Support				
<b>Subtotal Other Expenses</b>	<b>27,108</b>	<b>27,108</b>		
<b>Indirect Costs</b>	<b>15,927</b>	<b>15,927</b>	<b>15,927</b>	
<b>Projection <sup>(v)</sup></b>			<b>555</b>	
<b>Total</b>	<b>\$ 200,000</b>	<b>200,000</b>	<b>16,662</b>	<b>-</b>

<sup>(i)</sup> Amount Budgeted column represents the budget line items prescribed in the contractual agreement between the Department of Child, Family and Adult Services (DCFAS) and Sierra Health Foundation: Center for Health Program Management (SHF) for the fiscal year (FY) 2015-16 for the Steering Committee to Reduce African American Child Deaths (SC).

<sup>(ii)</sup> SHF's Claim Amounts column represents the quarterly invoice claim amounts invoiced by SHF to DCFAS during FY 2015-16.

<sup>(iii)</sup> Questioned Costs column represents the amounts questioned from our test of transactions and inspection of invoice claims during the FY 2015-16. For consideration of questioned costs, see Finding Number 3 in Attachment I, *Findings and Recommendations*.

<sup>(iv)</sup> We did not note any disallowed costs for the SC during our engagement.

<sup>(v)</sup> Amounts represent the projected questioned costs noted during our testing. Projection was based on the questioned costs noted above from our test of transactions. Indirect expenses were not considered in our calculations. For consideration of projections and indirect expenses, see Finding Number 3 in Attachment I, *Findings and Recommendations*.

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Budget Items	Amount Budgeted <sup>(i)</sup>	SHF's Claim Amounts <sup>(ii)</sup>	Questioned Costs <sup>(iii)</sup>	Disallowed Costs <sup>(iv)</sup>
<b>Salaries and Benefits</b>				
Salaries	\$ 99,197	99,197		
Staff Benefits	31,743	31,743		
<b>Subtotal Personnel Expenses</b>	<b>130,940</b>	<b>130,940</b>		
<b>Operating Expenses</b>				
Rent				
Equipment	1,840	1,840		
Office Supplies				
Printing & Copying	12,160	12,160	180	
Telephone/Electronic Communication				
Staff Training	2,000	2,000		
Travel/Mileage	2,000	2,000		
Website (Training/Update)				
<b>Subtotal Operating Expenses</b>	<b>18,000</b>	<b>18,000</b>	<b>180</b>	
<b>Other Expenses</b>				
Consultant Costs	29,354	29,354		
Meeting Costs	6,193	6,193		
Communications Support				
<b>Subtotal Other Expenses</b>	<b>35,547</b>	<b>35,547</b>		
<b>Indirect Costs</b>	<b>15,513</b>	<b>15,513</b>	<b>15,513</b>	
<b>Projection <sup>(v)</sup></b>			<b>1,055</b>	
<b>Total</b>	<b>\$ 200,000</b>	<b>200,000</b>	<b>16,748</b>	<b>-</b>

<sup>(i)</sup> Amount Budgeted column represents the budget line items prescribed in the contractual agreement between DCFAS and SHF for FY 2016-17 for the SC.

<sup>(ii)</sup> SHF's Claim Amounts column represents the quarterly invoice claim amounts invoiced by SHF to DCFAS during FY 2016-17.

<sup>(iii)</sup> Questioned Costs column represents the amounts questioned from our test of transactions and inspection of invoice claims during the FY 2016-17. For consideration of questioned costs, see Finding Number 3 in Attachment I, *Findings and Recommendations*.

<sup>(iv)</sup> We did not note any disallowed costs for the SC during our engagement.

<sup>(v)</sup> Amounts represent the projected questioned costs noted during our testing. Projection was based on the questioned costs noted above from our test of transactions. Indirect expenses were not considered in our calculations. For consideration of projections and indirect expenses, see Finding Number 3 in Attachment I, *Findings and Recommendations*.