

COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION - INTERNAL AUDIT UNIT

INTERNAL AUDIT REPORT
FIRST 5 COMMISSION CONTRACTS REVIEW
DEPARTMENT OF HEALTH SERVICES



Audit Committee Submittal Date: 02/21/2020

SUMMARY

Background

The First 5 Sacramento Commission (Commission) has a contractual agreement (Agreement) with the County of Sacramento (County) Department of Health Services (DHS), Women, Infants, and Children (WIC) Program (Program), Community Lactation Assistance Project, to provide breastfeeding supportive services to children ages 5 and under residing in the County. The Agreement require an audit of the Program each fiscal year. Accordingly, DHS requested the County of Sacramento, Department of Finance to perform the performance audit for the Program.

Audit Objective

The audit was conducted to examine the WIC Program's program costs, and verify that these costs were in compliance with the Agreement and related internal controls for the period from July 1, 2018, through June 30, 2019.

Summary

Based on the audit, the WIC Program's program costs, complied with the Agreement for the period from July 1, 2018, through June 30, 2019. Also, DHS has adequate internal control to ensure the Program's program costs are in compliance with the Agreement.

Department of Finance
Ben Lamera
Director



Auditor-Controller Division
Joyce Renison
Assistant Auditor-Controller

County of Sacramento

January 29, 2020

Dr. Peter Beilenson, Director
Department of Health Services
7001-A East Parkway, Suite 1100
Sacramento, CA 95823

Dear Dr. Beilenson:

We have audited the Department of Health Services' (DHS) Women, Infants, and Children (WIC) program (Program) – Community Lactation Assistance project, Contract Number 7201500-19/21-085R, contractual agreement (Agreement) with the First 5 Sacramento Commission (Commission) for the period from July 1, 2018, through June 30, 2019.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was conducted to examine the WIC Program's program costs, and verify that these costs were in compliance with the Agreement and related internal controls for the period from July 1, 2018, through June 30, 2019.

DHS' management is responsible for design, implementation, and maintenance of effective internal control to ensure the Program's compliance with the Agreement. This report is applicable solely to the Program and Agreement referred above and is not intended to pertain to any of DHS' other operations, procedures, or compliance with laws and regulations.

The scope of our audit includes all financial transactions for the WIC Program for the period from July 1, 2018, through June 30, 2019.

The audit methodology utilized to conduct the performance audit included:

1. Understandability of the Agreement – We evaluated the Agreement to understand the Agreement's financial compliance requirement.
2. Operations – We inquired the WIC Program's staff and management and inspected the Program's organizational charts to identify any conflict of interest and non-compliance with the Agreement.

3. Internal Control – We evaluated DHS’ internal control over the WIC Program. We also obtained the Program’s written internal control policies and procedures for purchasing, vendor payments, payroll, and claim submission. We compared the policies and procedures to the results of our Procedure Numbers 5, 6, 7, and 8.
4. Cost Allocation – We obtained the WIC Program’s written cost allocation policy, procedures, and methodology including the cost allocation worksheets and supporting data. We compared the policy, procedure, and methodology to the results of our Procedure Numbers 6, 7, and 8.
5. Claim Submission – We inspected and recalculated all claim submissions to the Commission. We traced the claims to DHS’ general ledgers and budgets approved by the Commission. We also confirmed DHS’ record of claim receipts to the Commission’s payment records.
6. Payroll Expenditures – We obtained payroll expenditure ledger detail for the WIC Program. We selected and tested four (4) employees from the Program with the largest amount of salaries and benefits claimed in a selected quarter.

We selected and tested seven (7) salary and benefits expenditure transactions from the selected four (4) employees at fourth quarter of the period and tested for compliance with the Agreement, and applicable laws and regulations. The selected sample size is \$12,684 of \$29,442 (43%) for program personnel expenses for claims in the quarter. Total program personnel expenses claimed for the period is \$77,494.

We recalculated the samples based on payroll registers, timesheets, activity report, and DHS’ cost allocation methodology. We traced these transactions to the claim submission and recalculate the related benefit claims. We did not identify any non-compliance with the Agreements from these expenditures. See Schedule I: *Schedule of Approved Budget, Expenditures Claimed, and Amount Tested*.

7. Non-Payroll Expenditures – We obtained expenditure ledger detail for the WIC Program and randomly selected a sample of 21 non-payroll expenditure transactions from the Program and tested for compliance with the Agreement, and applicable laws and regulations. The sample included a variety of expenditures such as mileage reimbursements, training costs, program and administrative supplies, and general operations cost.

We tested a total of \$15,602 out of \$22,148 (70%) program operating expenditures for the WIC Program. We traced them to the supporting documentation such as vendor invoices, receipts, journal entries, and DHS’ cost allocation calculation. We did not identify any non-compliance with the Agreement from these expenditures. See Schedule I: *Schedule of Approved Budget, Expenditures Claimed, and Amount Tested*.

8. Subcontractor Monitoring – WIC Program did not have any subcontractors for the period audited, as such, we did not perform any procedures to test subcontractor monitoring. However, the WIC Program had contracted International Board Certified Lactation Consultants (IBCLC) to provide lactation services. Accordingly we obtained expenditure ledger details for the lactation consultants and selected and tested three (3) lactation consultants from a selected quarter.

We selected 24 lactation consultant expenditures from the fourth quarter and tested for compliance with the Agreement, and applicable laws and regulations. The selected sample size is \$46,118 of \$71,413 (65%) for the program's lactation consultant expenditures in the fourth quarter of the period. Total lactation consultant expenditures claimed for the period is \$243,822. We did not identify any non-compliance with the Agreement from these expenditures. See Schedule I: *Schedule of Approved Budget, Expenditures Claimed, and Amount Tested*.

9. Status and progress reports – We confirmed that all WIC Program's quarterly status and progress reports were submitted on time to the Commission.

In connection with this audit, there are certain disclosures that are necessary pursuant to *Generally Accepted Government Auditing Standards*.

As required by various statutes within the California Government Code, County Auditor-Controllers or Directors of Finance are mandated to perform certain accounting, auditing, and financial reporting functions. These activities, in themselves, necessarily impair *Generally Accepted Government Auditing Standards'* independence standards. Specifically, "auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant/material to the subject matter of the audit."

Although the Director of Finance is statutorily obligated to maintain the accounts of departments, districts or funds that are held in the County Treasury, we believe that the following safeguarding and division of responsibility exist. The staff that has the responsibility to perform audits within the Auditor-Controller Division has no other responsibility of the accounts and records being audited including approval or posting of financial transactions that would therefore enable the reader of this report to rely on the information contained herein.

Based on our audit, the WIC Program's program costs, complied with the Agreement for the period from July 1, 2018, through June 30, 2019. Also, DHS has adequate internal control to ensure the Program's program costs are in compliance with the Agreement.

Dr. Peter Beilenson, Director
January 29, 2020
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This report is intended solely for the information and use of Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive, DHS' management, and the Commission, and is not intended to be and should not be used by anyone other than those 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

Attachments

Schedule I: *Schedule of Approved Budget, Expenditures Claimed, and Amount Tested*

County of Sacramento
 Department of Health Services
 First 5 Sacramento Commission Contracts
 Performance Audit
 Schedule of Approved Budget, Expenditure Claimed, and Amount Tested
 Women, Infants, and Children (WIC) Program
 For the Period July 1, 2018, through June 30, 2019

<u>Program Costs</u>	<u>Approved Budget</u>	<u>Expenditures Claimed</u>	<u>Amount Tested</u>
Personnel Costs	\$ 83,327	77,494	12,684
Lactation Consultants	253,548	243,822	46,118
Program Operating Costs	36,841	22,148	15,602
Indirect Costs	<u>11,994</u>	<u>8,707</u>	<u>8,707</u>
Total Costs	<u>\$ 385,710</u>	<u>352,171</u>	<u>83,111</u>

See Performance Auditor's Report