

# COUNTY OF SACRAMENTO

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

**INTERNAL AUDIT REPORT**  
**TLCS, INC., HOPE COOPERATIVE**  
**AGREED-UPON PROCEDURES**  
**DEPARTMENT OF HUMAN ASSISTANCE**



**Audit Committee Submittal Date: 10/14/2021**

## **SUMMARY**

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### **Background**

We have performed agreed upon procedures audit of TLCS, Inc., Hope Cooperative (TLCS)'s fiscal compliance as outlined in the contractual agreements listed below:

- Flexible Supportive Rehousing ICMS: Contract No. DHA-ICMS-TLCS-01-18 for the period March 1, 2018 to June 30, 2019
- Flexible Housing Pool ICMS: Contract No. DHA-ICMS-TLCS-01-20 for the period July 1, 2019 to June 30, 2020

### **Audit Objective**

This agreed upon procedure engagement was conducted to assist the Department of Human Assistance (DHA) to assess TLCS's financial condition and compliance with the above Agreements

### **Summary**

We found that TLCS, Inc. lack proper file storage policies and procedures and lacked detailed procedures for processing Department of Human Assistance claims.



## County of Sacramento

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September 7, 2021

Ethan Dye, Director  
Department of Human Assistance  
1825 Bell St., Suite 200  
Sacramento, CA 95825

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

Dear Mr. Dye:

We have performed the procedures, enumerated below, which were requested and agreed to by you regarding TLCS, Inc., Hope Cooperative (TLCS)'s fiscal compliance as outlined in the contractual agreements (Agreements) listed below:

- Flexible Supportive Rehousing ICMS: Contract No. DHA-ICMS-TLCS-01-18 for the period March 1, 2018 to June 30, 2019
- Flexible Housing Pool ICMS: Contract No. DHA-ICMS-TLCS-01-20 for the period July 1, 2019 to June 30, 2020

This agreed-upon procedures engagement was conducted to assist the Department of Human Assistance (DHA) to assess TLCS's financial condition and compliance with the above Agreements

DHA's management is responsible for monitoring TLCS's compliance with the Agreement's requirements. 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 and 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 does not pertain to any other agreements of DHA or TLCS.

The procedures performed and our findings were as follows:

1. Internal Controls - We reviewed TLCS's written internal control policies and procedures including purchasing, vendor payments, payroll, claim submissions, cost allocations, general ledger, and financial report preparation. We also reviewed

TLCS's written procedures for clients' admission and release, program eligibility verification, and services provided for its programs listed in the Agreements.

Finding: We noted TLCS did not have specific procedures regarding the process of submitting claims to DHA and the retention of supporting documents. See Attachment I, *Current Findings and Recommendations*.

2. Financial Statements - We inspected TLCS's audit reports for years ended June 30, 2019 and 2020 to identify any concerns or issues that require your attention.

Finding: We did not note any exceptions as a result of this procedure.

3. Claim Submissions - We inspected TLCS's monthly invoice claims and compared client assigned by the County to TLCS records for the period July 1, 2019 through June 30, 2020. We also tested the ratio of required TLCS case managers per number of clients assigned by comparing the number of clients assigned per claim to the number of case managers reported on the TLCS payroll register.

Finding: We did not note any exceptions as a result of this procedure.

4. General Ledger - We traced TLCS's monthly invoice claims to TLCS's general ledger.

Finding: We did not note any exceptions as a result of this procedure.

5. Cost Allocation – Based on the contract funding and reimbursement methodology, a review of the cost allocation methodology was not applicable.

Finding: We did not note any exceptions as a result of this procedure.

6. Funding Sources- We inspected TLCS's general ledger and financial statements to identify any duplicative funding for the services provided.

Finding: We did not note any exceptions as a result of this procedure.

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, respectively, on TLCS's financial statements or schedules, internal controls, or compliance with the Agreements. Accordingly,

Ethan Dye, Director  
September 7, 2021  
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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.

This report is intended solely for the use of the Sacramento County Board of Supervisors, those charged with governance, Sacramento County Audit Committee, Sacramento County Executive, and DHA's management. It is not intended to be, and should not be, used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

BEN LAMERA  
DIRECTOR OF FINANCE

By: Ross McCarthy, CPA  
Senior Audit Manager



Enclosures

Attachment I: Current Findings and Recommendations  
Schedule I: Schedule of Claims Paid, Contract Year 2018-19  
Schedule II: Schedule of Claims Paid, Contract Year 2019-20

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Current Findings and Recommendations  
For the Period March 1, 2018 to June 30, 2020

## 1. Closed File Storage Policy and Procedures

### Condition

TLCS, Inc. (TLCS)'s *Closed File Storage Policy and Procedures* did not include specified time periods for the retention of records. The policy should state the time period for the different categories and types of records to be maintained and then destroyed. TLCS's current policy designates certain managers to be responsible for overseeing records and destruction in accordance with the policies dictated by the County of Sacramento and under the internal direction of the Director for Program Services at TLCS.

Different governmental and grantees of awards have different record retention and destruction requirements. Documenting record retention and destruction timetables will help prevent destroying records too soon or incurring unnecessary storage costs.

County contract Section XXXIII *Audits and Records*, states in pertinent part, "COUNTY or its designee shall have the right at reasonable times and intervals to audit, at CONTRACTOR's premises, CONTRACTOR's financial and program records as COUNTY deems necessary to determine CONTRACTOR's compliance with legal and contractual requirements and the correctness of claims submitted by CONTRACTOR. CONTRACTOR shall maintain such records for a period of four years following termination of the Agreement..."

It appears TLCS management did not record retention and destruction timetables as part of its record retention policies and procedures.

### Recommendation

TLCS should develop record retention procedures that ensure documentation for all types of claims are maintained for the required duration of time.

### Management Response

DHA acknowledges the finding and has communicated DOF's recommendation to TLCS. TLCS notified DHA they are in the process of updating their record retention policies and procedures to include specified time periods for the retention of records

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for the different categories and types of records to be maintained. Once the policy is updated, DHA will review the policy to ensure TLCS is in compliance.

## 2. No Documented Process for DHA Claims

### Condition

TLCS, Inc. (TLCS)'s *Grant Agreement Invoicing Policy and Procedures* did not include procedures for the County's Flexible Supportive Re-Housing Program (FSRP) agreement. While the overall policy describes the process for the County Behavioral Health Services, Mental Health Navigator, Kaiser Alcohol and Other Drugs Program, the Department of Housing and Urban Development, and Federal Grants, the claiming process of the County FSRP was not documented.

The claiming process for County's FSRP is distinct and should be documented to save time, reduce mistakes, promote consistency, and document institutional knowledge regarding the software system's usage.

County contract Section XXXIII *Audits and Records*, states in pertinent part, "COUNTY or its designee shall have the right at reasonable times and intervals to audit, at CONTRACTOR's premises, CONTRACTOR's financial and program records as COUNTY deems necessary to determine CONTRACTOR's compliance with legal and contractual requirements and the correctness of claims submitted by CONTRACTOR. CONTRACTOR shall maintain such records for a period of four years following termination of the Agreement..."

Without policies and procedures over the County FSRP, errors may have occurred during the claiming process and may not have been detected in a timely manner. The auditor could not verify the number of clients claimed for contract year March 1, 2018 through June 30, 2019, against a list of participants assigned to TLCS.

It appears TLCS management did not update its *Grant Agreement Invoicing Policy and Procedures* for the County FSRP.

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Recommendation

TLCS should update its *Grant Agreement Invoicing Policy and Procedures* to include the County FSRP.

Management Response

DHA acknowledges the finding and has communicated DOF's recommendation to TLCS. TLCS notified DHA they are in the process of updating their Grant Agreement Invoicing Policy and Procedures to include procedures for the County's Flexible Supportive Re-Housing Program (FSRP) agreement. Once the policy is updated, DHA will review the policy to ensure TLCS is in compliance.



**COUNTY OF SACRAMENTO  
DEPARTMENT OF HUMAN ASSISTANCE  
FISCAL MONITORING - TLCS, INC.  
AGREED-UPON PROCEDURES  
SCHEDULE OF CLAIMS PAID  
FOR THE PERIOD MARCH 1, 2018 TO JUNE 30, 2019**

**Flexible Supportive Re-Housing Program**

<u>Month</u>	<u>Amount Claimed</u>	<u>Amount Paid</u>	<u>Difference</u>
Mar 2018	\$ 18,000	18,000	0
Apr 2018	40,500	40,500	0
May 2018	40,500	40,500	0
Jun 2018	40,500	40,500	0
Jul 2018	40,500	40,500	0
Aug 2018	40,500	40,500	0
Sep 2018	40,500	40,500	0
Oct 2018	40,500	40,500	0
Nov 2018	40,500	40,500	0
Dec 2018	40,500	40,500	0
Jan 2019	40,500	40,500	0
Feb 2019	40,500	40,500	0
Mar 2019	40,500	40,500	0
Apr 2019	40,500	40,500	0
May 2019	40,500	40,500	0
Jun 2019	40,500	40,500	0
	<u>40,500</u>	<u>40,500</u>	<u>0</u>
Totals	<u>\$ 625,500</u>	625,500	<u>0</u>
Contract Maximum		<u>625,500</u>	
Amount Available and Not Spent		<u>\$ 0</u>	

See Independent Accountant's Report

See Independent Accountant's Report

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DEPARTMENT OF HUMAN ASSISTANCE  
FISCAL MONITORING - TLCS, INC.  
AGREED-UPON PROCEDURES  
SCHEDULE OF CLAIMS PAID  
FOR THE PERIOD JULY 1, 2019 TO JUNE 30, 2020**

**Flexible Supportive Re-Housing Program**

<u>Month</u>	<u>Amount Claimed</u>	<u>Amount Paid</u>	<u>Difference</u>
Jul 2019	\$ 40,500	40,500	0
Aug 2019	40,500	40,500	0
Sep 2019	40,500	40,500	0
Oct 2019	40,500	40,500	0
Nov 2019	40,500	40,500	0
Dec 2019	40,500	40,500	0
Jan 2020	45,000	45,000	0
Feb 2020	45,900	45,900	0
Mar 2020	68,400	68,400	0
Apr 2020	78,300	78,300	0
May 2020	78,750	78,750	0
Jun 2020	78,350	78,350	0
	<u>          </u>	<u>          </u>	<u>          </u>
Totals	<u>\$ 637,700</u>	637,700	<u>          0</u>
Contract Maximum		<u>972,000</u>	
Amount Available and Not Spent		<u>\$ 334,350</u>	

See Independent Accountant's Report